

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

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2021.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number 001-38203

RYB Education, Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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Fengtai District, Beijing 100078
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(Address of principal executive offices)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
American depository shares, each representing one Class A ordinary share Class A ordinary shares, par value US\$0.001 per share*	RYB	New York Stock Exchange

*Not for trading, but only in connection with the listing on the New York Stock Exchange of American depository shares.

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

None

(Title of Class)

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

None

(Title of Class)

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

As of December 31, 2021, there were 28,035,934 ordinary shares outstanding, par value US\$0.001 per share, being the sum of 21,086,793 Class A ordinary shares (excluding treasury shares) and 6,949,141 Class B ordinary shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

†The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accountant firm that prepared or issued its audit report. Yes No

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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INTRODUCTION

Unless otherwise indicated and except where the context otherwise requires, references in this annual report on Form 20-F to:

- “ADSs” are to our American depositary shares, each of which represents one Class A ordinary share;
- “ADRs” are to the American depositary receipts that evidence our ADSs;
- “China” or the “PRC” are to the People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- “Class A ordinary shares” are to our class A ordinary shares, par value US\$0.001 per share;
- “Class B ordinary shares” are to our class B ordinary shares, par value US\$0.001 per share;
- “Divestiture” are to a series of restructuring transactions to unwind the historical contractual agreements with the former VIEs to divest our directly operated kindergarten business in China and to form new contractual agreements with the new VIE;
- “former VIE” are to the former consolidated variable interest entities, including Beijing RYB Children Education Technology Development Co., Ltd., Beiyao Technology Development Co., Ltd., and their subsidiaries, who become our educational service customers under a new series of service agreements after the Divestiture;
- “new VIE” are to the new consolidated variable interest entities, including Zhudou Investment (Beijing) Co., Ltd., or Zhudou Investment, and its subsidiaries;
- “ordinary shares” or “shares” are to our Class A ordinary shares and Class B ordinary shares;
- “RMB” and “Renminbi” are to the legal currency of China;
- “RYB” are to RYB Education, Inc.;
- “SGD\$” and “Singapore dollar” are to the legal currency of Singapore;
- “teaching facilities in our network” are to our directly operated or franchise kindergartens, play-and-learn centers and student care centers that are in operation, and references to our directly operated kindergartens include facilities that are in the process of obtaining the private school operation permits or registration certificates for private non-enterprise entities but contribute to our tuition fee revenues;
- “US\$,” “U.S. dollars,” “\$,” and “dollars” are to the legal currency of the United States;
- “VIE” are to the consolidated variable interest entities, the subsidiaries of the consolidated variable interest entities and the non-enterprise entities sponsored by the consolidated variable interest entities, including but not limited to the former VIE and the new VIE for the effective period of their respective contractual arrangements;
- “we,” “us,” “our company” and “our” are to RYB Education, Inc., our Cayman Islands holding company, and its subsidiary, and, in the context of describing our operations and consolidated financial information, the VIE in China, including, but not limited to, Beijing RYB Children Education Technology Development Co., Ltd., or Beijing RYB, and Zhudou Investment (Beijing) Co., Ltd., or Zhudou Investment, for the effective period of their respective contractual arrangements.

FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that relate to our current expectations and views of future events. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigations Reform Act of 1995.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- our goals and strategies;
- our future business development, financial conditions and results of operations;
- the expected growth of the early childhood education industry in China;
- our expectations regarding demand for our educational products and services;
- our expectations regarding our relationships with the divested kindergartens, educational service customers including the former VIE, kindergartens operated by the franchisees, students and their parents, business partners and our other stakeholders;
- competition in our industry; and
- relevant government policies and regulations relating to our industry.

You should read this annual report and the documents that we refer to in this annual report and have filed as exhibits to this annual report completely and with the understanding that our actual future results may be materially different from what we expect. Other sections of this annual report discuss factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Our Holding Company Structure and Contractual Arrangements with the VIE

RYB is not a Chinese operating company but a Cayman Islands holding company with no equity ownership in its variable interest entity, or VIE. We conduct our business in China through (i) our PRC subsidiaries and (ii) the former VIE and the new VIE with which we maintained contractual arrangements. Foreign investment in the education industry and value-added telecommunication industry in China is extensively regulated and subject to numerous restrictions. Accordingly, we historically operated these businesses in China through the former VIE, and relied on contractual arrangements among our PRC subsidiaries, the former VIE and their shareholders to control the business operations of the former VIE. We have entered into agreements with former VIE to terminate the contractual arrangements in March 2022, pursuant to which the previous contractual arrangements were terminated, and we divested our directly operated kindergarten business on April 30, 2022. Pursuant to PRC laws and regulations, ICP license can only be held by companies with an ultimate capital contribution percentage by foreign investor(s) not exceed 50%. Accordingly, in April 2022, we entered into a series of contractual agreements with Zhudou Investment, or the new VIE, and its shareholders and its subsidiaries for licensing concern. See “Item 4. Information on the Company—C. Organizational Structure” for further details. Holders of our ADSs are not holding equity interest in the VIE in China but instead are holding equity interest in a holding company incorporated in the Cayman Islands.

A series of contractual agreements, including powers of attorney, exclusive consulting and services agreement, exclusive option agreement, equity disposal agreement, equity interest pledge agreements, business operation agreement, confirmation letter and spousal consent letter, were entered into by and among our wholly owned PRC subsidiaries, the VIE, and their shareholders. As a result of the contractual arrangements, we have obtained the power to direct the activities of the VIE and have consolidated the financial results of the VIE in our consolidated financial statements for the effective period of the respective contractual arrangements. Revenues contributed by the VIE accounted for 89.2%, 73.0% and 78.8% of our total revenues for the years of 2019, 2020 and 2021, respectively. For more details of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure.”

However, the contractual arrangements may not be as effective as direct ownership in providing us with control over the VIE and we may incur substantial costs to enforce the terms of the arrangements. In addition, these agreements have not been tested in China courts. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure— We rely on contractual arrangements with the VIE and its shareholders for a large portion of our business operations, which may not be as effective as direct ownership in providing operational control,” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure— The shareholders of the VIE may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.”

There are also substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules regarding the status of the rights of our Cayman Islands holding company with respect to its contractual arrangements with the VIE and its shareholders. It is uncertain whether any new PRC laws or regulations relating to VIE structures will be adopted or if adopted, what they would provide. If we or the VIE is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure— If the PRC government finds that the agreements that establish the structure for operating some of our business operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties, or be forced to relinquish our interest in those operations,” and “—Risks Related to Doing Business in China—Our current corporate structure and business operations may be affected by the newly enacted Foreign Investment Law.”

Our corporate structure is subject to risks associated with our contractual arrangements with the VIE. If the PRC government deems that our contractual arrangements with the VIE do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company, our PRC subsidiaries and VIE, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIE and, consequently, significantly affect the financial performance of the VIE and our company as a whole. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure.”

We face various risks and uncertainties related to doing business in China. Our business operations are primarily conducted in China, and we are subject to complex and evolving PRC laws and regulations. For example, we face risks associated with regulatory approvals on offshore offerings, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy, as well as the possible lack of inspection by the Public Company Accounting Oversight Board, or the PCAOB, on our auditors pursuant to the announcement of the PCAOB issued on December 16, 2021. This may impact our ability to conduct certain businesses, accept foreign investments, or list on a United States or other foreign exchange. These risks could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause the value of such securities to significantly decline. For a detailed description of risks related to doing business in China, please refer to risks disclosed under “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China.”

PRC government’s significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations, including data security or anti-monopoly related regulations, in this nature may cause the value of such securities to significantly decline. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PRC government’s significant oversight over our business operation could result in a material adverse change in our operations and the value of our ADSs.”

Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our ADSs. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

Permissions Required from the PRC Authorities for Our Operations

We conduct our business in China through our subsidiaries and the VIE in China. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries and VIE have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our holding company and the VIE in China, including, among others, the private school operation permit from the local education bureau, the registration certificate for private non-enterprise entities issued by the local civil affairs bureau and the ICP license. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by relevant government authorities, we may be required to obtain additional licenses, permits, filings or approvals for the functions and services of our platform in the future. For more detailed information, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China— We may not be able to obtain all necessary approvals, licenses and permits or to make all necessary registrations and filings for our educational and other services in the countries in which we operate.”

Furthermore, in connection with our issuance of securities to foreign investors, under current PRC laws, regulations and regulatory rules, as of the date of this annual report, we, our PRC subsidiaries and the VIE, (i) are not required to obtain permissions from the China Securities Regulatory Commission, or the CSRC, (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China, or the CAC, and (iii) have not received or were denied such requisite permissions by any PRC authority.

However, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. For more detailed information, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China— The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.”

Cash Flows through Our Organization

RYB is a holding company with no operations of its own. We conduct our business in China through our subsidiaries and the VIE in China. As a result, although other means are available for us to obtain financing at the holding company level, RYB’s ability to pay dividends to the shareholders and to service any debt it may incur may depend upon dividends paid by our PRC subsidiaries and license and service fees paid by the VIE. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to RYB. In addition, our PRC subsidiaries are permitted to pay dividends to RYB only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Further, our PRC subsidiaries and VIE are required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. For more details, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure.”

Under PRC laws and regulations, our PRC subsidiaries and VIE are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by State Administration of Foreign Exchange, or the SAFE. The amounts restricted include the paid-up capital and the statutory reserve funds of our PRC subsidiaries and the net assets of the VIE in which we have no legal ownership, totaling US\$3.5 million, US\$7.2 million and US\$13.4 million as of December 31, 2019, 2020 and 2021, respectively. For risks relating to the fund flows of our operations in China, see “Item 3. Key Information—Risk Factors—Risks Related to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material and adverse effect on our ability to conduct our business.”

Under PRC law, RYB may provide funding to our PRC subsidiaries only through capital contributions or loans, and to the VIE only through loans, subject to satisfaction of applicable government registration and approval requirements. For the years ended December 31, 2019, 2020 and 2021, RYB extended loans with outstanding principal amount of US\$55.4 million, US\$34.4 million and US\$34.4 million, respectively, to our intermediate holding companies and subsidiaries, and VIE received nil, nil and nil as capital or investment, respectively.

RYB has not declared or paid any cash dividends, nor does it have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy.” For PRC and United States federal income tax considerations of an investment in our ADSs, see “Item 10. Additional Information—E. Taxation.”

Financial Information Related to the VIE

The following tables provide condensed consolidating schedules depicting the financial position, cash flows, and results of operations for the parent, subsidiaries, the consolidated VIE, and any eliminating adjustments and consolidated totals (in thousands of RMB) as of and for the years ended December 31, 2019, 2020 and 2021.

Selected Condensed Consolidated Statements of Operations Information

	For the Year Ended December 31, 2021				Consolidated Total
	RVB Education Inc.	Company Subsidiaries	VIE	Eliminations	
	(US\$in thousands)				
Selected Consolidated Statements of Operations Data:					
Net revenues	—	38,579	142,005	(271)	180,313
Cost of revenues	11	48,475	100,927	(271)	149,142
Gross profit	(11)	(9,896)	41,078	—	31,171
Operating expenses	4,072	(6,817)	30,081	—	27,336
Operating income (loss)	(4,082)	(3,080)	10,997	—	3,835
Income (loss) before income taxes	(4,015)	(954)	11,953	—	6,984
Income (loss) before loss in equity method investments	(4,015)	(1,795)	9,354	—	3,544
Net income (loss)	(4,015)	(1,795)	9,339	—	3,529

	For the Year Ended December 31, 2020				Consolidated Total
	RVB Education Inc.	Company Subsidiaries	VIE	Eliminations	
	(US\$in thousands)				
Selected Consolidated Statements of Operations Data:					
Net revenues	—	29,767	80,107	(159)	109,715
Cost of revenues	850	25,372	90,838	(159)	116,901
Gross profit (loss)	(850)	4,395	(10,731)	—	(7,186)
Operating expenses	4,417	6,199	25,584	—	36,200
Operating loss	(5,267)	(1,714)	(36,405)	—	(43,386)
Loss before income taxes	(5,016)	(529)	(35,238)	—	(40,783)
Loss before loss in equity method investments	(5,016)	(1,044)	(34,938)	—	(40,998)
Net loss	(5,016)	(1,175)	(34,992)	—	(41,183)

	For the Year Ended December 31, 2019				Consolidated Total
	RVB Education Inc.	Company Subsidiaries	VIE	Eliminations	
	(US\$in thousands)				
Selected Consolidated Statements of Operations Data:					
Net revenues	—	19,904	162,644	(265)	182,283
Cost of revenues	59	25,139	130,601	(265)	155,534
Gross profit	(59)	(5,235)	32,043	—	26,749
Operating expenses	4,166	7,703	14,714	—	26,583
Operating income (loss)	(4,225)	(12,938)	17,329	—	166
Income (loss) before income taxes	(4,225)	(11,361)	17,601	—	2,015
Income (loss) before loss in equity method investments	(4,225)	(11,044)	13,743	—	(1,526)
Net income (loss)	(4,225)	(12,326)	14,361	—	(2,190)

Selected Condensed Consolidated Balance Sheets Information

	As of December 31, 2021				Consolidated Total
	RVB Education Inc.	Company Subsidiaries	VIE	Eliminations	
	(US\$in thousands)				
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	21,442	10,857	32,964	—	65,263
Total current assets	57,322	16,410	48,879	(40,359)	82,252
Total assets	89,130	60,725	173,580	(40,359)	283,076
Total current liabilities	26	63,985	98,706	(40,359)	122,358
Total liabilities	26	78,297	165,956	(40,359)	203,920
Total equity	89,104	(22,142)	7,252	—	74,214

	As of December 31, 2020				Consolidated Total
	RVB Education Inc.	Company Subsidiaries	VIE	Eliminations	
	(US\$in thousands)				
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	24,107	8,236	21,111	—	53,454
Total current assets	59,873	3,724	35,314	(28,806)	70,105
Total assets	90,753	53,596	186,948	(28,806)	302,491
Total current liabilities	155	50,651	106,357	(28,806)	128,357
Total liabilities	155	65,352	188,123	(28,806)	224,824
Total equity	90,598	(21,744)	(1,175)	—	67,679

Selected Condensed Consolidated Cash Flows Information

	For the Year Ended December 31, 2021				Consolidated Total
	RVB Education Inc.	Company Subsidiaries	VIE	Eliminations	
	(US\$in thousands)				
Selected Consolidated Cash Flow Data:					
Net cash generated from/(used in) operating activities	(2,665)	7,854	14,041	—	19,230
Net cash used in investing activities	—	(14,847)	(3,135)	11,553	(6,429)
Net cash generated from/(used in) financing activities	—	10,976	(820)	(11,553)	(1,397)
Exchange rate effect on cash and cash equivalents and restricted cash	—	(1,361)	1,632	—	271
Net increase/(decrease) in cash and cash equivalents and restricted cash	(2,665)	2,622	11,718	—	11,675
Cash and cash equivalents and restricted cash at the beginning of year	24,107	8,236	22,238	—	54,581
Cash and cash equivalents and restricted cash at the end of year	21,442	10,858	33,956	—	66,256

	For the Year Ended December 31, 2020				Consolidated Total
	RVB Education Inc.	Company Subsidiaries	VIE	Eliminations	
	(US\$in thousands)				
Selected Consolidated Cash Flow Data:					
Net cash generated from/(used in) operating activities	(173)	5,654	(12,007)	—	(6,526)
Net cash generated from/(used in) investing activities	—	51,797	(2,368)	(52,014)	(2,585)
Net cash generated from/(used in) financing activities	—	(51,918)	460	52,014	556
Exchange rate effect on cash and cash equivalents and restricted cash	—	(4,907)	(1,395)	—	(6,302)
Net increase/(decrease) in cash and cash equivalents and restricted cash	(173)	626	(15,310)	—	(14,857)
Cash and cash equivalents and restricted cash at the beginning of year	24,280	7,610	37,548	—	69,438
Cash and cash equivalents and restricted cash at the end of year	24,107	8,236	22,238	—	54,581

	For the Year Ended December 31, 2019				Consolidated Total
	RVB Education Inc.	Company Subsidiaries	VIE	Eliminations	
	(US\$in thousands)				
Selected Consolidated Cash Flow Data:					
Net cash generated from/(used in) operating activities	(35,086)	33,377	14,691	—	12,982
Net cash used in investing activities	—	(68,363)	(16,360)	50,345	(34,378)
Net cash generated from/(used in) financing activities	(300)	38,648	(1,457)	(50,345)	(13,454)
Exchange rate effect on cash and cash equivalents and restricted cash	—	(47)	(495)	—	(542)
Net increase/(decrease) in cash and cash equivalents and restricted cash	(35,386)	3,615	(3,621)	—	(35,392)
Cash and cash equivalents and restricted cash at the beginning of year	59,666	3,285	41,879	—	104,830
Cash and cash equivalents and restricted cash at the end of year	24,280	6,900	38,258	—	69,438

A. [Reserved]

The following selected consolidated statements of operations data for the years ended December 31, 2019, 2020 and 2021, selected consolidated balance sheet data as of December 31, 2020 and 2021, and selected consolidated cash flow data for the years ended December 31, 2019, 2020 and 2021, have been derived from our audited consolidated financial statements included elsewhere in this annual report. The following selected consolidated statement of comprehensive income data for the years ended December 31, 2017 and 2018, selected consolidated balance sheet data as of December 31, 2017, 2018 and 2019 and selected consolidated cash flow data for the years ended December 31, 2017 and 2018 have been derived from our audited consolidated financial statements not included in this annual report. Our historical results do not necessarily indicate results expected for any future periods. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.

You should read the selected consolidated financial information in conjunction with our consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report. Our historical results are not necessarily indicative of our results expected for future periods.

	For the Years Ended December 31,				
	2017	2018	2019	2020	2021
	(in thousands of US\$, except for share and per share data)				
Selected Consolidated Comprehensive Statement of Operations Data:					
Net revenues:					
Services	122,869	139,216	166,183	103,073	172,404
Products	17,934	17,282	16,100	6,642	7,909
Total net revenues	<u>140,803</u>	<u>156,498</u>	<u>182,283</u>	<u>109,715</u>	<u>180,313</u>
Cost of revenues:					
Services	101,522	121,549	147,669	113,285	145,473
Products	9,755	9,315	7,865	3,616	3,669
Total cost of revenues	<u>111,277</u>	<u>130,864</u>	<u>155,534</u>	<u>116,901</u>	<u>149,142</u>
Gross profit (loss)	<u>29,526</u>	<u>25,634</u>	<u>26,749</u>	<u>(7,186)</u>	<u>31,171</u>
Operating expenses:					
Selling expenses	1,774	2,233	2,808	1,285	2,491
General and administrative expenses	18,418	26,428	23,775	24,313	20,286
Impairment loss on goodwill	—	—	—	8,454	4,559
Impairment loss on long-lived assets	—	—	—	2,148	—
Total operating expenses	<u>20,192</u>	<u>28,661</u>	<u>26,583</u>	<u>36,200</u>	<u>27,336</u>
Operating income (loss)	<u>9,334</u>	<u>(3,027)</u>	<u>166</u>	<u>(43,386)</u>	<u>3,835</u>
Interest income	563	2,147	858	348	219
Government subsidy income	863	683	499	4,591	2,491
Gain (loss) on disposal of subsidiaries	(168)	1,234	492	96	439
Impairment loss on long-term investments	—	—	—	(2,432)	—
Income (loss) before income taxes	<u>10,592</u>	<u>1,037</u>	<u>2,015</u>	<u>(40,783)</u>	<u>6,984</u>
Less: Income tax expenses	<u>3,812</u>	<u>2,459</u>	<u>3,541</u>	<u>215</u>	<u>3,440</u>
Income (loss) before loss in equity method investments	<u>6,780</u>	<u>(1,422)</u>	<u>(1,526)</u>	<u>(40,998)</u>	<u>3,544</u>
Loss from equity method investments	<u>(239)</u>	<u>(291)</u>	<u>(664)</u>	<u>(185)</u>	<u>(15)</u>
Net income (loss)	<u>6,541</u>	<u>(1,713)</u>	<u>(2,190)</u>	<u>(41,183)</u>	<u>3,529</u>
Less: Net (loss) income attributable to noncontrolling interest	<u>(574)</u>	<u>(93)</u>	<u>387</u>	<u>(3,903)</u>	<u>189</u>
Increase(decrease) in redeemable noncontrolling interest	<u>—</u>	<u>169</u>	<u>(143)</u>	<u>—</u>	<u>(3,450)</u>
Net income (loss) attributable to ordinary shareholders of RYB Education, Inc.	<u>7,115</u>	<u>(1,789)</u>	<u>(2,434)</u>	<u>(37,280)</u>	<u>6,790</u>
Net income (loss) per share attributable to ordinary shareholders of RYB Education, Inc.:					
Basic	<u>0.29</u>	<u>(0.06)</u>	<u>(0.09)</u>	<u>(1.33)</u>	<u>0.24</u>
Diluted	<u>0.27</u>	<u>(0.06)</u>	<u>(0.09)</u>	<u>(1.33)</u>	<u>0.23</u>
Weighted average shares used in calculating net income (loss) per ordinary share:					
Basic	<u>24,735,445</u>	<u>29,213,801</u>	<u>28,074,624</u>	<u>28,122,851</u>	<u>28,208,734</u>
Diluted	<u>26,566,657</u>	<u>29,213,801</u>	<u>28,074,624</u>	<u>28,122,851</u>	<u>28,962,480</u>

	As of December 31,				
	2017	2018	2019	2020	2021
	(in thousands of US\$)				
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	158,691	104,084	68,728	53,454	65,263
Total current assets	172,808	121,596	91,570	70,105	82,252
Total assets	229,738	243,455	336,094	302,491	283,076
Total current liabilities	97,022	108,339	125,908	128,357	122,358
Total liabilities	124,444	128,487	219,377	224,824	203,920
Total equity	105,294	113,340	107,916	67,679	74,214

	For the Year Ended December 31,				
	2017	2018	2019	2020	2021
	(in thousands of US\$)				
Selected Consolidated Cash Flow Data:					
Net cash generated from/(used in) operating activities	25,099	828	12,982	(6,526)	19,230
Net cash used in investing activities	(8,655)	(51,735)	(34,378)	(2,585)	(6,429)
Net cash generated from/(used in) financing activities	92,496	(756)	(13,454)	556	(1,397)
Exchange rate effect on cash and cash equivalents and restricted cash	3,666	(2,741)	(542)	(6,302)	271
Net increase/(decrease) in cash and cash equivalents and restricted cash	112,606	(54,404)	(35,392)	(14,857)	11,675
Cash and cash equivalents and restricted cash at beginning of year	46,628	159,234	104,830	69,438	54,581
Cash and cash equivalents and restricted cash at end of year	159,234	104,830	69,438	54,581	66,256

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

An investment in our ADSs or Class A ordinary shares involves significant risks. Below is a summary of material risks we face, organized under relevant headings. These risks are discussed more fully in Item 3. Key Information—D. Risk Factors.

Risks Related to Our Business

- Uncertainties and risks accompany our strategy to divest our business of directly operated kindergartens;
- We may receive a significant portion of our revenues from a limited number of customers in the foreseeable future;
- Our business and results of operations depend on our ability to maintain and raise the fee levels and prices of our services and products;
- We may not be able to execute our growth strategies successfully, which may hinder our ability to capitalize on new business opportunities;
- New legislations and changes in the regulatory requirement regarding private education and preschool education in countries where we operate may materially affect our business operations and prospects;

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- The growth of our business depends on the market recognition of our brand. If we are not able to maintain our reputation, enhance our brand recognition and continuously update our curriculum, our business and operating results may be materially and adversely affected;
- Misbehavior or unsatisfactory performance by the teachers in the kindergartens under our brands will hurt our reputation and potentially our operation results and financial performance;
- Injuries, accidents, food quality incidents or other harm suffered by students or employees at the facilities under our brands or operated by the franchisees may damage our reputation and subject us to liabilities;
- If the facilities under our brands or operated by the franchisees fail to maintain and increase student enrollment in our kindergartens and play-and-learn centers, our revenues may decline and we may not be able to maintain profitability; and
- We face risks associated with our franchise business model.

Risks Related to Our Corporate Structure

- RYB is a Cayman Islands holding company with no equity ownership in the VIE and we conduct our operations in China primarily through (i) our PRC subsidiaries and (ii) the VIE with which we have maintained contractual arrangements. Investors in our ADSs thus are not purchasing equity interest in our operating entities in China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with PRC laws and regulations, or if these regulations or the interpretation of existing regulations change in the future, we and the VIE could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company in the Cayman Islands, our PRC subsidiaries, the VIE, and investors of RYB face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIE and, consequently, significantly affect the financial performance of the VIE and our company as a whole;
- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations;
- We rely on contractual arrangements with the VIE and its shareholders for a large portion of our business operations, which may not be as effective as direct ownership in providing operational control. We rely on the performance by the VIE and its shareholders of their obligations under the contracts to have the power to direct the activities of the VIE. The shareholders of the VIE may not act in the best interests of RYB or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate certain portion of our business through the contractual arrangements with the VIE;
- Any failure by the VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business. If the VIE or its shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective under PRC law; and
- The shareholders of the VIE may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition. The shareholders of the VIE may breach, or cause the VIE to breach, or refuse to renew, the existing contractual arrangements we have with them and the VIE, which would have a material adverse effect on our ability to direct the activities of the VIE and receive economic benefits from them. If we cannot resolve any conflict of interest or dispute between us and these shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Risks Related to Doing Business in China

- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations. The enforcement of laws and rules and regulations in China may change quickly with little advance notice, which could result in a material adverse change in our operations and the value of our ADSs;
- The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing. Any failure to obtain or delay in obtaining the requisite governmental approval for an offering, or a rescission of such approval, would subject us to sanctions imposed by the relevant PRC regulatory authority;
- The PRC government's significant oversight over our business operation could result in a material adverse change in our operations and the value of our ADSs. The Chinese government may intervene or influence our operations at any time, or may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers. Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless; and
- The recent joint statement by the SEC and PCAOB, proposed rule changes submitted by Nasdaq, and the Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our offering.

Risks Related to Our American Depositary Shares

- The trading price of our ADSs is likely to be volatile, which could result in substantial losses to investors;
- If the market price for our ADSs remains below US\$1.00 for an extended period of time, or falls to US\$0.16 at any time, our ADSs may be delisted from the NYSE;
- We have granted, and may continue to grant, options and other types of awards under our share incentive plan, which may result in increased share-based compensation expenses;
- If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline;
- The sale or availability for sale of substantial amounts of our ADSs could adversely affect their market price; and
- Our dual class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

Risks Related to Our Business

Uncertainties and risks accompany our strategy to divest our business of directly operated kindergartens.

Direct operation of kindergartens has long been a driver of our growth. In 2021, revenues generated from our business of directly operated kindergartens represented a significant portion of our total revenues. Upon the Divestiture, our subsidiaries have entered into a series of service agreements with the former VIE to provide a series of services to the former VIE and the kindergartens operated by them. Our results of operations and financial position will be partially dependent on the performance of the divested kindergartens, especially when some of the service to be provided are charged based on the revenues or size of the kindergartens.

We may receive a significant portion of our revenues from a limited number of customers in the foreseeable future.

We have entered into agreements with the former VIE to terminate the contractual arrangements in March 2022, pursuant to which the previous contractual arrangements were terminated, and we divested our directly operated kindergarten business on April 30, 2022. In conjunction with entering into the VIE termination agreements, our subsidiaries, including RYB Technology, have entered into a series of service agreements with a term of 15 years with the former VIE, at arm's length terms under which our subsidiaries will continually provide brand royalty, training, management IT system, recruitment, and curriculum design services to these entities and the kindergartens operated by them. We expect these customers will account for a significant portion of our revenue in the foreseeable future. If they breach the agreements, materially reduce their demand for our products and services, or delay their payment for our products and services, this could increase our credit risk and have a material impact on our operations and financial results. We may experience a reduction in revenue, which could harm our results of operations and financial condition.

As of December 31, 2021, at the request of the local education authorities, we have de-registered a few of the private kindergartens directly operated by us and transferred them to public kindergartens which are sponsored by the local education authorities or their designated entities. As of December 31, 2021, none of the aforementioned kindergartens has been included in our consolidated financial statements. After the Divestiture, if any of our divested kindergartens is so de-registered and converted to public nature at the request of local education authorities, the former VIE could be adversely affected to perform their contractual obligations under the service agreements due to the reduced tuition fees to be charged by public kindergartens and restrictions imposed by local education authorities on tuition fees collectible by the former VIE, which could create additional credit risk to us and subject our operation and financial conditions to negative impact.

Our business and results of operations depend on our ability to maintain and raise the fee levels and prices of our services and products.

An important factor affecting our profitability is the tuition fees we charged at our directly operated teaching facilities before the Divestiture as well as the fees that we charge the franchisees and other business partners, and divested facilities through the former VIE after the Divestiture. We also derive a portion of revenues from sales of educational merchandise. The amounts of those fees and prices we are able to derive, except for inclusive kindergartens, are primarily determined based on the demand and popularity among children and their parents for our education services and products, the cost of our operations, the geographic markets where the facilities operate, our competitors' pricing levels, our pricing strategy to gain market share and the general economic conditions in China and other countries in which we operate.

In addition, our tuition cannot exceed the maximum amounts on file with the local governmental pricing authorities. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Private Education in the PRC—Regulations on Education-related Fees." Certain of our kindergartens before the Divestiture are "inclusive kindergartens" where tuition is determined by local educational authorities. We also operated certain of our kindergartens on premises leased from government bodies as of December 31, 2021. If the divested teaching facilities are encouraged or required by relevant educational authorities to be operated as "inclusive kindergartens," our service fee that can be derived from these teaching facilities may become lower. There can be no assurance that we will be able to maintain or raise the service fee level and other fees that we can derive from the teaching facilities in the future due to various reasons, including the failure to complete pricing filings with governmental authorities and some of the facilities being converted into inclusive kindergartens, and our business, financial position and results of operations may be materially and adversely affected in the event of our failure to maintain or steadily raise our fee levels and prices of our services and products.

Moreover, the Amended Law for Promoting Private Education sets out certain restrictions as to the use of profits earned by not-for-profit schools. The divested kindergartens in general plan to submit applications to be designated as for-profit schools, but there is no guarantee that the for-profit school designation applications will be approved. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Private Education in the PRC—The Amendment to the Law for Promoting Private Education" for further details. As a result, we may not be able to maintain our current fees and may not be able to raise any of such fees for these kindergartens at our desired rates, times and places or at all in the future under the framework of the Amended Law for Promoting Private Education.

We may not be able to execute our growth strategies successfully, which may hinder our ability to capitalize on new business opportunities.

We seek and will continue to implement various strategies to grow our business, including enhancing our service quality to the divested kindergartens, expanding the franchise network, expanding the teaching facility network, and increasing student enrollment in our Singapore operations, expanding curricula and product offerings, pursuing strategic acquisitions and investments, improving systems and infrastructures, and other future strategies that we plan to execute. These strategies may not materialize due to a number of factors, including, without limitation, the following:

- we may fail to identify, and effectively market our services in, new geographic markets with sufficient growth potential;
- we may be unable to successfully integrate acquired businesses, if any, with our current service offerings and achieve anticipated synergies;
- our analysis for selecting suitable new facility locations in Singapore may not be accurate and the demand for our services at the newly selected locations may not materialize or increase as rapidly as we expect;
- the development of new teaching facilities in Singapore may be delayed or affected by many factors, such as delays in obtaining government approvals or licenses, shortages of key construction supplies and skilled labor, construction accidents, or natural catastrophes, some of which are beyond our control;
- we may require more time than expected, or may not be able, to obtain the accreditation for our services;
- we may not be able to further expand our franchise network as fast as we expect;
- students and/or their parents in our Singapore operation may react negatively to our plans to increase facility, class size or tuition;
- we may not be able to develop and upgrade our curricula and product lines that are appealing to students in the divested kindergartens or our franchise network;
- we may not be able to continue to enhance our online offerings of courses and educational merchandise; and
- we may not be able to adequately upgrade or strengthen our operational, administrative and technological systems and our financial and management controls to serve the divested kindergartens or to support our future expansion of our franchise network.

If we fail to successfully execute our growth strategies, we may not be able to maintain our growth rate and current business, and our prospects may be materially and adversely affected as a result.

New legislations and changes in the regulatory requirement regarding private education and preschool education in countries where we operate may materially affect our business operations and prospects.

The private education industry in China is subject to various rules and regulations, which are amended or updated from time to time. In the preschool education industry, PRC government authorities have recently issued new rules, regulations and guidelines that may affect our business and results of operations. For details on recent regulations on private education, please see “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Private Education in the PRC.”

The Law for Promoting Private Education of the PRC was promulgated in December 2002, and was amended in June 2013, and further amended in November 2016 and December 2018 (the “Amended Law for Promoting Private Education”). On May 14, 2021, the PRC State Council announced the Implementing Regulations for the Law for Promoting Private Education of the PRC (the “Implementation Rules”), which became effective on September 1, 2021. What’s more, The Opinions of the Central Committee of the Communist Party of China (“CPC”) and State Council on Deepening Reform and Standardized Development in Preschool Education, or Reform Opinions, issued by the CPC and the State Council in November 2018 is another regulation that might cast great uncertainties on our operation. In January 2019, the General Office of the State Council issued another circular that might have material impact on our operation. There remain uncertainties in the interpretation and implementation of forementioned laws with respect to various aspects of the operations of a for-profit private school and whether such implementation regulations would have any material adverse impact on our business. In particular, (i) social capital is not allowed to control not-for-profit kindergartens or kindergartens that are sponsored by state-owned assets or collectively-owned assets, (ii) specific procedures regarding the conversion of an existing private school into a for-profit school have not yet been promulgated by most local authorities, (iii) specific conditions or requirements in respect of any preferential tax treatment which for-profit schools may enjoy have not been promulgated by relevant authorities, and (iv) private schools providing compulsory education shall not conduct any transaction with any related party.

The above laws and regulations bring significant uncertainties to our operation. It is uncertain whether it would become illegal to use contractual arrangements to consolidate operation results of kindergartens under the new regulation regime for the effective period of the previous contractual arrangements. However, because (i) the Legislation Law of the PRC provides that laws, administrative regulations, local regulations, autonomous regulations, and separate regulations do not have retrospective effect other than special provisions; (ii) there is no provision in the Implementation Rules or Reform Opinions providing that it will have retrospective force; (iii) the Implementation Rules is silent on the legality of private schools, including kindergartens, controlled by PRC citizens through foreign-invested enterprises; and (iv) our contractual arrangements have been signed before the Implementation Rules or Reform Opinions promulgation, our PRC legal counsel Commerce & Finance Law Offices is of the view that our contractual arrangements with the former VIE for the effective period were not in violation of applicable existing PRC laws and regulations, valid and binding on the parties so long as our contractual arrangements had been entered into on an arm’s length basis as business arrangements having regard to the principles of openness, fairness and justice, and they do not harm national interests, the interest of the schools, or the rights and interest of the teachers and the students. Our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel.

We have entered into agreements with the former VIE to terminate the contractual arrangements in March 2022, pursuant to which the previous contractual arrangements were terminated, and we divested our directly operated kindergarten business on April 30, 2022. See “Item 4. Information on the Company—C. Organizational Structure” for further details. Given the evolving regulatory environment, there is uncertainty as to how the Implementation Rules, Reform Opinions or Circular on Initiating the Rectification will be interpreted and implemented. To the extent that we are not able to fully comply with these requirements, our business, financial condition, and results of operations may be materially and adversely affected. We are unable to predict with certainty the impact, if any, that future legislation or regulations relating to the implementation of the laws promoting private education in the PRC will have on our business, financial condition, and results of operations. However, if our previous group structure or our contractual arrangements were deemed to violate any rules, laws, or regulations, the license of former VIE to operate private schools may be revoked, cancelled or not renewed and we may be exposed to other penalties as determined by the relevant government authorities. If such situations occur, our business, financial condition and prospects would be materially and adversely, directly and indirectly, affected.

In Singapore, the operation of kindergartens is regulated by the Early Childhood Development Centres Act, which was passed in 2017. This act set forth certain prerequisite requirements that must be met to obtain a license to operate a kindergarten, such as physical requirements, staffing requirements and financial requirements. The Early Childhood Development Agency, an autonomous agency formed in 2013 and hosted under the Ministry of Social and Family Development of Singapore, serves as the regulatory and developmental authority for the early childhood sector in Singapore, overseeing various aspects of children’s development, such as the setting up and licensing of kindergartens. Any change or addition to the laws and regulations imposed by authorities overseeing the preschool education sector in Singapore may have a material adverse effect on our Singapore operations, which would in turn adversely affect our financial condition and results of operations.

The growth of our business depends on the market recognition of our brand. If we are not able to maintain our reputation, enhance our brand recognition and continuously update our curriculum, our business and operating results may be materially and adversely affected.

Our track record in providing quality education services established “RYB (紅黃藍)” as a leading brand in the industry. We believe that market recognition of our brand is a key factor to ensure our future success. As we continue to grow in size and broaden the scope of our curricula and services, however, it may become increasingly difficult to maintain the quality and consistency of the services we offer, which may negatively impact our brand and the popularity of our products and services offered thereunder.

Our brand value will also be affected by customer perceptions. Those perceptions are affected by a number of factors; some of them are based on first-hand observation of our service quality while others may be based on indirect information from media or other sources. Incidents and any negative publicity related thereto, even if factually incorrect, may lead to significant deterioration of our brand image and reputation, and consequently negatively affect students’ and their parents’ interests in our services and products as well as franchisees and potential franchisees’ interest in joining our franchise network. Particularly in the age of digital media and social network, impacts of negative publicity associated with any single incident could be easily amplified and potentially cause impacts that go beyond our estimation or control.

For example, according to a court verdict, a female teacher then working at one of our directly operated kindergartens in Beijing was found to have used sewing needles as a way to “discipline” children during post-lunch naptime in late 2017. She was subsequently discharged from our company and was criminally charged with “maltreatment of children under care” in connection with a class she taught. We refer to this incident in this annual report as the “2017 Incident.” On December 28, 2018, she was sentenced to one and a half years’ imprisonment by Beijing Chaoyang District People’s Court and prohibited from child-caring employment for a term of five years following her release from prison. At the time, despite the fact only one teacher was charged and the case remained under investigation, rumors and negative publicity surrounding the 2017 Incident was widely circulated on the internet, and subsequently affected our reputation and brand goodwill. Consequently, some parents lost confidence in our safety management, and utilization of the kindergarten involved in the 2017 Incident was directly and negatively impacted, and some franchisees also requested to terminate their franchise relationships with us.

In addition, scientific studies on early childhood education are constantly evolving and new or innovative conclusions on education methodologies or philosophies may affect customers’ perception of our services and products. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our education products and services, it may be difficult to maintain and grow student enrollment at our directly operated or franchise teaching facilities or attract more business partners to join our network, and our business and growth prospects may be materially and adversely affected.

Misbehavior or unsatisfactory performance by the teachers in the kindergartens under our brands will hurt our reputation and potentially our operation results and financial performance.

The teachers in kindergartens under our brands are the ones who interact directly with the students and their families. Despite our constant emphasis on service quality, our continuous training of teachers as well as our close supervision, we cannot assure that the teachers in kindergartens under our brands will completely follow our service manual and standards at all times. Any misbehavior or unsatisfactory performance by these teachers will hurt our reputation and potentially our operation results and financial performance. For example, the significant negative publicity associated with the 2017 Incident directly affected our operation results, as some children chose to temporarily stop coming to our teaching facilities, some families decided to withdraw their children’s enrollments, and some franchisees and business partners requested to terminate our relationships or delay the opening of their franchised RYB teaching facilities. The price of our ADSs was also significantly affected by the 2017 Incident and the associated negative publicity related thereto, and dipped heavily on the first day when it was first reported.

Injuries, accidents, food quality incidents or other harm suffered by students or employees at the facilities under our brands or operated by the franchisees may damage our reputation and subject us to liabilities.

Operating kindergartens and play-and-learn centers involves inherent risks associated with the safety and wellbeing of our students and other people visiting or working at the teaching facilities. Teaching facilities under our brands or operated by the franchisees could face negligence claims for inadequate maintenance of the teaching facilities or lack of supervision of the teachers and other employees. In addition, any defects in indoor and outdoor playground equipment in the teaching facilities or educational tools they use in classrooms may cause harm to students. The owners of these teaching facilities, and even us, therefore could be liable for accidents, injuries, food quality incidents or other harm to students or other people at the teaching facilities, which may adversely affect their ability to fulfill their obligations under the service agreements with us. Even if they are found not legally liable for such accidents or injuries, disputes on liabilities or general complaints by parents regarding food quality, students wellbeing or, from time to time, air quality and renovation fumes within the teaching facilities may create unfavorable publicity and our reputation may be damaged on such occasions. Additionally, although we maintain certain liability insurance, the insurance coverage may not be adequate to fully protect us from claims and liabilities, and reoccurrence of similar accidents may make it difficult for us to obtain liability insurance at reasonable prices in the future. Defending such claims may also cause us to incur substantial expenses and divert the time and attention of our management. For measures we have taken to enhance the safety of students and employees, please see “Item 4. Information on the Company—B. Business Overview—Insurance and Safety.”

If the facilities under our brands or operated by the franchisees fail to maintain and increase student enrollment in our kindergartens and play-and-learn centers, our revenues may decline and we may not be able to maintain profitability.

Our revenue from service agreements with the facilities under our brands or operated by the franchisees relies on the student enrollment in these teaching facilities. Student enrollment not only directly affects the service fees derived from these teaching facilities, it also affects the willingness of the franchisees to re-invest in and expand or continue their franchise operations within our network. We may face difficulties in increasing or maintaining the level of fees that we charge the franchisees or selling our educational merchandise through them if they find their franchise business with us unattractive. Our student enrollment is affected by several factors, including parents’ perception of the security and safety of the facilities, quality of care and education their children receive from us, our ability to develop new course materials and improve existing courses, maintain consistent and high teaching and service quality, effectively market and precisely target our products and services to a broader base of prospective students and parents, and respond effectively to competitions.

We face risks associated with our franchise business model.

Many of the teaching facilities within our network, including the majority of “RYB branded” kindergartens and most of our play-and-learn centers, are operated through franchisees. Our franchisees are an integral constituent in our business model and ecosystem and are expected to play an instrumental role in our future expansion. We are therefore subject to risks that are typically associated with the franchise business model.

A sizeable portion of our revenues is affected by the ability of our franchisees to grow their businesses. For example, part of our revenues is derived from sales of teaching tools and courses to franchisees in addition to the basic course package. Through our franchisees, we also sell educational merchandise to children enrolled in franchise kindergartens and play-and-learn centers. If our franchisees are unable to grow their business or cease to procure educational merchandise from us, our revenues will be negatively affected. Also, deterioration in the business operations of our franchisees can result in, among other things, their facility closures, delayed, reduced or no payments of annual and other fees and charges to us. In the event of any franchisee closure, we may need to take over the children originally enrolled in the closed facility and arrange to settle them in our directly operated or other franchisees’ facilities, or refund their fees paid, which can be costly and time-consuming.

Our success also depends on the willingness and ability of our franchisees to implement our business initiatives and strategies, including upgrades of equipment and interior decoration of teaching facilities and to remain aligned with us on business upgrade, promotional activities or capital-intensive reinvestment plans. Our control over our franchisees is based on the contracts with them and our standardized supervision and monitoring procedures, which may not be as effective as direct ownership. Although we maintain comprehensive and rigorous supervisory procedures, set standards to guide our franchisees on operations of kindergartens and play-and-learn centers—including requiring all our franchisees to obtain all required licenses and permits and only hire teaching staff with proper qualification and certification—and require all teachers and management personnel of our franchise teaching facilities to complete our mandatory trainings, our franchisees manage their businesses independently and are therefore responsible for the day-to-day operation of the franchise facilities and compliance with our franchise agreements. In addition, it is the franchisees and their teachers and employees that interact directly with students and their parents. In the event of any unsatisfactory performance or illegal actions by the franchisees or their employees or any incidents or operational issues in the franchise facilities, we may suffer reputational or financial damage which in turn might adversely affect our business as a whole.

In addition, the cooperation between a franchisee and us may be suspended or terminated for various reasons, including disagreements or disputes between the franchisee and us, their non-compliance with our franchise agreement, the franchisee's failure to maintain requisite approvals, licenses or permits or to comply with other governmental regulations, or changing regulatory environment. For example, following the 2017 Incident, we temporarily suspended franchising both kindergartens and play-and-learn centers. We have since resumed franchising play-and-learn centers but the sizable franchising of new kindergartens in China remains suspended. Prolonged suspension of our franchising business may negatively affect our revenue and results of operations. Moreover, although we have maintained rigorous supervision of our franchisees and contractually require all of our franchisees to obtain requisite licenses or permits, certain of our franchisees may not be able to fulfill these requirements on a timely basis, potentially negatively impacting our brand image and leading us to choose to terminate our cooperation with such franchisees. We may not be able to find replacements for those franchisees timely or at all. Any resulting service disruption could materially and adversely affect our brand image, reputation and financial performance.

Our revenue mix of service model and franchise teaching facilities also affects our financial results and condition. Our ability to grow our business and achieve the benefits of an optimal revenue mix will depend on various factors, including our ability to timely and effectively select franchisees that meet our rigorous standards. If we are unable to effectively address risks associated with the franchise business model, our reputation and results of operations may be materially and adversely affected.

Our business relies on our ability to recruit, train and retain dedicated and qualified management personnel.

Teachers and facility principals are critical to the quality of the teaching facilities under our brands and operated by the franchisees. We seek to, and help the franchisees to, recruit, train and retain qualified and dedicated teachers with necessary licenses and permits required by law, as well as principals who manage the teaching facilities. There is, however, a limited pool of teachers with the attributes we require. In addition, any foreign teachers they hire must hold valid working permits, which may not be obtained in a timely manner, or at all. Despite our various initiatives, investments to secure qualified personnel and competitive compensation, the teaching facilities under our brands and operated by the franchisees may still not be able to recruit, train and retain sufficient qualified teachers and principals to keep pace with their growth while maintaining consistent teaching quality in the different markets we serve. A shortage of qualified teachers or a deterioration in the quality of the teachers' services, whether actual or perceived, or a significant increase in the average compensation of the kindergarten teachers, would have a material adverse effect on the teaching facilities under our brands and operated by the franchisees, and thereby adversely affecting our business, financial condition and results of operations under the service agreements.

We may not be able to obtain all necessary approvals, licenses and permits or to make all necessary registrations and filings for our educational and other services in the countries in which we operate.

To operate kindergartens and play-and-learn centers, our service model customers and the franchisees are required to obtain and maintain various approvals, licenses and permits and to fulfill registration and filing requirements pursuant to applicable laws and regulations in China. For instance, to establish a kindergarten, a private school operation permit from the local education bureau and registration certificate for private non-enterprise entities issued by the local civil affairs bureau will be required. In addition, private school operation permits are subject to periodic renewal and kindergartens are subject to annual inspections by the competent government authorities.

Given the significant amount of discretion the local PRC authorities may have in the interpretation, implementation and enforcement of the relevant rules and regulations, as well as other factors beyond our control, while we intend to and the franchisees, under the terms of their franchise agreements with us, are required to obtain and maintain all requisite permits and complete necessary filings and registrations on a timely basis, we cannot assure you that we and the franchisees will be able to obtain all required permits and complete the necessary filings or registrations in time. We and some of the franchisees are in the process of applying for or renewing private school operation permits and/or registration certificates for private non-enterprise entities in connection with certain kindergartens. As an interim measure pending the issuance of these permits or certificates, fees for the services we provide at the directly operated kindergartens were collected by our other consolidated entities before the Divestiture, and we will collect service fees under service agreements from the former VIE after the Divestiture.

Additional requirements on permits and licenses may also apply to our operations, including the requirement to obtain a license for online transmission of audio-visual programs for providing online video-audio contents on our website or mobile apps in China. Although we have tried to apply for a license for online transmission of audio-visual programs for providing online video-audio contents on our website or mobile apps, the relevant authorities have stopped issuing such licenses for educational companies in practice. We cannot assure you that we will be able to receive or renew all required licenses, permits or certificates in a timely manner.

Moreover, we are required to obtain and maintain various approvals, licenses and permits and fulfil registration and filing requirements to conduct and operate education and other services in Singapore. For instance, to establish and operate a kindergarten in Singapore, we are required to obtain a license from the Early Childhood Development Agency. To establish and operate a school-based student care center and kindergarten care center in Singapore, we are required to obtain license agreement with the government. In addition, the engagement of foreign teachers in Singapore also requires approval from the Ministry of Manpower of Singapore.

While we intend to obtain, using our best efforts, all requisite permits and approvals and complete the necessary filings, renewals and registrations on a timely basis for our preschool centers, and are not aware of any impediment to do so nor has there been any material non-compliance in this regard, we are not able to give any assurance that we will be able to obtain all required permits and approvals in a timely manner or at all. If we fail to obtain required permits or approvals in a timely manner or obtain or renew any permits or approvals, we may be subject to fines, the suspension of our non-compliant operations or the reduction or cancellation of government subsidies granted to us, which may materially and adversely affect our business and results of operations.

Certain of the operations by the former VIE may be deemed by PRC government to be carried out by entities beyond their authorized business scope.

Some of our former VIE in China providing certain training programs directly to children or teachers currently do not list “educational training,” “children training” or similar items in their business scopes. In addition, certain of our consolidated entities provide training and education programs at the locations that are not registered in their business licenses or private school operation permits. After the Divestiture, some of the former VIE in China may still provide these programs without the relevant business scopes or at the locations that are not registered in their business licenses or private school operation permits.

These former VIE are in the process of applying to expand business scopes or establish new branches that engage in providing training and education programs to include “educational training,” “children training” or items of similar nature and applying for private education permit for the facilities at these locations. There is, however, no assurance that the application will be accepted by local AIC or education bureau in a timely fashion or at all. If it comes to the attention of the relevant PRC government authorities that the above entities operate beyond their authorized business scopes, or conduct business at locations that are not registered in their licenses or permits, they may be ordered to complete the registration for change of business scope within a given period, the failing of which may subject these entities to fines, confiscation of the gains derived from the noncompliant operations or cease the noncompliant operations, which would adversely affect their ability to fulfill their obligations under the service agreements with us. In addition, according to the Opinion on Further Easing the Workload and Burden of After-school Tutoring for Students in Compulsory Education published in July 2021 by the General Office of the Chinese Communist Party and the General Office of the State Council of the People’s Republic of China, the relevant PRC government authorities may order the above entities to apply for private education permit or the similar approvals. However, there have been no clarifications from the relevant authorities as of the date of this annual report as to the standards and procedures of such approvals.

Sponsor registrations of certain of our divested kindergartens are inconsistent with their actual sponsorship structure.

The sponsors of a kindergarten are required to register with the competent local education bureau and be reflected in that kindergarten's charter documents and its private school operation permit. However, due to variances in certain local education bureaus' registration practices, in some cases we were not able to register kindergarten sponsors to accurately reflect the actual sponsorship structure. For certain of our divested kindergartens, the former VIE was shown as the sole sponsor in the education bureau registration and our private school operation permits without reflecting the minority interests of other investors. The former VIE have entered into cooperation agreements with those investors and the relevant charter documents and/or capital verification reports show them as cosponsors, thus resulting in inconsistencies with the education bureau registrations. For certain of our divested kindergartens, certain individuals were registered as sole sponsors with the competent local education bureaus, while the former VIE is the actual kindergarten sponsor only in the charter documents and/or capital verification reports.

There is no assurance that the former VIE will be able to file for amendments to these registrations to rectify these inconsistencies. Although the charter documents and/or capital verification reports would evidence the ownership of and control over those kindergartens, if the former VIE were to be held responsible for those inconsistencies in registration, they may be subject to fines, confiscation of the gains derived from the noncompliant operations, suspension of the noncompliant operations, revocation of private school operation permits, or liability to indemnify economic loss suffered by our students. Moreover, these inconsistencies might put the former VIE's control of the divested kindergartens at risk. Materialization of any of the aforementioned risks may materially and adversely affect the former VIE's ability to fulfill their obligations under the service agreement with us, and therefore affect our business, financial conditions and results of operations.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

Natural disasters such as earthquakes, floods, landslides, tornados, and regional outbreaks of health epidemics or a global health pandemic, such as a novel strain of coronavirus (COVID-19), avian influenza, severe acute respiratory syndrome (SARS), Ebola or other epidemics, depending upon its severity and duration, could severely affect our business. For example, in early 2020, in connection with the heightened efforts to contain or delay the spread of COVID-19, local, regional, and national governments took a number of unprecedented public actions to limit or ban public interactions, which included extending the Chinese New Year holiday in China, quarantining individuals infected with or suspected of having COVID-19, prohibiting free travel, encouraging working remotely from home, cancelling public activities and prohibiting public aggregation, among others. The COVID-19 pandemic has resulted in temporary suspension of operation of most of our facilities as requirement by the government during the first half of 2020. During 2021, there has been a recurrence of COVID-19 outbreaks in certain provinces of China due to Delta and Omicron variants. Because of the city-wide lock-downs from time to time, there have been strains on our business activities in certain regions, especially Hunan, Guangdong and Fujian. In response, we have taken a series of measures, including taking preventive measures to ensure the health and safety of our students and staff at our facilities, introducing online educational content to facilitate home-based education and holding parent-teacher meetings online to proactively communicate our crisis relief plan and effectively retain students.

After the initial outbreak of COVID-19, from time to time, some instances of COVID-19 infections have emerged in various regions of China, including the infections caused by the Omicron variants in early 2022, and varying levels of temporary restrictions and other measures are reinstated to contain the infections, including those in Shanghai from March 2022. Our operations in these regions may be adversely affected when these restrictive measures are in force. The emergence of such regional instances and the corresponding restrictive measures are beyond our control and may continue to adversely affect our operations. If a second wave of COVID-19 in China takes place resulting from reasons such as the spread of a new variant, or the global spread of COVID-19 and deterioration cannot be contained, risks set forth in this annual report may be exacerbated or accelerated at a heightened level. The extent to which COVID-19 impacts our financial condition and results of operations will depend on the future development of the outbreak, including the global severity and duration of the pandemic and actions taken to contain the outbreak, which are highly uncertain and unpredictable. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this annual report.

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Other unforeseen events and outbreaks, for example, the SARS outbreak in 2003 and influenza A (H1N1) outbreak from 2009 to 2010, adversely affected our business and results of operations as we experienced temporary closure of our facilities. In addition, the conflict in Ukraine and the imposition of board economic sanctions on Russia could disrupt global markets. Any future outbreak of avian influenza, SARS, H1N1 or other adverse public health situation in China or other countries in which we operate may have a material and adverse effect on our business operations. These occurrences could cause cancellation or deferment of student enrollment and require temporary closure of our facilities, while we could still be obligated to pay rent and other expenses for these facilities. We may also face litigation if we are found negligent in the prevention and control of these health epidemics in our facilities. Such occurrences therefore may severely disrupt our business operations and may have a material adverse effect on our business, financial condition, and results of operations.

We may not be able to continually upgrade our course materials, improve the content of our existing curricular or develop new course materials that are appealing to children and their parents.

We constantly update and improve the content of our existing courses and develop new courses or services to meet evolving market demands. Revisions to our existing courses and our newly developed courses or services may not be well received by existing or prospective students or their parents. Even if we are able to develop new courses or services that are well received, we may not be able to introduce them in a timely or cost-effective manner. If we do not respond adequately to changes in market demands, our ability to attract and retain students may be impaired and our financial results could suffer.

Offering new courses or services or modifying existing courses may require us to invest in content development, increase marketing efforts and re-allocate resources away from other uses. We may have limited experience with the content of new courses or services and may need to adjust our systems and strategies to incorporate new courses or services into our existing offerings. If we are unable to continually improve the content of our existing courses, or offer new courses or services in a timely or cost-effective manner, our results of operations and financial condition could be adversely affected.

We face intense competition in our industry, which could lead to pricing pressure, reduced operating margins, loss of market share, departure of qualified employees and increased capital expenditures.

The early childhood education industry in China is rapidly evolving, highly fragmented and competitive, and we expect the competition in this industry to persist and intensify. We compete with other educational service providers, public and private kindergartens, play-and-learn centers and other teaching and child-caring institutions that offer similar programs. We compete with them in many aspects, including the quality of program and curriculum offerings, service quality, and tuition fee levels. Our competitors may adopt similar or superior curricula, teacher training systems, and marketing approaches, with different pricing and service packages that may have greater appeal than our offerings. In addition, some of our competitors may have more resources than we do and may be able to devote greater resources than we can to the development and promotion of their products and services and respond more quickly than we can to the changes in student demand or market needs. In particular, the PRC public education system continues to improve in terms of resources and teaching quality, and government funding subsidies enable public kindergartens to offer services at competitive price levels, which leads to increased competition for us. As such, we may have to reduce service fees or increase capital expenditure in response to competition to retain or attract students or pursue new market opportunities. Moreover, we face intense competition in the early childhood education industry in Singapore. If we are unable to successfully compete for students, maintain or increase our tuition fee level, attract, and retain competent teachers or other key personnel, enhance the quality of our educational services or control competition costs, our business and results of operations may be materially and adversely affected.

The former VIE and the franchisees lease most school premises and may not be able to fully control the rental costs, quality, maintenance and their leasehold interest in these premises, nor can we guarantee that the former VIE and the franchisees will be able to successfully renew or find suitable premises to replace their existing premises upon expiration or termination of the existing leases.

The former VIE and the franchisees lease most school premises from third parties. They require the landlords' cooperation to effectively manage the condition of such premises, buildings, and facilities. If the condition of the school premises, buildings and facilities deteriorates, or if any or all of the landlords fail to properly maintain and renovate such premises, buildings or facilities in a timely manner or at all, the operation of the teaching facilities could be materially and adversely affected. In addition, if any of the landlords terminate the existing lease agreements before expiration, refuse to continue to lease the premises to the former VIE or the franchisees when such lease agreements expire, or increase rent to a level not acceptable to the former VIE or the franchisees, they will be forced to relocate the teaching facilities. Given parents prefer to send their children to kindergartens and play-and-learn centers in the vicinity of their neighborhoods, they may lose students if they cannot secure replacement premises nearby. Moreover, under the current regulatory environment, they may be subject to restrictions with respect to the fees they are able to charge for kindergartens leased on government property or community property. These possible impacts may adversely affect the former VIE and our franchisees' ability to fulfill their obligations under the agreements with us, and thereby adversely affecting our results of operation.

In addition, certain lessors have not provided them with valid ownership certificates for the leased properties. As a result, there is a risk that these lessors may not have the right to lease such properties to the former VIE or the franchisees, in which case the relevant lease agreements may be deemed invalid or they may face challenges from the property owners or other third parties regarding our right to occupy the premises. If such lease is terminated due to challenges by third parties, they may be forced to relocate the affected teaching facilities and incur significant expenses.

Under the applicable PRC laws and regulations, the former VIE and the franchisees are required to register and file with the relevant government authorities executed leases but have failed to do so in certain instances. While the lack of registration will not affect the validity and enforceability of the lease agreements under the PRC Law, a fine ranging from RMB1,000 to RMB10,000 may be imposed on the parties for each non-registered lease, if the requirement of registration failed to be fulfilled after a period of time demanded by a relevant local authority. After the Divestiture, if the divested kindergartens cease operation due to failure to renew or find suitable premises to replace existing premises, our results of operation may be adversely affected.

We may not be able to achieve the benefits we expect from recent and future acquisitions and investments, which may have a material adverse effect on our business, financial condition, and results of operations.

As part of our growth strategy, we have pursued and intend to continue to pursue selective strategic acquisitions of and investments in businesses which we deem to be complementary or beneficial to our existing business. Given the trend of the regulatory environment, our future acquisitions may be subject to more stringent regulations. Acquisitions and investments expose us to potential risks, including risks associated with the diversion of resources from our existing businesses, difficulties in successfully integrating the acquired businesses, failure to achieve expected growth by the acquired businesses as well as inability to generate sufficient revenue to offset the costs and expenses of the acquisitions. Materialization of any of the aforementioned risks may lead to a material adverse effect on our business, financial conditions and results of operations.

Our success depends on the continuing efforts of our senior management team and other key personnel.

It is important for us to have the continuing services of our senior management team, in particular, Mr. Chimin Cao, our co-founder and director, and Ms. Yanlai Shi, our co-founder, director and chief executive officer. 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 find their replacements successfully, and our business may be disrupted. Competition for experienced management personnel in the private education industry is intense with a small pool of qualified candidates, and we may not be able to retain services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. 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 and staff members. Each of our executive officers and key employees is subject to the duty of confidentiality and non-competition restrictions. However, if any disputes arise between any of our senior executives or key personnel and us, it may be difficult to successfully pursue legal actions against these individuals because of the uncertainties of China's legal system.

Any interruption to or discontinuation of our course management and information technology systems may affect the teaching activities of us and the franchisees.

Our information technology infrastructure provides the backbone to maintain consistency in our service quality. Our Whiteboard information system works as a centralized platform for our teachers to prepare their courses online, serves as a multimedia teaching tool in the classrooms and operates as an efficient and secure channel for us to release curriculum content and upgrades to kindergartens and play-and-learn centers within our network. In addition, the operation of certain of our online product and services, such as our e-commerce platform of Qingtian Youpin and our mobile app Zhu Dou, are highly dependent on the proper operation of our information technology system. As such, material breakdown of our information technology system and any loss of the right to use the technology licensed from third parties could cause interruption to our business.

If our new brands and service offerings thereunder are not well received by the market, our overall financial performance and condition may be adversely affected.

We constantly seek to expand our business lines and extend our business coverage in addressable markets that we identified. For example, in addition to our core “RYB” brand kindergartens and play-and-learn centers, and leveraging our expertise in early childhood education, we expand our specially developed courses to kindergartens outside of our network with other business partners. Our efforts in exploring these new business opportunities and developing new brands may divert management attention and resources from our existing business. Moreover, if these new brands and the service offerings thereunder are not well received by the market, we may not be able to generate sufficient revenue to offset the costs and expenses we incurred for them, and our overall financial performance and condition may be adversely affected.

Non-compliance on the part of business counterparties could disrupt our business and adversely affect our results of operations.

Our business counterparties and our vendors may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may affect our business activities and reputation and, in turn, our results of operations. In addition, we cannot be certain whether any of these counterparties has infringed or will infringe any third parties’ legal rights or violate any regulatory requirements. We require the business counterparties to confirm that they are in compliance with regulatory requirements to conduct the business, but we cannot assure you that these counterparties strictly comply with all applicable regulatory requirements in respect of permits and approvals, and any noncompliance on the part of these counterparties may cause potential liabilities to us and in turn disrupt our operations.

Success of the kindergartens and play-and-learn centers under our brands or operated by the franchisees may be affected if we fail to continue to collaborate with overseas third-party educational content providers.

We offer the Kids Brown English course and The Music Class (TMC) courses, which are both licensed from overseas third-party educational content providers, at the kindergartens and play-and-learn centers under our brands or operated by the franchisees and will continue to offer to the divested kindergartens in the future. We also team up with Erikson Institution to provide domestic and overseas training programs to our teachers and principals.

Our license agreements with TMC will expire in 2025, our cooperation with Kids Brown and Erikson Institution will end in 2024 and 2022, respectively. In the event any of the license agreements are terminated or failed to be renewed upon expiration or earlier, we may not be able to find suitable educational content providers to continue to offer international courses appealing to students in the kindergartens. We may also encounter disputes with those partners from time to time. Should this occur, students attracted to our teaching facilities because of these courses may cease to enroll, and our business, results of operations, prospects and reputation may be materially and adversely affected.

Our business generates and processes a large amount of data, and we are required to comply with PRC and other applicable laws relating to privacy and cybersecurity. The improper use or disclosure of data could have a material and adverse effect on our business and prospects.

Our business generates and processes a large quantity of data. We face risks inherent in handling and protecting large volume of data. In particular, we face a number of challenges relating to unauthorized disclosure or manipulation of sensitive personal data of our students and their parents, including:

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- protecting the data in our computer database or in our security centers, including sensitive and confidential personal information, such as names, addresses, phone numbers of our students and their parents, as well as recordings of our CCTV monitoring system installed in our kindergartens and play-and-learn centers, against attacks on our system by outside parties or fraudulent behavior or improper use by third parties, employee error, malfeasance or otherwise;
- addressing concerns related to privacy and sharing, safety, security and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, storage, transfer, disclosure and security of personal information, including any requests from regulatory and government authorities relating to these data.

In general, we expect that data security and data protection compliance will receive greater attention and focus from regulators, both domestically and globally, as well as attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, we could become subject to penalties, including fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

The PRC regulatory and enforcement regime with regard to data security and data protection is evolving and may be subject to different interpretations or significant changes. Moreover, different PRC regulatory bodies, including the Standing Committee of the NPC, the Ministry of Industry and Information Technology, or the MIIT, the CAC, the MPS and the SAMR, have enforced data privacy and protections laws and regulations with varying standards and applications. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Internet Information Security and Privacy Protection.” The following are examples of certain recent PRC regulatory activities in this area:

Data Security

- In June 2021, the Standing Committee of the NPC promulgated the Data Security Law, which took effect in September 2021. The Data Security Law, among other things, provides for security review procedure for data-related activities that may affect national security. In July 2021, the state council promulgated the Regulations on Protection of Critical Information Infrastructure, which became effective on September 1, 2021. Pursuant to this regulation, critical information infrastructure means key network facilities or information systems of critical industries or sectors, such as public communication and information service, energy, transportation, water conservation, finance, public services, e-government affairs and national defense science, the damage, malfunction or data leakage of which may endanger national security, people’s livelihoods and the public interest. In December 2021, the CAC, together with other authorities, jointly promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022 and replaces its predecessor regulation. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that procure internet products and services must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further stipulates that critical information infrastructure operators or network platform operators that hold personal information of over one million users shall apply with the Cybersecurity Review Office for a cybersecurity review before any public offering at a foreign stock exchange. As of the date of this annual report, no detailed rules or implementation rules have been issued by any authority and we have not been informed that we are a critical information infrastructure operator by any government authorities. Furthermore, the exact scope of “critical information infrastructure operators” under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of the applicable laws. Therefore, it is uncertain whether we would be deemed to be a critical information infrastructure operator under PRC law. If we are deemed to be a critical information infrastructure operator under the PRC cybersecurity laws and regulations, we may be subject to obligations in addition to what we have fulfilled under the PRC cybersecurity laws and regulations.
- In November 2021, the CAC released the Regulations on the Network Data Security (Draft for Comments), or the Draft Regulations. The Draft Regulations provide that data processors refer to individuals or organizations that, during their data processing activities such as data collection, storage, utilization, transmission, publication and deletion, have autonomy over the purpose and the manner of data processing. In accordance with the Draft Regulations, data processors shall apply for a cybersecurity review for certain activities, including, among other things, (i) the listing abroad of data processors that process the personal information of more than one million users and (ii) any data processing activity that affects or may affect national security. However, there have been no clarifications from the relevant authorities as of the date of this annual report as to the standards for determining whether an activity is one that “affects or may affect national security.” In addition, the Draft Regulations requires that data processors that process “important data” or are listed overseas must conduct an annual data security assessment by itself or commission a data security service provider to do so, and submit the assessment report of the preceding year to the municipal cybersecurity department by the end of January each year. As of the date of this annual report, the Draft Regulations was released for public comment only, and their respective provisions and anticipated adoption or effective date may be subject to change with substantial uncertainty.

Personal Information and Privacy

- The Anti-monopoly Guidelines for the Platform Economy Sector published by the Anti-monopoly Committee of the State Council, effective on February 7, 2021, prohibits collection of user information through coercive means by online platforms operators.

- In August 2021, the Standing Committee of the NPC promulgated the Personal Information Protection Law, or the PIPL, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. Some information we collect, such as names, addresses, phone numbers of our students and their parents, as well as recordings of our CCTV monitoring system, may be deemed to be sensitive personal information under the PIPL. We update our privacy policies from time to time to meet the latest regulatory requirements of PRC government authorities and adopt technical measures to protect data and ensure cybersecurity in a systematic way. Nonetheless, the Personal Information Protection Law elevates the protection requirements for personal information processing, and many specific requirements of this law remain to be clarified by the CAC, other regulatory authorities, and courts in practice. We may be required to make further adjustments to our business practices to comply with the personal information protection laws and regulations.

Many of the data-related legislations are relatively new and certain concepts thereunder remain subject to interpretation by the regulators. If any data that we possess belongs to data categories that are subject to heightened scrutiny, we may be required to adopt stricter measures for protection and management of such data. In terms of our usage of mobile app, website and system, we received several notices from the relevant public security department in 2019 and 2020 to rectify the privacy policy of our mobile app, the collection and the usage of personal information on our mobile app, and the security of our website and system. We have completed the rectification according to the aforementioned notices and submitted a written rectification report to the relevant public security department. These notices and rectifications did not have any material impact to our business operations.

The Cybersecurity Review Measures and the Draft Regulations remain unclear on whether the relevant requirements will be applicable to companies that are already listed in the United States, such as us. We cannot predict the impact of the Cybersecurity Review Measures and the Draft Regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If the Cybersecurity Review Measures and the enacted version of the Draft Regulations mandate clearance of cybersecurity review and other specific actions to be taken by issuers like us, we face uncertainties as to whether these additional procedures can be completed by us timely, or at all, which may subject us to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from the relevant application stores, and materially and adversely affect our business and results of operations. As of the date of this annual report, we have not been involved in any formal investigations on cybersecurity review made by the CAC on such basis.

In general, compliance with the existing PRC laws and regulations, as well as additional laws and regulations that PRC regulatory bodies may enact in the future, related to data security and personal information protection, may be costly and result in additional expenses to us, and subject us to negative publicity, which could harm our reputation and business operations. There are also uncertainties with respect to how such laws and regulations will be implemented and interpreted in practice.

In addition, regulatory authorities around the world have adopted or are considering a number of legislative and regulatory proposals concerning data protection. These legislative and regulatory proposals, if adopted, and the uncertain interpretations and application thereof could, in addition to the possibility of fines, result in an order requiring that we change our data practices and policies, which could have an adverse effect on our business and results of operations. The European Union General Data Protection Regulation (“GDPR”), which came into effect on May 25, 2018, includes operational requirements for companies that receive or process personal data of residents of the European Economic Area. The GDPR establishes new requirements applicable to the processing of personal data, affords new data protection rights to individuals and imposes penalties for serious data breaches. Individuals also have a right to compensation under the GDPR for financial or non-financial losses. Although we do not conduct any business in the European Economic Area, in the event that residents of the European Economic Area access our website or our mobile platform and input protected information, we may become subject to provisions of the GDPR.

We generate a significant portion of our revenues from Beijing. Any event negatively affecting our industry in Beijing could have a material adverse effect on our overall business and results of operations.

We derived a large portion of our total net revenues for the fiscal year ended December 31, 2021 from our operations in Beijing, and we expect the operations of the divested kindergarten there to continue to contribute an important portion of our revenues. If there occurs an event in Beijing that negatively affects private education or if Beijing adopts regulations relating to private education that place additional restrictions or burdens on us, our overall business and results of operations may be materially and adversely affected.

The facilities under our brands or operated by the franchisees have capacity constraints; if their expansion cannot keep up with the increased market demands, they might not be able to grow student enrollment efficiently or they might lose potential students to our competitors.

The facilities of our kindergartens and play-and-learn centers under our brands or operated by the franchisees are limited in size and number of classrooms. The former VIE and the franchisees may not be able to admit all students who would like to enroll in the teaching facilities due to the capacity constraints of the teaching facilities. This would deprive us of the opportunity to serve the students and to potentially develop a long-term relationship with them for continued services. If we fail to expand our network of teaching service customers as quickly as the demand for our services grows, we could lose potential students to our competitors, and our results of operations and business prospects could suffer.

If we fail to protect our intellectual property rights, our brand and business may suffer.

We consider our copyrights, trademarks, trade names, Internet domain names, patents and other intellectual property rights invaluable to our ability to continue to develop and enhance our brand recognition. Unauthorized use of our intellectual property rights may damage our brand reputation. Our RYB brand and logo is a registered trademark in China. Our proprietary curricula and course materials are protected by copyrights. However, preventing infringement on or misuse of intellectual property rights could be difficult, costly and time-consuming, particularly in China. The measures we take to protect our intellectual property rights may not be adequate to prevent unauthorized uses. Furthermore, application of laws governing intellectual property rights in China is uncertain and evolving, and could involve substantial risks to us. There have been several incidents in the past where third parties used our brand RYB without our authorization, and on certain occasions we have resorted to litigation to protect our intellectual property rights. We cannot assure you that the relevant governmental authorities will grant us the approval to register our trademarks. As a result, we may be unable to prevent third parties from utilizing this brand name, which may have an adverse impact on our brand image. If we are unable to adequately protect our intellectual property rights in the future, we may lose these rights, our brand name may be harmed, and our business may suffer materially. Furthermore, our management's attention may be diverted by those violations of our intellectual property rights, and we may have to enter into costly litigation to protect our proprietary rights against any infringement or violation.

We may encounter disputes from time to time relating to our use of intellectual properties of third parties.

We cannot assure you that our courses and marketing materials, products, platform or other intellectual property developed or used by us do not or will not infringe upon valid copyrights or other intellectual property rights held by third parties. We may encounter disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in those disputes. We have adopted policies and procedures to prohibit our employees and contractors from infringing upon third-party copyright or intellectual property rights. However, we cannot ensure that our teachers or other personnel will not, against our policies, use third-party copyrighted materials or intellectual property without proper authorization in our classes or via any medium through which we provide our services. We may incur liability for unauthorized duplication or distribution of materials posted on our websites or used in our classes. We have been involved in claims against us alleging our infringement of third-party intellectual property rights and we may be subject to such claims in the future. Any such intellectual property infringement claim could result in costly litigation and divert our management attention and resources.

Changes to the level of kindergarten subsidies granted by governments may affect our ability to attract or retain students.

All parents with a child of Singaporean citizenship and enrolled in a kindergarten licensed by the Early Childhood Development Agency will receive a basic subsidy from the government of Singapore. The amount will depend on the main applicant's working status and the program type that the child is enrolled in. In addition, all parents with a child of Singaporean citizenship that enrolled in a student care center registered with Ministry of Social and Family Development of Singapore will receive subsidy from the government of Singapore depending on their household income level and working status of the parents.

Any reduction in the level of subsidies granted by the government may cause parents to be attracted to more affordable programs that our competitors may offer, which may have a material adverse effect on our business, financial condition and results of operations.

We are exposed to potential liabilities arising from the products we sell.

We sell educational products through our facility network and the *Zhu Dou Parenting* platform, and we operate the *Qingtian Youpin* e-commerce platform where we sell high-quality maternal and children's products. Contractual disputes over warranties can arise in the ordinary course of business. In extreme situations, we may be exposed to potential injury liabilities due to misuse or quality defects of the products we sell.

There can be no assurance that we will not experience material product liability losses in the future, or that we will be able to defend such claims at a contained level of cost. We currently do not have product liability insurance and we cannot assure you that we would be able to obtain insurance coverage with sufficient coverage at an acceptable cost in the future. A successful claim brought against us in excess of our available insurance coverage may have a material adverse effect on our business.

We have limited insurance coverage which could expose us to significant costs and business disruption.

We have limited liability insurance coverage for the students and their parents in our facilities. A successful liability claim against us due to injuries suffered by the students or other people on our premises could materially and adversely affect our financial conditions, results of operations and reputation. Even if unsuccessful, such a claim could cause adverse publicity to us and require substantial cost to defend and divert the time and attention of our management. For more information, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business— Injuries, accidents, food quality incidents or other harm suffered by students or employees at the facilities we and the franchisees operate may damage our reputation and subject us to liabilities." In addition, we do not have any business disruption insurance. Any business disruption event could result in substantial cost to us and diversion of our resources.

Our business is subject to seasonal fluctuations, which may cause our results of operations to fluctuate from quarter to quarter, and in turn result in volatility in and adversely affect the price of our ADSs.

We have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations, primarily due to seasonal changes in student enrolments. The number of students at our facilities is typically the lowest at the start of each calendar year, due to the graduation of kindergarten students at the end of the preceding year, before gradually being replaced over the course of the year by new enrolments. As our revenue is directly affected by the headcount of students at our facilities, such seasonal fluctuations in student enrolments generally give rise to a corresponding seasonal fluctuation in our revenue over the course of a year before the Divestiture. We expect fluctuations in our revenue and results of operations to continue. These fluctuations could adversely affect our business, financial condition and results of operations. After the Divestiture, part of our revenues will be generated from the service fees derived from the divested kindergartens, some of which will be dependent on the revenues of the divested kindergartens. As a result, the seasonality of the divested kindergartens will cause fluctuations of our results of operations.

A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business and financial condition.

COVID-19 had a severe and negative impact on the Chinese and the global economy in the first quarter of 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud, investor confidence and the market price of our ADSs may be adversely affected.

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on the company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of our internal control over financial reporting. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2021. See "Item 15. Controls and Procedures—Management's Report on Internal Control over Financial Reporting." In addition, once we cease to be an "emerging growth company" as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting.

Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. Any failure to achieve and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our consolidated financial statements, which in turn could harm our business and negatively impact the market price of the 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.

Failure to make adequate contributions to various employee benefits plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Our failure in making contributions to various employee benefit plans and in complying with applicable PRC labor-related laws may subject us to late payment penalties. We may be required to make up the contributions for these plans as well as to pay late fees and fines. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected.

Risks Related to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating some of our business operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties, or be forced to relinquish our interest in those operations.

Foreign investment in the education industry and value-added telecommunication industry in China is extensively regulated and subject to numerous restrictions. Pursuant to the List of Special Management Measures for the Market Entry of Foreign Investment issued jointly by the NDRC and the MOFCOM on December 27, 2021 and became effective on January 1, 2022 (the “Negative List”), the provision of preschool education and value-added telecommunication services in the PRC is under the category of “restricted industries” for foreign investors. Foreign investments in preschool education is restricted to cooperation with PRC domestic parties who are required to play a dominant role in the cooperation. In addition, the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education issued by the MOE on June 18, 2012 also stipulates that the foreign portion of the total investment in a Sino-foreign joint venture kindergarten is restricted to less than 50%. In terms of the identity of the foreign investors, according to the Regulation on Operating Sino-foreign Schools of the PRC, or the Sino-foreign Schools Regulation, which was promulgated by the State Council on March 1, 2003, became effective on September 1, 2003 and amended on July 18, 2013 and March 2, 2019, and its implementation measures, foreign investors in kindergartens must be foreign education institutions with relevant qualifications and experience. Also, foreign ownership of a value-added telecommunication service provider may not exceed 50%, except for the investment in the e-commerce operation business, a domestic multi-party communication business, an information storage and re-transmission business and a call center business. See “Item 4. Information on the Company— B. Business Overview—Regulation—Regulations Relating to Foreign Investment in the PRC” in this annual report for further details.

RYB is a Cayman Islands exempted company and our PRC subsidiaries, including Beijing RYB Technology Development Co., Ltd., or RYB Technology, and Qiyuan Education Technology (Tianjin) Co., Ltd., or TJ Qiyuan, are currently considered foreign-invested enterprises. Accordingly, our PRC subsidiaries are not eligible to control the operation of kindergarten and value-added telecommunication services business. To ensure strict compliance with the PRC laws and regulations, we conducted such business activities primarily through the former VIE, including Beijing RYB, and their subsidiaries. RYB Technology and TJ Qiyuan entered into a series of contractual arrangements with the former VIE and its shareholders, which enable us to (1) obtain the power to direct the activities of the former VIE, (2) receive substantially all of the economic benefits of the former VIE, and (3) have an exclusive option to purchase all or part of the equity interests and assets in the former VIE when and to the extent permitted by PRC law. As a result of these contractual arrangements, we consolidate its financial results under U.S. GAAP during the effective period of these contractual arrangements. Revenues contributed by the VIE accounted for 89.2%, 73.0% and 78.8% of our total revenues for the years of 2019, 2020 and 2021, respectively. We have entered into agreements with the former VIE to terminate the contractual arrangements in March 2022, pursuant to which the previous contractual arrangements were terminated, and we divested our directly operated kindergarten business on April 30, 2022. In addition, pursuant to PRC laws and regulations, ICP license can only be held by companies with an ultimate capital contribution percentage by foreign investor(s) not exceed 50%. Accordingly, in April 2022, TJ Qiyuan entered into a series of contractual agreements with Zhudou Investment, or the new VIE, and its shareholders and its subsidiaries, which enable us to (1) obtain the power to direct the activities of the new VIE, (2) receive substantially all of the economic benefits of the new VIE, and (3) have an exclusive option to purchase all or part of the equity interests and assets in the new VIE when and to the extent permitted by PRC law. As a result of these contractual arrangements, we are able to consolidate its financial results under U.S. GAAP during the effective period of these contractual arrangements. See “Item 4. Information on the Company—C. Organizational Structure” for further details.

In the opinion of our PRC legal counsel, Commerce & Finance Law Offices, (i) the ownership structure of the VIE in China and our subsidiaries are not in violation of applicable PRC laws and regulations currently in effect; and (ii) the contractual arrangements between our subsidiaries, the VIE and their shareholders governed by PRC laws and regulations are valid, binding on each party there-to, and will not result in any violation of applicable PRC laws and regulations during the effective period of the respective contractual arrangements. However, our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel.

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However, RYB is a Cayman Islands holding company with no equity ownership in the VIE and we conduct our operations in China through (i) our PRC subsidiaries and (ii) the VIE with which we have maintained contractual arrangements. Investors in our Class A common shares or the ADSs thus are not purchasing equity interest in our consolidated affiliated entities in China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government deems that our contractual arrangements with the VIE do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we and the VIE could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company in the Cayman Islands, the VIE, and investors of RYB face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIE and, consequently, significantly affect the financial performance of the VIE and our company as a group.

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our and the VIE's business, or the enforcement and performance of our contractual arrangements with the VIE and its shareholders. These laws and regulations may be subject to change, and their official interpretation and enforcement may involve substantial uncertainty. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. Due to the uncertainty and complexity of the regulatory environment, we cannot assure you that we and the VIE would always be in full compliance with applicable laws and regulations, the violation of which may have adverse effect on our and the VIE's business and our reputation.

Although we believe we, our PRC subsidiary and the VIE are not in violation of current PRC laws and regulations, we cannot assure you that the PRC government would agree that our contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. The PRC government has broad discretion in determining rectifiable or punitive measures for non-compliance with or violations of PRC laws and regulations. If the PRC government decides that our contractual arrangements do not comply with its restrictions on foreign investment in kindergarten education, or if the PRC government otherwise finds that we, the VIE, or any of its subsidiaries are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking the business licenses and/or operating licenses of such entities;
- discontinuing or placing restrictions or onerous conditions on our operation through any transactions between our PRC subsidiaries and the VIE;
- imposing fines, confiscating the income from our PRC subsidiary or the VIE, or imposing other requirements with which we or the VIE may not be able to comply;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with the new VIE and deregistering the equity pledges of the new VIE, which in turn would affect our ability to consolidate, derive economic interests from, or to have the power to direct the activities of the VIE; or
- restricting or prohibiting our use of the proceeds of our initial public offering to finance our business and operations in China.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of the VIE that most significantly impact its economic performance, and/or our failure to receive the economic benefits from the VIE, we may not be able to consolidate the entity in our consolidated financial statements in accordance with U.S. GAAP.

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

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th National People’s Congress and became effective on January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law stipulates four forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. Since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations or provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment and the operation of preschool education and value-added telecommunication services is still in the Negative List, our contractual arrangements as a whole and each of the agreements comprising the contractual arrangements will not be affected and will continue to be not in violation of PRC laws or regulations currently in effect, valid and binding on the parties thereto. If the PRC government finds that our contractual arrangements do not comply with its restrictions on foreign investment, or if the contractual arrangements are in violation of any further PRC laws and regulations, as a result, we may not be able to provide value-added telecommunication services through the contractual arrangements and we would lose our rights to receive the economic benefits of the new VIE and the economic benefits of our kindergartens and the former VIE for the effective period of the contractual arrangements. Therefore, the financial results of the VIE would no longer be consolidated into our financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

In the extreme case-scenario, we may be required to terminate our contractual arrangements and/or dispose of the new VIE and its subsidiaries, which could have a material and adverse effect on our business, financial condition and result of operations. Therefore, there is no guarantee that our contractual arrangements and the business of the VIE and its subsidiaries will not be materially and adversely affected in the future.

We rely on contractual arrangements with the VIE and its shareholders for a large portion of our business operations which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with the VIE and its shareholders to operate our business in China. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure.” These contractual arrangements may not be as effective as direct ownership in providing us with control over the VIE. For example, the VIE and its shareholders could breach their contractual arrangements with us by, among other things, failing to conduct its operations in an acceptable manner or taking other actions that are detrimental to our interests. The revenues contributed by the former VIE and the former VIE’s subsidiaries or kindergartens sponsored by the VIE constituted the vast majority of our net revenues in 2021.

If we had direct ownership of the VIE, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the VIE, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by the VIE and its shareholders of their obligations under the contracts to have the power to direct the activities of the VIE. The shareholders of our consolidated VIE may not act in the best interests of our company or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate certain portion of our business through the contractual arrangements with the VIE. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. Therefore, our contractual arrangements with the VIE may not be as effective in ensuring our control over the relevant portion of our business.

Any failure by the VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.

If the VIE or its shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure will be effective under PRC law. For example, if the shareholders of the VIE refuse to transfer their equity interest in the VIE to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they otherwise act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations. In addition, if any third parties claim any interest in such shareholders' equity interests in the VIE, our ability to exercise shareholders' rights or foreclose the share pledge according to the contractual arrangements may be impaired. If these or other disputes between the shareholders of the VIE and third parties were to impair our power to direct the activities of the VIE, our ability to consolidate the financial results of the VIE would be affected, which would in turn result in a material adverse effect on our business, operations and financial condition.

All of the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a VIE should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to have the power to direct the activities of the VIE, and our ability to conduct our business may be negatively affected.

The shareholders of the VIE may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

The shareholders of the VIE may have potential conflicts of interest with us. These shareholders may breach, or cause the VIE to breach, or refuse to renew, the existing contractual arrangements we have with them and the VIE, which would have a material and adverse effect on our ability to effectively control the VIE and receive economic benefits from it. For example, the shareholders may be able to cause our agreements with the VIE to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor. Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company. If we cannot resolve any conflict of interest or dispute between us and these shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Contractual arrangements in relation to the VIE may be subject to scrutiny by the PRC tax authorities and they may determine that we or the VIE owe additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. We could face material and adverse tax consequences if the PRC tax authorities determine that the VIE contractual arrangements were not entered into on an arm's-length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust the income of the VIE in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by the VIE for PRC tax purposes, which could in turn increase its tax liabilities without reducing our PRC subsidiary's tax expenses. In addition, the PRC tax authorities may impose late payment fees and other penalties on the VIE for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if the VIE's tax liabilities increase or if it is required to pay late payment fees and other penalties.

We may lose the ability to use and benefit from assets held by the VIE that are material to the operation of certain portion of our business if the entity goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with the VIE, the VIE and its subsidiaries hold certain assets that are material to the operation of certain portion of our business. If the VIE goes bankrupt and all or part of its assets become subject to liens or the rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, the VIE may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If the VIE undergoes a voluntary or involuntary liquidation proceeding, the independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

The VIE and its subsidiaries may be subject to limitations on their ability to make payments to related parties.

As a holding company, our ability to pay dividends and other cash distributions to our shareholders depends on our ability to receive dividends and other distributions from our PRC subsidiary. The amount of dividends and other distributions our PRC subsidiary is able to be paid to us depends on the amount of service fees paid by the VIE and its subsidiaries pursuant to the contractual arrangements. However, if the PRC government authorities promulgate any new policies, such authorities may seek to confiscate any or all of the service fees that have been paid by the VIE or its subsidiaries, including retrospectively, if, among other things, such service fees are viewed as in violation of PRC laws and regulations, or our contractual arrangements are viewed as in violation of PRC laws and regulations by PRC authorities and are terminated or canceled. The relevant PRC authorities may also seek to halt children enrollments at the kindergartens of the former VIE or, in a worse situation, revoke the operation permits of these kindergartens. As a result, our business and financial performance may be materially and adversely, directly or indirectly, affected.

Certain terms of our Contractual Arrangements may not be enforceable under PRC laws

Our contractual arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission in Beijing, the PRC. Our contractual arrangements provide that the arbitral body may award remedies over the equity interests, property interests and/or assets of the VIE, injunctive relief or order of winding up of the VIE. However, we have been advised by our PRC Legal counsel that the above-mentioned provisions contained in the contractual arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest in the VIE in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in our contractual arrangements. PRC laws allow an arbitral body to award the transfer of assets of or equity interest in the VIE in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against the VIE as interim remedies to preserve the assets or equity interests in favor of any aggrieved party. As a result, we may not be able to obtain sufficient remedies in a timely manner, and our ability to direct the activities of the VIE and its subsidiaries could be materially and adversely affected.

Risks Related to Doing Business in China

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

The majority of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing since 2012. Any adverse changes in economic conditions in China, in the policies of the Chinese government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, although the spread of the COVID-19 had been tamed and stabilized thanks to the fast reaction and unprecedented efforts by the Chinese government, the COVID-19 is still likely to have regional impact in China in 2022. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our financial condition and results of operations.

The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and our offshore offerings may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for any of our offshore offerings, or a rescission of such approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As a follow-up, on December 24, 2021, the CSRC issued a draft of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Provisions, and a draft of Administration Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Administration Measures, for public comments.

The Draft Provisions and the Draft Administration Measures propose to establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. According to the Draft Provisions and the Draft Administration Measures, an overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. Specifically, the examination and determination of an indirect offering and listing will be conducted on a substance-over-form basis, and an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets the following conditions: (i) the operating income, gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year was more than 50% of the relevant line item in the issuer's audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the main place of business is in the PRC or carried out in the PRC. According to the Draft Administration Measures, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC for its initial public offering, follow-on offering and other equivalent offering activities. Particularly, the issuer shall submit the filing with respect to its initial public offering and listing within three business days after its initial filing of the listing application, and submit the filing with respect to its follow-on offering within three business days after completion of the follow-on offering. Failure to comply with the filing requirements may result in fines to the relevant domestic companies, suspension of their businesses, revocation of their business licenses and operation permits and fines on the controlling shareholder and other responsible persons. The Draft Administration Measures also sets forth certain regulatory red lines for overseas offerings and listings by domestic enterprises. For more details of the Draft Provisions and the Draft Administration Measures, please refer to Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Overseas Listing and M&A.

As of the date of this annual report, the Draft Provisions and the Draft Administration Measures were released for public comment only. There are uncertainties as to whether the Draft Provisions and the Draft Administration Measures would be further amended, revised or updated. Substantial uncertainties exist with respect to the enactment timetable and final content of the Draft Provisions and the Draft Administration Measures. As the CSRC may formulate and publish guidelines for filings in the future, the Draft Administration Measures does not provide for detailed requirements of the substance and form of the filing documents. In a Q&A released on its official website, the respondent CSRC official indicated that the proposed new filing requirement will start with new companies and the existing companies seeking to carry out activities like follow-on financing. As for the filings for the existing companies, the regulator will grant adequate transition period and apply separate arrangements. The Q&A also addressed the contractual arrangements and pointed out that if relevant domestic laws and regulations have been observed, companies with compliant VIE structure may seek overseas listing after completion of the CSRC filings. Nevertheless, it does not specify what qualify as compliant VIE structures and what relevant domestic laws and regulations are required to be complied with. Given the substantial uncertainties surrounding the latest CSRC filing requirements at this stage, we cannot assure you that we will be able to complete the filings and fully comply with the relevant new rules on a timely basis, if at all.

Relatedly, on December 27, 2021, the NDRC and the Ministry of Finance, or the MOC, jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), or the 2021 Negative List, which became effective on January 1, 2022. Pursuant to such Special Administrative Measures, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company's operation and management, and their shareholding percentage shall be subject, mutatis mutandis, to the relevant regulations on the domestic securities investments by foreign investors. As the 2021 Negative List is relatively new, there remain substantial uncertainties as to the interpretation and implementation of these new requirements, and it is unclear as to whether and to what extent listed companies like us will be subject to these new requirements. If we are required to comply with these requirements and fail to do so on a timely basis, if at all, our business operation, financial conditions and business prospect may be adversely and materially affected.

In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that approval and filing from the CSRC or other regulatory authorities or other procedures, including the cybersecurity review under the enacted version of the revised Measures for Cybersecurity Review and the draft of Regulations on the Network Data Security, are required for our offshore offerings, it is uncertain whether we can or how long it will take us to obtain such approval or complete such filing procedures and any such approval or filing could be rescinded or rejected. Any failure to obtain or delay in obtaining such approval or completing such filing procedures for our offshore offerings, or a rescission of any such approval or filing if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or filing or other government authorization for our offshore offerings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our ADSs. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our ADSs.

We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the anti-monopoly authority, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

The PRC government's significant oversight over our business operation could result in a material adverse change in our operations and the value of our ADSs.

We conduct our business primarily through the VIE and its subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight over the conduct of our business, and it may intervene or influence our operations as the government deems appropriate to advance regulatory and societal goals and policy positions. The PRC government has recently published new policies that significantly affected certain industries and we cannot rule out the possibility that it will in the future release regulations or policies that directly or indirectly affect our industry or require us to seek additional permission to continue our operations, which could result in a material adverse change in our operation and/or the value of our ADSs. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

Our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, if the PCAOB is unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

The Holding Foreign Companies Accountable Act, or the HFCAA, was signed into law on December 18, 2020. The HFCAA states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection for the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements of the HFCAA, pursuant to which the SEC will identify an issuer as a "Commission Identified Issuer" if the issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely, and will then impose a trading prohibition on an issuer after it is identified as a Commission-Identified Issuer for three consecutive years. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong.

Our auditor, Friedman LLP, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess our auditor's compliance with the applicable professional standards. Our auditor is headquartered in Manhattan, New York, and is subject to inspection by the PCAOB on a regular basis.

Recent developments with respect to audits of China-based companies create uncertainty about the ability of Friedman LLP to fully cooperate with the PCAOB's request for audit workpapers without the approval of the Chinese authorities. We cannot assure you whether regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor's audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements. In the event it is later determined that the PCAOB is unable to inspect or investigate completely the Company's auditor, then such lack of inspection could cause trading in the Company's securities to be prohibited under the HFCAA ultimately result in a determination by a securities exchange to delist the Company's securities. In addition, if our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. Such a prohibition would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

On June 22, 2021, the U.S. Senate passed a bill which would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. On February 4, 2022, the U.S. House of Representatives passed a bill which contained, among other things, an identical provision. If this provision is enacted into law and the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA is reduced from three years to two.

Uncertainties with respect to the PRC legal system could adversely affect us.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has 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, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or tort claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us.

Furthermore, 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 and may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the annual report based on foreign laws.

We are an exempted company incorporated under the laws of the Cayman Islands, we conduct substantially most of our operations in China and substantially most of our assets are located in China. In addition, all our senior executive officers reside within China for a significant portion of the time and most are PRC nationals. As a result, it may be difficult for our shareholders to effect service of process upon us or those persons inside mainland China. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands holding company and we rely principally on dividends and other distributions on equity from our PRC subsidiary for our cash requirements, including for services of any debt we may incur. Our PRC subsidiary's ability to distribute dividends is based upon its distributable earnings. Current PRC regulations permit our PRC subsidiary to pay dividends to its respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiary, the VIE and its subsidiaries are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Our PRC subsidiary as a foreign invested enterprise, or FIE, is also required to further set aside a portion of its after-tax profit to fund an employee welfare fund, although the amount to be set aside, if any, is determined at its discretion. These reserves are not distributable as cash dividends. If our PRC subsidiary incurs 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. Any limitation on the ability of our PRC subsidiary to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

Our current corporate structure and business operations may be affected by the newly enacted Foreign Investment Law.

On March 15, 2019, the National People's Congress, or NPC, promulgated the Foreign Investment Law, which took effect on January 1, 2020. Since it is relatively new, uncertainties exist in relation to its interpretation and implementation. The Foreign Investment Law does not explicitly classify whether VIE that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately "controlled" by foreign investors. However, it has a catch-all provision under definition of "foreign investment" that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, and it remains uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our contractual arrangements should be dealt with.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in the Special Administrative Measures (Negative List) (2021 Edition) for Foreign Investment Access jointly promulgated by the MOFCOM and NDRC, as amended from time to time. The Foreign Investment Law provides that foreign-invested entities are barred from operating in “prohibited” industries and will require market entry clearance and other approvals from relevant PRC government authorities if operating in “prohibited” industries. On December 26, 2019, the Supreme People’s Court issued the Interpretations on Certain Issues Regarding the Application of Foreign Investment Law, or the FIL Interpretations, which came into effect on January 1, 2020. In accordance with the FIL Interpretations, any claim to invalidate an investment agreement will be supported by courts if such agreement is found to be entered into for purposes of making investments in the “prohibited industries” under the negative list or for purposes of investing in “restricted industries” while failing to satisfy the conditions set out in the Negative List. If our control over the VIEs through contractual arrangements are deemed as foreign investment in the future, and any business of the VIEs is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements that allow us to have control over the VIEs may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operation.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our initial offering to make loans to our PRC subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiary, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. In addition, (a) any foreign loan procured by our PRC subsidiary is required to be registered with the State Administration of Foreign Exchange, or SAFE, or its local branches, and (b) our PRC subsidiary may not procure loans which exceed the statutory amount as approved by the MOFCOM or its local branches. Any medium-or long- term loan to be provided by us to the VIE must be approved by the NDRC and the SAFE or its local branches. We may not obtain these government approvals or complete such registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiary. If we fail to receive such approvals or complete such registration, our ability to use the proceeds of our initial public offering and 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, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of FIEs and allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from using the Renminbi fund converted from their foreign exchange capitals for expenditure beyond their business scopes, providing entrusted loans or repaying loans between non-financial enterprises. The SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, effective in June 9, 2016. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities. On October 23, 2019, the SAFE issued the Circular on Further Promoting the Facilitation of Cross-border Trade and Investment, or SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. As this circular is relatively new, it is unclear how SAFE and competent banks will carry this out in practice.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive into Renminbi to pay our operating expenses, appreciation of Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of Renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Governmental control of currency conversion may limit our ability to utilize our net revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC subsidiary to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of the SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of the SAFE, cash generated from the operations of our PRC subsidiary in China may be used to pay dividends to our company. However, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiary and VIE to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi. In light of the flood of capital outflows of China, the PRC government may from time to time impose more restrictive foreign exchange policies and step up scrutiny of major outbound capital movement. More restrictions and substantial vetting process may be required by the SAFE or other government authorities to regulate cross-border transactions falling under the capital account. If any of our shareholders regulated by such policies fails to satisfy the applicable overseas direct investment filing or approval requirement timely or at all, it may be subject to penalties from the relevant PRC authorities. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

Uncertainties exist with respect to the interpretation and implementation of Anti-Monopoly Guidelines for Internet Platforms and how it may impact our business operations.

Among other things, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council in 2008, were triggered. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the NPC which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be examined by the MOFCOM before they can be completed.

The Implementation Rules promulgated by the State Council on April 7, 2021, stipulates that social organizations and individuals shall not control not-for-profit private schools implementing preschool education through mergers and acquisition, contractual arrangement or any other similar manner. Furthermore, the Reform Opinions issued by the Central Committee of the Communist Party of China and the State Council on November 15, 2018, which regulates that social capital is not allowed to control not-for-profit kindergartens or kindergartens that are sponsored by state-owned assets or collectively-owned assets through ways such as mergers and acquisitions, delegating operation, franchising, variable interest entities or contractual arrangements, and listed companies are not allowed to invest for-profit kindergartens through ways such as financing from share market, or acquire assets of for-profit kindergartens through ways such as issuing shares or paying cash. Such stipulation may have a negative impact on both the type and number of the target of our expansion strategy, as we may no longer be able to acquire not-for-profit private schools or control them through ways such as franchising or “contractual arrangements”, and we may no longer to invest for-profit kindergartens through ways such as financing from share market, or acquire assets of for-profit kindergartens through ways such as issuing shares or paying cash.

We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the MOFCOM, may delay or inhibit our ability to complete such transactions and limit the scope and amount of our acquisition, which could affect our ability to expand our business or maintain our market share.

In February 2021, the Anti-Monopoly Guidelines for Internet Platforms was promulgated by the Anti-monopoly Commission of the PRC State Council. The Anti-Monopoly Guidelines for Internet Platforms is consistent with the Anti-Monopoly Law of PRC and prohibits monopoly agreements, abuse of dominant position and concentration of undertakings that may have the effect of eliminating or restricting competitions in the field of platform economy. More specifically, the Anti-Monopoly Guidelines for Internet Platforms outlines certain practices that may, if without justifiable reasons, constitute abuse of dominant position, including without limitation, tailored pricing using big data and analytics, actions or arrangements seen as exclusivity arrangements, using technology means to block competitors' interface, using bundled services to sell services or products, and compulsory collection of user data. Besides, Anti-Monopoly Guidelines for Internet Platforms expressly states that concentration involving VIE will also be subject to antitrust filing requirements.

In April 2021, the State Administration for Market Regulation (the "SAMR"), together with certain other PRC government authorities convened an administrative guidance meeting, focusing on unfair competition acts in community group buying, self-inspection and rectification by major internet companies of possible violations of anti-monopoly, anti-unfair competition, tax and other related laws and regulations, and requesting such companies to comply with relevant laws and regulations strictly and be subject to public supervision. In addition, many internet companies, including the over 30 companies which attended such administrative guidance meeting, are required to conduct a comprehensive self-inspection and make necessary rectification accordingly. The SAMR has stated it will organize and conduct inspections on the companies' rectification results. If the companies are found to conduct illegal activities, more severe penalties are expected to be imposed on them in accordance with the laws.

Since the Anti-Monopoly Guidelines for Internet Platforms are relatively new, uncertainties still exist in relation to its interpretation and implementation, although we do not believe we engage in any foregoing situations, we cannot assure you that our business operations will comply with such regulation in all respects, and any failure or perceived failure by us to comply with such regulation may result in governmental investigations, fines and/or other sanctions on us.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiary to liability or penalties, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37, to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles, or SAFE Circular 75, which ceased to be effective upon the promulgation of SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities) to register with local branches of SAFE in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles, or SPVs, will be required to register such investments with local branches of SAFE. In addition, any PRC resident who is a direct or indirect shareholder of an SPV is required to update its filed registration with the local branch of the SAFE with respect to that SPV, to reflect any material change. Moreover, any subsidiary of such SPV in China is required to urge the PRC resident shareholders to update their registration with the local branch of the SAFE. If any PRC shareholder of such SPV fails to make the required registration or to update the previously filed registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contribution into its subsidiary in China. On February 13, 2015, the SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of the SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of the SAFE.

All of our shareholders that we are aware of being subject to the SAFE regulations have completed all necessary registrations with the local SAFE branch or qualified banks as required by SAFE Circular 37. We cannot assure you, however, that all of these individuals may continue to make required filings or updates on a timely manner, or at all. We can provide no assurance that we are or will in the future continue to be informed of identities of all PRC residents holding direct or indirect interest in our company. Any failure or inability by such individuals to comply with the SAFE regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiary's ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. 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 foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. 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 foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans of an overseas listed company may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas listed company, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted options are subject to these regulations as our company became an overseas listed company upon the completion of our initial public offering. Failure to complete the SAFE registrations may subject them to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions, and may also limit our ability to contribute additional capital into our PRC subsidiary and limit our PRC subsidiary's ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Employee Stock Incentive Plan of Overseas Publicly-Listed Company."

The State Administration of Taxation, or SAT, has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiary have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Employee Stock Incentive Plan of Overseas Publicly-Listed Company."

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within the PRC is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the SAT, issued a circular, known as SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe RYB Education, Inc. is not a PRC resident enterprise for PRC tax purposes. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Tax in the PRC—Income Tax.” However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that RYB Education, Inc. is a PRC resident enterprise for enterprise income tax purposes, we will be subject to PRC enterprise income tax on our worldwide income at the rate of 25%. Furthermore, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders (including our ADS holders) and any gain realized on the transfer of ADSs or ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% unless a reduced rate is available under an applicable tax treaty. It is unclear whether non-PRC shareholders of RYB Education, Inc. would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that RYB Education, Inc. is treated as a PRC resident enterprise.

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

On February 3, 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or SAT Bulletin 7. SAT Bulletin 7 extends its tax jurisdiction to transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Nonresident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax. Where a nonresident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions under SAT Bulletin 7 and/or SAT Bulletin 37. For transfer of shares in our company by investors who are non-PRC resident enterprises, our PRC subsidiary may be requested to assist in the filing under SAT Bulletin 7 and/or SAT Bulletin 37. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 and/or SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

Risks Related to Our American Depositary Shares

The trading price of our ADSs is likely to be volatile, which could result in substantial losses to investors.

The trading price of our ADSs ranged from US\$1.56 to US\$5.91 per ADS in 2021. The trading price of our ADSs is likely to remain volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new offerings, solutions and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our services or our industry;
- announcements of new regulations, rules or policies relevant for our business;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

If the market price for our ADSs remains below US\$1.00 for an extended period of time, or falls to US\$0.16 at any time, our ADSs may be delisted from the NYSE.

Pursuant to NYSE Rule 802.01C, a company will be considered to be below compliance standards if the average closing price of a security as reported on the consolidated tape is less than US\$1.00 over a consecutive 30 trading-day period. Once notified, the company must bring its share price and average share price back above US\$1.00 within the applicable cure period following receipt of the notification. The company can regain compliance at any time during the cure period if on the last trading day of any calendar month during the cure period the company has a closing share price of at least US\$1.00 and an average closing share price of at least US\$1.00 over the 30 trading-day period ending on the last trading day of that month. In the event that at the expiration of the cure period, both a US\$1.00 closing share price on the last trading day of the cure period and a US\$1.00 average closing share price over the 30 trading-day period ending on the last trading day of the cure period are not attained, the NYSE will commence suspension and delisting procedures. In addition, we understand that the NYSE has a policy to suspend trading immediately and commence delisting procedures if the market price of securities falls to US\$0.16 or less. We received a letter from the NYSE dated April 19, 2022 notifying us that (i) we are below compliance standards due to the trading price of our ADSs and (ii) the applicable cure period for us to regain compliance expires on October 19, 2022. We intend to cure the deficiency within the prescribed cure period. We intend to monitor the market conditions of our ADSs and will consider various measures to cure the non-compliance caused by adverse effects on our trading price and avoid any potential delisting. However, we cannot assure you that we will stay compliant with these NYSE listing rules at all times going forward. If our ADSs are delisted from the NYSE, the liquidity and value of an investment in our ADSs will be materially and adversely affected.

We have granted, and may continue to grant, options and other types of awards under our share incentive plan, which may result in increased share-based compensation expenses.

We currently have two share incentive plans for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. They are the 2009 Share Incentive Plan and 2017 Share Incentive Plan, which we refer to as the 2009 Plan and the 2017 Plan in this annual report, respectively. We account for compensation costs for all share options using a fair-value based method and recognize expenses in our consolidated statement of income in accordance with U.S. GAAP. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our ADSs, the market price for our ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume for our ADSs to decline.

The sale or availability for sale of substantial amounts of our ADSs could adversely affect their market price.

Sales of substantial amounts of our ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs. As of February 28, 2022, Ascendent Rainbow (Cayman) Limited holds 5,713,612 Class A ordinary shares and 2,831,131 Class B ordinary shares, representing approximately 30.4% of total outstanding ordinary shares. Pursuant to a Registration Rights Agreement we entered into with Ascendent Rainbow (Cayman) Limited in September 2017, we agreed to provide Ascendent Rainbow (Cayman) Limited with certain registration rights in respect of our ordinary shares held by them, subject to certain limitations. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Registration Rights Agreement.” Registration of these shares under the Securities Act would result in these shares becoming freely tradable without restriction immediately upon the effectiveness of the registration statement. If part or all of these shares are sold in the public market, the prevailing market price for our ADSs could be adversely affected. Such sales might also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Our dual class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

We have a dual class share structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. In respect of matters requiring the votes of shareholders, each Class A ordinary share shall entitle the holder thereof to one vote, and each Class B ordinary share shall entitle the holder thereof to ten (10) votes. Our ADSs represent Class A ordinary shares. Each Class B ordinary share is convertible into one Class A ordinary share at any time at the option of the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of any Class B ordinary shares by a shareholder thereof to any person or entity which is not an affiliate of such shareholder, or upon a change of ultimate beneficial ownership of any Class B ordinary shares to any person who is not an affiliate of the registered shareholder of such share, such Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares. Further, each Class B ordinary share shall automatically be re-designated into one Class A ordinary share, if at any time Mr. Chimin Cao, Ms. Yanlai Shi and their respective affiliates collectively hold less than five percent (5%) of the issued and outstanding ordinary shares in the capital of the Company, and no Class B ordinary shares shall be issued by the Company thereafter.

As of February 28, 2022, Mr. Cao, Ms. Shi and Ascendent Rainbow (Cayman) Limited collectively beneficially own an aggregate of approximately 69.7% of our total issued and outstanding ordinary shares and 90.0% of the voting power of our issued and outstanding shares.

Therefore, Mr. Cao, Ms. Shi and Ascendent Rainbow (Cayman) Limited have considerable influence over matters requiring shareholders’ approval, including election of directors and significant corporate transactions, such as a merger or sale of our company or our assets. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare dividends, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay dividends out of either profit or share premium account, provided that in no circumstances may dividends be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

Our memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our Class A ordinary shares and ADSs.

Our memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. For example, these provisions include a dual class share structure that gives greater voting power to the Class B ordinary shares beneficially owned by our founders and Ascendent Rainbow (Cayman) Limited. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights, and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by minority shareholders and the fiduciary duties 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 of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (apart from our memorandum and articles of association, our register of mortgages and charges and special resolutions of our shareholders) or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our memorandum and articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

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Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. To the extent we choose to follow home country practice with respect to corporate governance matters, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States.

Certain judgments obtained against us by our shareholders may not be enforceable.

RYB is a Cayman Islands exempted company and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted in China and Singapore. In addition, most of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal 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.

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 direct the voting of the underlying Class A ordinary shares which are represented by your ADSs.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of our ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights which are carried by the underlying Class A ordinary shares which are represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will try, as far as is practicable, to vote the underlying Class A ordinary shares represented by your ADSs in accordance with your instructions. If we ask for your instructions, then upon receipt of your voting instructions, the depositary will try to vote the underlying Class A ordinary shares represented by your ADSs in accordance with your instructions. If we do not instruct the depositary to ask for your instructions, the depositary may still vote in accordance with instructions you give, but it is not required to do so. You will not be able to directly exercise your right to vote with respect to the underlying Class A ordinary shares represented by your ADSs unless you withdraw such shares and become the registered holder of such shares prior to the record date for the general meeting. When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the underlying Class A ordinary shares represented by your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the underlying Class A ordinary shares represented by your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. 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. Under our memorandum and articles of association, the minimum notice period required for convening a general meeting is ten calendar days. When a general meeting is convened, you may not receive the voting materials in time to ensure that you can instruct the depositary to vote the underlying Class A ordinary shares represented by your ADSs or withdraw the underlying Class A ordinary shares represented by your ADSs to allow you to vote at such meeting. 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. The deposit agreement provides that if the depositary does not timely receive voting instructions from the ADS holders and if voting is by poll, then such holder shall be deemed, and the depositary shall deem such ADSs holder, to have instructed the depositary to give a discretionary proxy to a person designated by us to vote the underlying Class A ordinary shares represented by ADSs, with certain limited exceptions. This means that you may not be able to exercise your right to direct how the underlying Class A ordinary shares represented by your ADSs are voted and you may have no legal remedy if the underlying Class A ordinary shares represented by your ADSs are not voted as you requested.

You may experience dilution of your holdings due to the inability to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

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 books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is 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.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth companies, including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we remain an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

We will incur increased costs as a result of being a public company, particularly after we cease to qualify as an “emerging growth company”.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the New York Stock Exchange, impose various requirements on the corporate governance practices of public companies. As a company with less than US\$1.07 billion in revenues for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company’s internal control over financial reporting. The JOBS Act also permits an emerging growth company to delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we have elected to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

As a company incorporated in the Cayman Islands, we are permitted to, and do, adopt certain home country practices in relation to corporate governance matters that differ significantly from the New York Stock Exchange corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the New York Stock Exchange corporate governance listing standards.

As a Cayman Islands exempted company listed on the New York Stock Exchange, we are subject to the New York Stock Exchange corporate governance listing standards. However, New York Stock Exchange rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the New York Stock Exchange corporate governance listing standards. If we choose to follow certain home country practices, our shareholders may be afforded less protection than they otherwise would under the New York Stock Exchange corporate governance listing standards applicable to U.S. domestic issuers.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including: (i) the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC; (ii) the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act; (iii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (iv) the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the New York Stock Exchange. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information, which would be made available to you, were you investing in a U.S. domestic issuer.

We may be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year, which could result in adverse U.S. federal income tax consequences to U.S. holders of our ADSs or ordinary shares.

Depending upon the value of our assets, which is determined based, in part, on the market value of our ADSs, and the nature of our assets and income over time, we could be classified as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes. A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes, for any taxable year if either (1) at least 75% of its gross income for such year consists of certain types of “passive” income; or (2) at least 50% of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income (the “asset test”). Based on our income and assets and the market value of our ADSs, we do not believe we were a PFIC for the taxable year ended December 31, 2021. There can be no assurance regarding our PFIC status for the current taxable year or the foreseeable future, however, because our PFIC status is a factual determination made annually that will depend, in part, upon the composition of our income and assets. The value of our assets for purposes of the asset test, including the value of our goodwill and unbooked intangibles, may be determined in part, by reference to the market price of our ADSs. Recent fluctuations in the market price of our ADSs from time to time (which may be volatile). Because we will generally take into account our current market capitalization in estimating the value of our goodwill and other unbooked intangibles, our PFIC status for any current taxable year and foreseeable future taxable years may be affected by our market capitalization. Recent fluctuations in our market capitalization create a material risk that we may be classified as a PFIC for the current taxable year and foreseeable future taxable years. In addition, the composition of our income and our assets will be affected by how, and how quickly, we realize and spend or otherwise dispose of our liquid assets, including the cash proceeds from the Divestiture. Under circumstances where our revenue from activities that produce passive income significantly increases relative to our revenue from activities that produce non-passive income (including revenue from our directly operated kindergarten business), or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules, it is possible that the Internal Revenue Service may challenge our classification of certain income or assets as non-passive, or our valuation of our goodwill and other unbooked intangibles, each of which could cause us to become classified as a PFIC for the current or subsequent taxable years.

If we are a PFIC for any taxable year during which a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations”) holds our ADSs or ordinary shares, the U.S. Holder may be subject to certain adverse U.S. federal income tax consequences. Additionally, if we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, we would generally continue to be treated as a PFIC with respect to such U.S. Holder even if we do not satisfy either of the above tests to be classified as a PFIC in a subsequent year. See “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules.”

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We opened our first play-and-learn center in 1998 in Beijing. Later in July 2001, we incorporated Beijing RYB Children Potential Education Entertainment Co., Ltd. to expand the operation of play-and-learn centers and kindergartens. In May 2006, we changed the name of Beijing RYB Children Potential Education Entertainment Co., Ltd. to Beijing RYB Children Education Technology Development Co., Ltd., which we refer to as Beijing RYB or the VIE in this annual report.

In January 2007, we incorporated Top Margin Limited, an exempted company under the laws of the Cayman Islands, as our offshore holding company to facilitate financing and offshore listing. Shortly following its incorporation, our company issued ordinary shares to the holding vehicles of the then shareholders of Beijing RYB, in proportion to these shareholders’ then respective equity interest percentages in Beijing RYB. Later in 2007, we also established a wholly owned subsidiary, Beijing RYB Technology Development Co., Ltd., which we refer to as RYB Technology in this annual report, through which we obtained control over Beijing RYB based on a series of contractual arrangements. These contractual arrangements include the business operation agreement, the exclusive consultation and service agreement, the equity disposal agreement, the equity pledge agreement, the power of attorney and the spousal consent.

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As a result of these contractual arrangements, we have obtained the power to direct the activities of Beijing RYB. We therefore treat Beijing RYB and its subsidiaries as our consolidated affiliated entities under U.S. GAAP and have consolidated their financial results in our consolidated financial statements in accordance with U.S. GAAP. However, those contractual arrangements may not be as effective in providing operational control as direct ownership.

In June 2017, we changed the corporate name of our company from Top Margin Limited to RYB Education, Inc. RYB Education, Inc. is a holding company. We conduct substantially all of our business in China through the VIE, its subsidiaries and sponsored kindergartens.

On September 26, 2017, our ADSs commenced trading on the New York Stock Exchange under the symbol “RYB”. We raised from our initial public offering approximately US\$90.1 million in net proceeds after deducting underwriting commissions and the offering expenses payable by us.

In April 2019, we acquired a Singapore-based private education group for a total consideration of RMB146.2 million.

In March 2022, we entered into agreements with the former VIE to terminate certain VIE agreements, pursuant to which RYB no longer had the contractual control over the former VIE from April 30, 2022, thereby divesting the directly operated kindergarten business on April 30, 2022, or “the Divestiture.” An aggregate amount of RMB158.5 million will be paid in installments to our subsidiaries as compensation for the termination of VIE agreements. In conjunction with the VIE termination agreements, our subsidiaries, including RYB Technology, have entered into a series of service agreements with a term of 15 years with the former VIE, including Beijing RYB, at arm’s length terms under which our subsidiaries will continually provide brand royalty, training, management IT system, recruitment, and curriculum design services to the former VIE and the kindergartens operated by them. See “Item 4. Information on the Company—C. Organizational Structure” for further details.

In April 2022, we entered into a series of contractual agreements with Zhudou Investment, or the new VIE, and its shareholders and its subsidiaries for licensing concern. See “Item 4. Information on the Company—C. Organizational Structure” for further details.

We are proposing to change our name from RYB Education Inc. to Gravitas Education Holdings Inc., subject to approval at the next extraordinary general meeting. Our principal executive offices are located at 4/F, No. 29 Building, Fangguyuan Section 1, Fangzhuang, Fengtai District, Beijing 100078, People’s Republic of China. Our telephone number at this address is +86 10-8767 5611. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

B. Business Overview

Overview

We provide kindergarten services, play-and-learn center services, student care services, as well as at-home education products and services through our subsidiaries and VIE in China. Outside of our network, we license our separately developed courses, sell educational products and also provide kindergarten operation solutions, training and other advisory services.

Our Early Childhood Education Network and Alliance

We directly operate and franchise play-and-learn centers, kindergartens and student care centers across the country and abroad. In addition, we also license separately developed kindergarten courses, and offer operational solutions, training and other advisory services through other business partners, to kindergartens outside of our network. After the Divestiture, the divested kindergartens and franchised kindergartens remain in our network as we continue to provide services to entities that operate these kindergartens.

Kindergartens

Our kindergartens serve 2-6-year-old children. Each kindergarten normally houses classrooms, playgrounds and multifunction rooms that can serve as music classrooms, conference rooms and indoor activity areas. A typical kindergarten in our network occupies approximately 2,500 square meters of land with approximately 3,000 square meters of indoor floor area.

When we launch a new directly operated kindergarten, the preparation period between handover of the leased property from the landlord to us and the facility opening typically lasts six to ten months. In a typical case, it takes a kindergarten another three to four years of operation to ramp up student enrollment to near its capacity. For such reason, we refer to a kindergarten with over four years of operating history as a mature kindergarten.

As of December 31, 2021, we had 90 directly operated and 238 franchise kindergartens in operation in 27 provinces and municipalities in China. Total student enrollment and total teaching staff at our directly operated kindergartens in China was 28,148 and 3,357 as of December 31, 2021, respectively.

The locations of our kindergartens are carefully planned based on a number of specific factors, including the estimated population of 2-6-year-old children and the number of competitors, as well as the spending power of families in the neighborhood. We follow the guidelines of local education authorities in determining the size of each class and adjust each kindergarten's number of classes according to the demand in the relevant local market.

During 2021, some of our kindergartens that were previously operated under the "RYB" brand have been rebranded. The majority of our kindergartens are operated under the "RYB (红黄蓝)" brand. They teach our core "RYB" curricula, with some variations in feature course offerings tailored to local needs, and most of them also teach Scholastic Early-age English. The tuition fees of our kindergartens vary across our network, mostly in accordance with the spending power of local communities.

In addition, to serve the growing demand for bilingual, premium early childhood education in China, some of our kindergartens also provide Chinese-English bilingual curricula or English-only curricula.

We divested our directly operated kindergartens and started to provide services to former VIE that continue to operate the divested kindergartens from April 2022. After the Divestiture, our relationship with franchised kindergartens was replaced by our brand royalty services to the divested business to support their ongoing franchise relationships. Rather than acquiring new kindergartens that require a ramp-up period of at least three to five years, we will focus on attracting more educational institutions to use our services to elevate their teaching quality for parents and children.

Play-and-learn centers

Our play-and-learn centers offer flexible and engaging classes, designed for joint participation by 0-6-year-old children and their adult family members, to promote the children's development, foster bonding with family, and prepare them for their entry into kindergartens or primary schools.

Our typical play-and-learn centers occupy 500 to 800 square meters of indoor floor area, with classrooms and caregiver waiting zones.

We operate a small number of facilities directly as flagship models and have expanded our network primarily with franchise play-and-learn centers. As of December 31, 2021, there were a total of 5 directly-operated and 1,012 franchise play-and-learn centers in operation in our network.

We consider similar factors when selecting sites for play-and-learn centers as for our kindergartens. With more flexibility in class schedule and course fee arrangement, play-and-learn centers generally can cover a wider geographic area and attract families at different income levels, as compared to kindergartens.

Singapore operations

In April 2019, we acquired a Singapore-based private education group, which has contributed to our existing educational offerings by expanding our directly operated facility network and diversifying our operations geographically. The Singapore operations have the potential to create synergy with our existing operations in additional and integrated early childhood education content and products.

Our Singapore operations offer kindergarten services and student care services, and deliver quality and innovative education contents to students in Singapore and other countries.

As of December 31, 2021, we had 18 directly operated and 9 franchised kindergartens, and 36 directly operated and 4 franchised student care centers in operation in Singapore. Total student enrollment and total teaching staff at the directly operated kindergartens and directly operated student care centers in Singapore was 5,742 and 616 as of December 31, 2021, respectively.

Our kindergartens in Singapore are operated under several brands which help address the needs of various customer segments. Differentiated curriculum has been separately developed for each brand, which incorporates pedagogies such as Reggio Emilia approach, Habits of Mind and Multiple Intelligences. The tuition fees of our kindergartens in Singapore differ across brands.

Our student care centers in Singapore are operated to provide students with academic enrichment sessions, homework guidance and other services. Most of the student care services are school-based.

Network control

We expect all of our franchisees to be committed to early childhood education and share our vision, and we employ stringent selection standards in evaluating franchisee candidates. For kindergarten franchisees, we prefer candidates with substantial experience in preschool education. For play-and-learn center franchisees, we favor candidates who are equipped with experience in business operations and sales. Upon joining our network, a franchisee receives our standardized operation manual with detailed requirements that the franchisee must follow. Our franchisees are required to establish and implement proper human resources management, financial reporting and other policies and procedures. We require our franchisees and their facility principals to undergo training regularly.

We strive to maintain high service quality consistently at our franchise facilities. The layout and interior design of each facility is determined by our headquarters in order to ensure a safe teaching and playing environment.

We also share our standards and recommendations with respect to teachers and staff recruiting with our franchisees to help them identify suitable candidates. Prior to opening, we require all recruited teachers to go through our orientation, training and certification process before they can be certified and qualified to teach in our network.

We require every class to be taught in accordance with our curricula and teaching guidance. Our centralized whiteboard system stores and displays recorded teaching videos from our model teachers for others to follow. Our franchise supervisors visit and follow up with our franchisees regularly in order to ensure that our requirements are complied with and to offer support in improving teaching quality when needed.

We also actively seek feedback directly from parents, through both online and offline channels. We have developed a mobile app for our directly operated kindergartens that allows parents to send their feedback to teachers and facility principals conveniently on their mobile devices. In addition, we operate a national customer service hotline at our headquarters so that parents can reach out to us directly.

Our efforts to ensure high-quality and consistent service delivery across our network extend to the suppliers of teaching tools, educational toys and other products. We require our franchisees to purchase certain goods, including teaching aids, student uniforms, school bags and other educational merchandise, exclusively from us or from vendors approved by us.

Our Products and Services

We offer a full spectrum of early childhood education services and products at our directly operated teaching facilities, and provide course content, training, support and guidance and other services to our franchisees and licensees. Additionally, we also develop and sell early childhood education products and other products and services in adjacent markets. After the Divestiture, we continue to provide brand royalty, training, management IT system, recruitment and curriculum design services to the former VIE that operate the divested kindergartens.

Services at our directly operated facilities

We offer high-quality preschool education to 2-6-year-old children at our directly operated kindergartens, including our mandatory core curricula and feature courses. We also offer after-school academic enrichment, homework guidance, and other educational content and services at our student care centers in Singapore. Tuition fees at our directly operated facilities are charged by month of enrollment.

We also hire bilingual teachers and, in some premium classes, foreign teachers, to teach classes in English at some of our kindergartens to cater to the growing demand in China to develop children's foreign language skills at early ages.

In play-and-learn centers, our curriculum aims to encourage interactions between 0-6-year-old children and their family members, promote physical, intellectual and emotional development of the children, and prepare these children for their entry into kindergartens or primary schools. Courses offered at play-and-learn centers include play and explore, talent talk shows, The Music Class, intelligence cultivation, as well as transition to kindergartens and primary schools. Play-and-learn centers charge students by sessions attended. Parents purchase prepaid cards for classes, with credit typically ranging from 36 sessions to 160 sessions in most play-and-learn centers. Each session typically lasts forty to fifty minutes. Those pre-paid session cards normally have set expiration dates. For example, a 96-session prepaid card generally has a term of two years, and any unused sessions will expire at the end of the two-year term. The per-session price varies across the country for prepaid cards with different number of sessions, ranging typically from approximately RMB100 to approximately RMB500.

We allow refunds of tuition fees in certain circumstances. Where there are specific requirements by local education bureaus, we follow their guidance. For example, for kindergartens for which no local requirement exists, if a child does not attend classes for a whole calendar month, we may allow a refund of 50% of the tuition fee for that month; and if a child only attends classes for five days or less in a month, we may allow a refund of 25% of the tuition fee for that month. For play-and-learn centers, we allow full refund within seven days of purchase of the course cards. After that seven-day period, we generally allow a refund for unused sessions (after deducting certain processing fees) if customers have only used less than half of the total sessions that they purchased; we do not offer any refund if 50% or more of the total sessions purchased have been used.

As with other education service providers, our tuition fee revenues are affected by seasonality. Due to the winter holidays and the summer vacation, we typically generate lower revenue from tuition fees in the first and third calendar quarters.

After the Divestiture, we will lose control over the divested kindergartens and start to provide services to the divested kindergartens including brand royalty, training, management IT system, recruitment, and curriculum design services. As the result of continuing educational services under the new platform model, the Divestiture will not affect the quality and sustainable development of the RYB branded kindergartens, and these kindergartens will continue to be operated by their current operational teams.

Products and services provided to our kindergarten and play-and-learn center franchisees

We provide course content, training, support and guidance, and other services to our franchisees. After franchisees are qualified to join our network, we work with them in selecting suitable premises for their kindergartens or play-and-learn centers. We then provide an interior design plan for each new facility to ensure the safety of children and maintain consistency in facility design. Although franchisees make their own hiring decisions, we share with them our recruiting standards and recommendations. Prior to opening, every teacher at our franchise teaching facilities is required to go through a training of at least 20 days at our headquarters and pass our rigorous qualification exam before being certified to teach in our network.

Teachers at our franchise teaching facilities have access to our digital white board course management system to receive course content from us (or, in certain cases, detailed, paper-based teaching plans) with practical and useful classroom teaching guidance and suggestions.

In addition, our franchise supervisors, who are usually experienced teachers or teaching facility principals, visit and follow up closely with our franchisees to monitor teaching facilities' service quality and offer professional advice on various topics ranging from marketing solutions, recruiting initiatives and interactions with parents to teaching facility upgrade plans.

Our typical franchise agreements have terms of five years for kindergartens and three years for play-and-learn centers, and are renewable with our consent and payment of a renewal fee. These franchise agreements set out in detail what services we provide and the fee level for such services. In addition to the fixed annual fee model, starting in late 2018, we also began to use revenue-sharing model for our franchise services.

As of December 31, 2021, we had a total of 1,250 franchise facilities in China and 9 in Singapore. We believe our franchise business model not only helps franchisees achieve personal success, but also increasingly adds value to our own business and reputation.

After the Divestiture, our relationship with franchised kindergartens in China was replaced by our brand royalty services to the divested business to support their ongoing franchise relationships. Other franchisees are not affected by the Divestiture.

Products and services provided to the divested kindergarten and other third-party kindergartens

After the Divestiture, we no longer operate the previously directly operated kindergartens by ourselves, but we have entered into a series of educational service agreements to provide brand royalty, training, management IT system, recruitment and curriculum design services to the former VIE that operate these kindergartens. We will derive a significant portion of our income in the form of service fees from these kindergartens, and they will also serve as the starting point and trial customers for the new educational service output platform. We plan to expand the services we offer to these kindergartens to other early educational institutions across the country.

We have over 20 years of operating experience since we opened our first play-and-learn center in 1998 and have become a leader in operating and franchising play-and-learn centers, kindergartens and student care centers across the country and abroad. Such extensive industry experience has provided us with distinct insights into teachers, parents' and young children's needs, which we believe are critical for us to offer effective and practical early education solutions. In addition, our kindergarten operations in Singapore also enable us to introduce advanced education resources and niche operational know-hows to China's early education market with the hope to benefit the whole value chain in the market. The resources and experience we have accumulated on areas such as curriculum development, teaching, supervising, trainings, and management, among others, have been extremely valuable and widely used within our company, but not effectively monetized.

China's early education market at current stage is highly fragmented, but our market share has been limited by the scalability of the physical operation of kindergartens. We realize that, to maximize the benefit that our resources and experience can bring to the industry, we need to upgrade our business model to empower more pre-school educational institutions throughout the industry in an efficient manner. We believe that transforming into an educational service output platform in China's early education market will allow us to serve more educational institutions efficiently, thereby elevating our influence in the industry and benefiting more parents and children. From the company's operational perspective, through the divestiture of directly operated kindergartens, our business model will shift from an asset-heavy model with high cost in rents, human capital, and other capital expenditures, to an asset-light model with efficient scalability, strong growth driver and margin. The platform business model also alleviates many inherent risks in operating kindergartens.

We will focus more on building our proprietary, integrated online and offline education service business model. Leveraging the insights of the early childhood education industry and strengths in curriculum development, talent training and management output, we are well positioned to provide end-to-end services on brands, contents, systems and training for government and educational institutions based on our extensive education products.

Product and service extensions

To supplement our classroom teaching and reach a wider customer base beyond our networks, we launched Zhu Dou Parenting products in September 2011. It includes a Zhu Dou mobile app, where parents can access educational animations, cartoons and lectures for free or for a small fee, as well as a variety of at-home education products that can be separately sold to parents.

We also distribute educational merchandise such as teaching aids, educational toys, at-home educational products and school uniforms through our franchisees and other business partners. We maintain high standards when we procure educational merchandise from vendors to ensure that the products are well designed, meet relevant industrial standards and appeal to the target age group. In addition to leveraging our internal product design capabilities, we work with educational merchandise designers and/or vendors to design or refine the products that best fit our requirements.

We have established Qingtian Youpin, an e-commerce platform for high-quality maternity and children's products. These products are not only available online, but are also sold in our numerous teaching facilities across the country.

We have been constantly exploring new growth opportunities in the early childhood education industry. For example, we rolled out pilot programs of daycare services for 0-3-year old children, tutorials on traditional Chinese culture and arts, and started to provide internal design services to kindergarten outside our network.

Our Curriculum and R&D Capability

Our curriculum

Our kindergarten curriculum in China consists of our self-developed Multi-Dimension Education Courses, which cover the six principal fields of early childhood education, preparation for entry into kindergartens and primary schools, Kids Brown English, and certain feature courses. We also offer another set of courses tailored for our play-and-learn centers.

The course packages for the Hong Shan Enable Alliance are specially tailored to be unique while being inclusive and affordable. While these for-license courses are built upon the core methodologies used in the course materials taught at RYB-branded kindergartens, they are designed to be easy to use at a lower cost.

Our kindergarten curriculum in Singapore is self-developed and incorporates leading pedagogies such as Reggio Emilia approach, Habits of Mind and Multiple Intelligences. We offer differentiated curriculum for different brands.

Curricula Development

Our curricula are constantly evolving in response to the needs of children and their parents. We identify needs for new courses or course updates through various channels, including initiatives from our in-house education experts and feedback from our customers. The entire development process includes feasibility review, design, quality review, trial release and internal feedback, fine-tuning and official release. Upgrades to existing courses appear instantly on our white board system upon their release. We require our teachers to incorporate course upgrades to their teaching promptly. In the event of any major upgrade or release of new courses, we will hold various training sessions for teachers in our network.

We have a strong early childhood educational content development team, with solid credentials and rich experience fueled by a spirit of innovation. Our research and development department is headed by renowned figures in the education industry and benefits from insights offered by a highly engaged advisory board of industry leaders, including Mr. Xiping Tao, a former general advisor of the Supervisory Board for China National Education and the honorary Chairman of the Asia-Pacific Regional Association of the United Nations Educational, Scientific and Cultural Organization. Our development department hosts separate teams that are devoted to each of our product and service lines, including play-and-learn centers, kindergartens, other business partners and Zhu Dou Parenting products. These teams specialize in their respective areas to develop tailored contents while collaborating with each other at the same time to ensure an integrated overall curriculum system.

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As of December 31, 2021, our dedicated content development team consisted of 39 members. Over 82.1% of them held bachelor's degrees or above, approximately 64.1% of them graduated with education-related majors, and they have an average of over 10 years' experience in early childhood education. Many of our teaching staff and facility principals also actively participate in our daily content development activities.

Our development team also designs and develops educational tools and toys, as well as books for the mass market.

Our partnerships and collaborations with globally renowned education institutions greatly supplement and enhance the comprehensiveness and diversity of our curricula. We introduced the Kids Brown English course and The Music Class into our curricula in 2018 and 2016, respectively.

Our Teaching Staff, Principals and Other Employees

We employ a large body of principals and teaching staff and also maintain a team of sales representatives and other supporting staff, including doctors, kitchen crew and security guards, in our directly operated kindergartens and play-and-learn centers.

As of December 31, 2021, we employed a total of 4,033 teaching staff in our directly operated facilities, almost all of whom had received professional training from colleges or other institutions in the areas of pedagogy, arts and language before joining us. Before joining us, a number of our teachers have gone through RYB co-sponsored programs with selected teachers' colleges where they studied. Through these co-sponsored programs, we provide these candidates with an early exposure to our culture and teaching philosophy.

We have established a system for teachers to advance and develop within our system. We maintain a standardized internal evaluation process with clearly defined key performance indicators, and our four-tier teacher ranking system promotes and rewards teachers based on their teaching quality and experience. A good portion of our management term is promoted from experienced and outstanding teachers. We require each of our directly operated kindergartens to develop at least one person to become qualified as a facility principal and to train and develop at least two staff as facility directors and two teaching staff as top-level teachers each year.

After the Divestiture, the employment of the principals and teaching staff largely remain with the divested kindergartens.

Our Brand Image, Marketing and Student Recruitment

We position ourselves as a provider of early childhood educational services tailored to the needs of each child at the different stages of her or his growth. We believe parents of prospective students are attracted to our teaching facilities by our excellent brand name and reputation, the quality of our curricula and our long operating history in the private early childhood education sector. Therefore, our student enrollment has grown primarily through word-of-mouth and referrals by parents. Aside from that, we also employ the following marketing methods to attract students:

- **Social Events and Activities.** We participate in and host community events designed to promote awareness of the virtues of early childhood education. For example, we from time to time host themed open-house events at our facilities to allow children and parents to have direct interactions with our existing students, parents and facility employees. We also write columns for early childhood and parenting magazines and publish frequently in other media. We believe that these events and publications enhance our public image and increase brand awareness.
- **Distribution of Marketing Materials.** Our sales representatives distribute informational brochures, posters and flyers in the vicinity of our kindergartens or play-and-learn centers.
- **Cross-Selling.** As we gain footholds in many different markets, we use our presence in one market as an opportunity to advertise our offerings in other markets. With a variety of products and services aimed at children of different age groups, our goal is to create a brand name that permeates every stage of a child's educational progression.

Information Technology

Our technology platform supports the delivery of high-quality educational content to all teaching facilities in our network, and also helps to reduce our operating costs and empower future growth. We currently use a combination of commercially available and custom developed software and hardware systems. Our technology platform consists of our facility management system, franchisee management system, digital white board course management system, and other platforms.

We have developed various mobile applications, including Zhu Dou Parenting, where users can purchase at-home educational content, books and educational toys; Qingtian Youpin, an e-commerce platform for high-quality maternity and children's products; and mobile app for kindergartens and play-and-learn centers that keeps parents updated on facility news, course progress updates and updates for their children. We have also created service account and public account on Weixin to enhance the communications between parents and our directly operated kindergartens and to increase our cross-selling efforts.

One of our ongoing primary objectives is to maintain reliable systems. We have implemented performance monitoring for all key systems to enable us to respond quickly to potential problems. Our websites are hosted at cloud servers maintained by a reputable cloud computing service provider.

In addition to continuous development and improvement of our technology infrastructure, we have also upgraded certain technology equipment to enhance the security of our facilities. For example, we have installed CCTV monitoring system in all of our directly operated kindergartens in PRC.

Intellectual Property

Our brands, trademarks, service marks, copyrights, patents and other intellectual property rights distinguish and protect our course offerings and services from infringement, and contribute to our competitive advantages. As of December 31, 2021, our intellectual property rights include the following:

- 804 trademark registrations for our brand and logo in China, among them RYB Kindergarten (红黄蓝幼儿园) and RYB Play-and-learn Center (红黄蓝亲子园) have been recognized as “well-known trademarks (驰名商标)” by the Trademark Review and Adjudication Board of the State Administration for Industry and Commerce in China;
- 873 copyrights for content that we developed in-house;
- 61 domain names; and
- 8 patents relating to our educational toys granted in China.

Insurance and Safety

We endeavor to provide a safe environment for children at our teaching facilities. We apply stringent safety standards in the design and construction of our teaching facilities. We have established and strictly implemented security and safety protocols. Safety is an important factor in the evaluation scale we apply to the performance of our facility principals and our own management personnel, and we also take into consideration safety maintenance when deciding whether to renew a franchise agreement with a franchisee or to expand our cooperation with it.

Our teachers, however, may not follow our safety manual and standards at all times, and any misbehavior by our teachers may cause harm to children in our teaching facilities. For example, the 2017 Incident caused harm to our students, and the ensuing negative publicity associated with it directly affected our operation results. As a result of the 2017 Incident, some parents lost confidence in our services, and utilization of the kindergarten involved in the 2017 Incident was directly and negatively impacted, and some franchisees requested to terminate their franchise relationships with us. Subsequent to this event, we established a special task force under the leadership of our independent directors to conduct a thorough self-inspection across our teaching facilities. We have taken steps to implement more stringent teacher recruitment requirements, by, among other things, improving teacher training, raising teacher compensation, and more closely monitoring and providing support to our staff. We have also taken measures to improve the security monitoring and management system of our teaching facilities. All of our directly operated kindergartens in PRC are now equipped with CCTV monitoring systems. We have also invited parents to participate in open classes and other efforts aimed at making our facilities safer and more transparent.

With respect to food safety, most of our directly operated kindergartens are now equipped with kitchens to provide meals to our students and others at our facilities, which reduces the likelihood of food poisoning or food quality incidents on our premises as a result of purchasing food from the outside.

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased certain liability insurance covering our directly operated kindergartens and play-and-learn centers. We also provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance and medical insurance, to our employees.

We do not maintain business interruption insurance nor do we maintain product liability insurance or key-man insurance. Our management evaluates the adequacy of our insurance coverage from time to time, and we purchase additional insurance policies as needed.

Competition

The early childhood education market in China is rapidly evolving, highly fragmented and competitive. We face competition in each type of service and product we offer and in each geographic market where we operate. Our competitors at the national level include VTRON for the kindergarten business and Combaby and Babycare for the play-and-learn center business, among others.

We believe the principal competitive factors in our business include the following:

- brand recognition;
- type and quality of education services offered;
- ability to effectively tailor service offerings to the needs of children and parents;
- ability to control the network;
- ability to attract and retain high-quality teachers and managerial talent;
- customer satisfaction;
- locations with better access to a wider student body; and
- price-to-value ratio.

We believe that we compete favorably with our competitors on the basis of the above factors.

Legal Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. For more information, see “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings.”

Regulation

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China or our shareholders' rights to receive dividends and other distributions from us.

Regulations Relating to Foreign Investment in the PRC

The Foreign Investment Law

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and it has taken effect on January 1, 2020. The Foreign Investment Law is the fundamental law for foreign investment in PRC, which replaces the Law on Sino-Foreign Equity joint ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises as the general law applicable for the foreign investment within the PRC.

The Foreign Investment Law defines foreign investment as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations, and specifically stipulates four forms of investment activities as foreign investment, namely, (i) establishment of a foreign-invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (ii) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a foreign investor, (iii) investment in any new project in the PRC by a foreign investor, either individually or collectively with any other investor, and (iv) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

The Foreign Investment Law establishes the administration systems for foreign investment, which mainly consists of pre-establishment national treatment plus negative list, foreign investment information report system and security review system. The said systems, together with other administration measures stipulated under the Foreign Investment Law, constitute the frame of foreign investment administration. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council.

The Foreign Investment Law sets forth principles and measures to promote foreign investment in the PRC and specifically provides that the PRC legally protects Foreign Investors' investment, earnings and other legitimate rights and interests in the PRC.

The Foreign Investment Law further provides that foreign-invested enterprises established before the Foreign Investment Law coming into effect may retain their original form of organizations within five years after the Foreign Investment Law comes into effect.

On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC, which came into effect on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law, Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law, the Regulations on Implementing the Wholly Foreign-Owned Enterprise Law and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law.

Catalogue of Industries for Encouraging Foreign Investment (2020 Edition) and Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition)

Under the Catalogue of Industries for Encouraging Foreign Investment (2020 Edition), or the Foreign Investment Catalogue, which was promulgated by the NDRC and the MOFCOM on December 27, 2020 and became effective on January 27, 2021, foreign-invested industries are classified into two categories, namely (i) those included on the Catalogue of Industries for Encouraging Foreign Investment and (ii) those included on the Catalogue of Priority Industries for Foreign Investment in Central and Western China.

On December 27, 2021, the NDRC and the Ministry of Finance, or the MOC, jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), or the 2021 Negative List, which became effective on January 1, 2022.

Under the 2021 Negative List, the provision of pre-school, ordinary senior high school and higher education services in the PRC is under the category of restricted industries for foreign investors. Foreign investments in such education institutions are only allowed in the form of Sino-foreign cooperative educational institutions in which the domestic party shall play a dominant role. It suggests that the principal or the chief executive officer of an education institutions shall be a PRC national and the representatives of the domestic party shall account for no less than half of the total number of members of the board of directors, the executive council or the joint administration committee of a Sino-foreign cooperative educational institution. Also, foreign ownership of a value-added telecommunication service provider may not exceed 50%, except for the investment in the e-commerce operation business, a domestic multi-party communication business, an information storage and re-transmission business and a call center business.

Regulations on Sino-Foreign Investment in Operating Schools

The Regulation on Operating Sino-foreign Schools and its Implementing Rules apply to the activities of educational institutions established in the PRC cooperatively by foreign educational institutions and Chinese educational institutions, the students of which are to be recruited primarily among PRC citizens, and encourage substantial cooperation between overseas educational organizations, with relevant qualifications and experience in providing high-quality education, and PRC educational organizations to jointly operate various types of schools in the PRC, especially in the areas of higher education and occupational education. The overseas educational organization must be a foreign educational institution with relevant qualification and high-quality education ability. It is uncertain what type of information (including duration and type of experience) a foreign investor must provide to the competent PRC government authority to demonstrate that it meets the qualification requirement. PRC-foreign cooperative schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC. Any PRC-foreign cooperative school and cooperation program shall be approved by relevant education authorities and obtain an Operation Permit for Sino-foreign Cooperative School, and a Sino-foreign cooperative school established without the above approval or permit may be prohibited by the relevant authorities, ordered to refund the fees collected from its students and subjected to a fine of no more than RMB100,000, while a Sino-foreign cooperation program established without such approval or permit may also be banned and ordered to refund the fees collected from its students.

Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education

On June 18, 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign cooperative educational institute must be less than 50 percent.

Administrative Regulations on Foreign-Invested Telecommunications Enterprises

On December 11, 2001, the State Council of the PRC promulgated the Administrative Regulations on Foreign-Invested Telecommunications Enterprises, and was amended on September 10, 2008 and February 6, 2016 and March 29, 2022, and became effective on May,1, 2022. The regulation requires that foreign-invested value-added telecommunications enterprises must be in the form of a Sino-foreign equity joint venture, and the ultimate capital contribution percentage by foreign investor(s) in a foreign-invested value-added telecommunications enterprise must not exceed 50%, unless otherwise stipulated by the state.

Regulations Relating to Private Education in the PRC

Education Law of the PRC

On March 18, 1995, the NPC enacted the Education Law of the PRC, which became effective on September 1, 1995, and was amended on August 27, 2009 and December 27, 2015, and further amended on April 29, 2021. This law sets forth provisions relating to the fundamental educational systems of the PRC, including a school education system comprising preschool education, primary education, secondary education and higher education; a system of nine-year compulsory education; and a national education examination system. The 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, that enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of educational institutions in accordance with PRC laws and regulations. The Education Law also stipulates that some basic conditions must be fulfilled for the establishment of a school or any other educational institution; accordingly, the establishment, modification or termination of a school or any other education institution shall, in accordance with the relevant PRC laws and regulations, follow specific examination, verification, approval, registration or filing procedures.

Pursuant to the Education Law of the PRC before the Amended Law for Promoting Private Education becoming effective, no organization or individual may establish or operate a school or any other education institution for profit-making purposes and accordingly, no private schools shall be established for profit-making purposes.

On December 27, 2015, the Standing Committee of the PRC National People's Congress, or the NPC Standing Committee, published the Decision on Amendment of the Education Law, which became effective on June 1, 2016. The amended Education Law does not include provisions that prohibit any organization or individual from establishing or operating a school for profit-making purposes.

The Law for Promoting Private Education and its Implementation Rules

On December 28, 2002, the NPC Standing Committee promulgated the Law for Promoting Private Education, or the Private Education Law, which became effective on September 1, 2003, and was amended on June 29, 2013 and was amended on November 7, 2016 and December 29, 2018. On March 5, 2004, the PRC State Council promulgated the Implementation Rules for the Law for Promoting Private Education, or the PE Implementation Rules, which became effective on April 1, 2004. PE Implementation Rules was amended on April 7, 2021, and took effective on September 1, 2021. The Private Education Law and the PE Law Implementation Rules provide rules for social organizations or individuals to establish schools or other educational organizations using nongovernment funds in the PRC; such schools or educational organizations established using nongovernment funds are referred to as "private schools."

Under the Private Education Law and PE Implementation Rules, private education is deemed a public welfare undertaking, and entities and individuals who establish private schools are commonly referred to as "sponsors," instead of "investors" or "shareholders." The establishment of a private school shall meet the local need for educational development and the requirements of the Education Law and the relevant laws and regulations. The standards for the establishment of private schools shall be commensurate with those for the establishment of public schools of the same grade and category. In addition, the establishment of private schools providing academic qualifications education, kindergarten education, education for self-study examination and other cultural education shall be subject to approval by the education authorities at or above the county level, while the establishment of private schools engaging in vocational qualification training and vocational skill training shall be subject to approval by the authorities in charge of human resources and social security at or above the county level. A duly approved private school will be granted a permit for operating a private school and shall be registered in accordance with relevant laws and regulations. According to the Interim Regulations on Registration Administration of Private Non-enterprise Units promulgated by the State Council and became effective on October 25, 1998, private non-enterprise units, which referred to social organizations which are established by enterprises, institutions, associations or other civil entities as well as individual citizens using non-state assets and conduct not-for-profit social service activities, shall be registered with the Ministry of Civil Affairs of the PRC or its local counterparts above the county level as a private non-enterprise unit.

Under the above regulations, private schools have the same legal 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. The operations of a private school are highly regulated.

The Amendment to the Law for Promoting Private Education

On November 7, 2016, the Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC was promulgated by Order No. 55 of the President of the PRC, or the Amended Law for Promoting Private Education, which became effective on September 1, 2017. On 29 December 2018, the Decision of the Standing Committee of the National People's Congress on Amending the Seven Laws Including the Labor Law of the PRC was promulgated by Order No. 24 of the President of the PRC and took into effect on the same date, which made two minor adjustments to Article 26 and Article 64 of the Amended Private Education Promotion Law.

The Amended Law for Promoting Private Education establishes a new classification system for private schools. Private schools are now classified by whether they are established and operated for profit-making purposes. Under the Amended Law for Promoting Private Education, sponsors of private schools that are not engaged in compulsory education may choose to establish not-for-profit or for-profit private schools at their own discretion. School sponsors of for-profit private schools are allowed to get income from the operation of the school, and the balance of running such schools is permitted to be handled in accordance with the PRC Company Law and other relevant laws and administrative regulations. School sponsors of not-for-profit private schools are prohibited from getting income from the operation of the schools, and all school-running balances shall be used for running schools. Furthermore, the remaining assets upon liquidation of for-profit private schools are permitted to be handled in accordance with the relevant provisions of the PRC Company Law and that of not-for-profit private schools may only be used for the operation of other not-for-profit schools. For-profit private schools are entitled to make their own decisions about collection of fees in accordance with the market situation, while collection of fees for not-for-profit private schools shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government. In addition, private schools are entitled to preferential tax policies and land policies in accordance with PRC laws, with the emphasis that not-for-profit private schools shall enjoy preferential tax policies and land policies equivalent to those applicable to public schools.

If the school sponsors of private schools established prior to the promulgation date of this decision choose to register and operate their schools as not-for-profit private schools, they shall cause the school to amend its articles of association in accordance with this decision and continue the school operation pursuant to such revised articles of association. Furthermore, upon the termination of such not-for-profit private schools, the government authority may grant some compensation or reward to the school sponsors who have made capital contributions to such school from the remaining assets of such schools upon their liquidation and may then apply the rest of the assets to the operation of other not-for-profit private schools. If the school sponsors of private schools established prior to the promulgation date of this decision choose to register and operate their schools as for-profit private schools, the schools shall go through some procedures including but not limited to conducting financial settlement, defining the property right, paying relevant taxes and expenses and making renewed registration, the details of which shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government.

On December 29, 2016, the State Council issued the Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education, which require, among other things, access to the operation of private schools and the encouragement of social forces to enter into the education industry. The State Council Opinions also provide that each level of the people's government shall increase its support to private schools in terms of financial investment, financial support, autonomous policies, preferential tax treatments, land policies, fee policies, autonomous operation and protection of teachers' and students' rights. The opinions further require each level of the people's government to improve its local policies on governmental support to for-profit and not-for-profit private schools by way of, among others, preferential tax treatments.

On December 30, 2016, the MOE, the Ministry of Civil Affairs, the State Administration for Market Regulation, or SAMR, the Ministry of Human Resources and Social Security, or MOHRSS, and the State Commission Office of Public Sectors Reform jointly issued the Implementation Rules on the Classification Registration of Private Schools, reflecting the new classification system for private schools as set out in the Amended Law for Promoting Private Education. Pursuant to these implementation rules, if a private school established before the promulgation of the Amended Law for Promoting Private Education chooses to be registered as a not-for-profit school, it shall amend its articles of association, continue its operation and complete the new registration procedure. If such a private school chooses to be registered as a for-profit school, it shall conduct the financial settlement process, have the property rights of its assets such as lands, school buildings and net balance being authenticated by relevant governmental authorities. In addition, such a private school shall pay the relevant taxes, apply for a new private school operation permit, and apply to be transformed into a limited liability company and registered as a for-profit school and continue its operation.

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On December 30, 2016, the MOE, SAMR and the MOHRSS jointly issued the Implementation Rules on the Supervision and Administration of For-profit Private Schools, pursuant to which the establishment, division, merger, termination and other material changes of a for-profit private school shall first be reported by the board of directors of the relevant school to and get approvals from the relevant authorities, and subsequently be registered with the competent branch of SAMR.

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

On May 14, 2021, the State Council amended the Implementation Rules for the Law for Promoting Private Education regulations, or the Implementation Rules, which became effective on September 1, 2021. Pursuant to the Amended Regulations, (1) foreign-invested enterprises established in China and social organizations whose actual controllers are foreign parties shall not sponsor, participate in or actually control private schools that provide compulsory education, (2) social organizations or individuals shall not control any private school that provides compulsory education or any non-profit private school that provides pre-school education by means of merger, acquisition, contractual arrangements, etc., and (3) private schools providing compulsory education shall not conduct any transaction with any related party. Where a private school other than private schools providing compulsory education conducts transactions with any related party, it shall follow the principles of openness, fairness and equality, determine the reasonable fees and regulate the decision-making, and shall not do detriment to the state interests, the interests of the school or the rights and interests of the teachers and students, otherwise, there is a risk of being ordered to make corrections within a time limit, and the illegal gains, if any, shall be confiscated after the fees collected are returned; if the circumstances are serious, the sponsor, actual controller and member of the decision-making body or supervisory body shall not become the sponsor, actual controller or member of the decision-making body or supervisory body of other private school within one to five years; if the circumstances are especially serious with adverse social impact, the sponsor, actual controller and member of the decision-making body or supervisory body shall not become the sponsor, actual controller and members of the decision-making body or supervisory body of other private school permanently; if a violation of public security administration is constituted, the public security organ shall impose a public security administration punishment according to law; if a crime is constituted, criminal responsibility shall be investigated in accordance with the law.

In addition to the Amended Private Education Promotion Law and the rules above mentioned, more implementing regulations will be introduced to further provide detailed requirements for the operation of not-for-profit and for-profit private schools:

- the local regulations relating to legal entity registration of for-profit and nonprofit private schools; and
- the specific measures to be formulated and promulgated by the competent authorities responsible for the administration of private schools in the provinces in which our schools are located, including but not limited to the specific measures for registration of pre-existing private schools, the specific requirements for authenticating various parties' property rights and payment of taxes and fees of for-profit private schools, taxation policies for for-profit private schools and measures for collection of not-for-profit private schools' fees.

Opinions of the CPC Central Committee and State Council on Deepening Reform in Preschool Education

On November 7, 2018, the Central Committee of the Communist Party of China and the State Council promulgated the Opinions of the CPC Central Committee and State Council on Deepening Reform in Preschool Education, or the Reform Opinions, which provides, among others, that (i) private kindergartens forming part or all of the assets of a listing vehicle are prohibited from listing on stock markets; (ii) non-governmental capital is prohibited from controlling state-owned or collectively-owned kindergartens and not-for-profit kindergartens by ways of mergers and acquisitions, entrusted management, franchising, variable interest entities arrangements, or other forms of control agreements; (iii) for-profit kindergartens which participate in acquisitions, franchising or chain operation shall file with education departments of the county level or above and make available to the public agreements entered into with relevant interested enterprises; (iv) listed companies are prohibited from investing in for-profit kindergartens through financing through stock markets, and should not purchase assets of for-profit kindergartens by cash, issuance of shares or other similar means; and (v) provincial legislative bodies should promulgate implementing measures by June 2019 with regard to the election of private kindergartens to be registered as not-for-profit or for-profit schools and specify time-frame requirements for such registration.

Circular on Initiating the Rectification of Kindergartens Affiliated to Residential Communities in Urban Areas

On January 9, 2019, the General Office of the State Council issued the Circular on Initiating the Rectification of Kindergartens Affiliated to Residential Communities in Urban Areas, or Circular on Initiating the Rectification, according to which the completed community-affiliated kindergartens should be handed over to the local education authorities. Those which are not handed over to the local education authorities should complete this procedure within a limited time, and those are used for other purposes shall be taken back by the local education authorities. After the existing community-affiliated kindergartens been handed over to local education authorities, they shall be held by local education authorities as public kindergartens or turn into inclusive kindergartens operated by authorized social parties. The community-affiliated kindergartens shall be not-for-profit.

Regulations on Education-related Fees

On October 12, 2015, the State Council and the Central Committee of the Communist Party of China jointly issued Certain Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Price Mechanism Reform, which allows for-profit private schools to set their tuition fees on their own, while the tuition-collecting policies of not-for-profit private schools shall be determined by the provincial governments in a market-oriented manner, taking into account local circumstances.

The Amended Law for Promoting Private Education stipulates that for-profit private schools are entitled to set their own tuition and other miscellaneous fees without the need to seek prior approvals from or report to the relevant government authorities. The collection of fees by non-profit private schools, on the other hand, shall be regulated by the provincial, autonomous regional or municipal governments.

As such, if our private schools choose to register as for-profit private schools for our noncompulsory education services, we will be able to set our own tuitions and other miscellaneous fees according to the market conditions.

On August 17, 2020, the MOE and other four ministries and commissions promulgated the Opinions on Further Standardization of Education Fee, which stipulate, among other provisions, that: (1) The measures for the collection of fees by non-profit private schools shall be formulated by the people's governments of various provinces, autonomous regions and centrally-administered municipalities; the charging criteria of for-profit private schools are subject to market regulation and shall be determined by the schools themselves. The private schools established before November 7, 2016 which have not complete their registration procedures of their for-profit or non-profit statuses must be managed according to the non-profit private schools' charging policy; (2) In addition to completing education and teaching tasks, private schools can provide related convenient services for students, and organize research trips, after-school services, social practice and other activities, but the parts of service fees borne by the students or parents must be charged based on voluntary and non-profit principles. If related services are provided by the third party outside the school, the school may collect and pay related services fees for the third service provider; (3) Private schools must publicize the charging items and standards in a prominent location in the school and indicate the charging items and standards in the admissions brochure and admission notice. If fees that should be publicized were actually not publicized, or the contents of the publicity are not in compliance with the related policies, students are entitled to refuse the payment of the fees; (4) Strengthen the audit for non-profit private schools, and strictly prohibit the sponsor of a non-profit private school from gaining proceeds from school running in any way.

The Implementation Rules stipulates that a private school or the founder thereof shall not, under sponsor fee or any other item, collect or collect in disguised form any fees related to the enrollment from students or their parents. Private schools shall establish a cost accounting system for running schools, and reasonably determine the charging items and standards on the basis of the school operational costs, market demands and other factors, in compliance with the principles of fairness, lawfulness and good faith and in consideration of the economic benefits and social benefits. The people's governments of provinces, autonomous regions and municipalities directly under the Central Government may set a ceiling for the fees charged by non-profit private schools that the government-run schools participate in the establishment thereof, that use state-owned assets, or that receive government subsidies per student. Non-profit private schools shall use the account filed with the relevant competent authorities for the record when collecting fees or carrying out activities. The relevant competent authorities shall supervise the account. All the income of for-profit private schools shall be incorporated into the bank settlement account opened by the schools, and the distribution of school operating balance shall be made after the annual financial settlement. Moreover, it stipulates that a private school providing compulsory education shall not conduct any transaction with any related party. Where any other private school conducts any transaction with any related party, it shall follow the principles of openness, fairness and impartiality, fix the price reasonably and regulate the decision-making, and shall not damage the state interests, the interests of the school or the rights and interests of the teachers and students. Private school shall establish an information disclosure system for their transactions with interested related parties.

Regulations on Safety and Health Protection of Schools

Pursuant to the Food Safety Law of the PRC, which was amended on April 29, 2021 and became effective on April 29, 2021, collective canteens of schools and kindergartens shall obtain licenses in accordance with law and strictly abide by all laws, regulations and food safety standards. Schools and kindergartens should only order meals from off-site providers that have obtained the relevant food production licenses and should conduct regular inspections of the meals provided.

In accordance with the Regulation on the Management of Food Safety and Nutritional Health in Schools, which was promulgated on February 20, 2019, became effective on April 1, 2019, school (including kindergartens) concentrated dining should follow the principle of prevention first, full process monitoring, territorial management, school implementation. Schools (including kindergartens) should regard the food safety as an important part of school safety work, establish and implement relevant food safety management systems and work requirements, and organize regular inspections of food safety hazards. Kindergartens should establish a centralized meal catering system, and equipped with full-time(part-time) food safety managers and nutrition and health managers.

According to the Circular on Strengthening Hygiene and Epidemic Prevention and Food Hygiene and Safety of Private Schools, which was promulgated on April 29, 2006, private schools should pay high attention to and strengthen schools' hygiene and epidemic prevention and food hygiene and safety.

According to the Administrative Measures for the Safety of Kindergartens and Primary and Middle Schools, which were promulgated on June 30, 2006 and became effective on September 1, 2006, schools should strictly implement Regulations on Hygiene Administration of School Canteens and Collective Provision of Meals for Students and Standards on Hygiene of Catering Industry and Delivery Entity of Collective Dining, and should strictly comply with the hygiene operation norms. In order to ensure the hygiene and safety of food and beverages for teachers and students, schools should (a) establish a system of procurement of canteen supplies from designated suppliers, (b) request for and retain the necessary certificates during the procurement process, (c) spot check food quality and maintain records, and (d) examine the hygiene of the food-serving area and the safety of drinking water. Schools shall be responsible for safety management and education, and for establishing and improving internal safety management systems and safety emergency response mechanisms, incorporating safety education into their educational content and carrying out safety education among students.

Pursuant to the Circular on Further Strengthening Food Safety of School Canteens issued on August 11, 2011, school canteens are comprehensively required to carry out food safety self-inspections. Local food and drug administrations at all levels are required to comprehensively strengthen supervision and inspection on food safety of school canteens before commencement of each term, and, before the commencement of every spring term and every autumn term, should consider school canteens as key points of supervision and strengthen their supervision and inspection. The school food safety responsibility system should be comprehensively carried out.

According to the Law on the Protection of Minors of the PRC, which was amended on October 26, 2012 and became effective in January 2013, and was amended on October 17, 2020 and became effective on June 1, 2021, schools, kindergartens and nurseries shall establish a safety system, improve safety education among minors and adopt measures to guarantee their personal safety.

According to the Regulation on Sanitary Work of Schools, which was promulgated on June 4, 1990 and became effective on the same day, schools shall carry out sanitary work. The main tasks of the sanitary work include monitoring health conditions of students, carrying out health education among students, helping students develop good health habits, improving health environment and health conditions for teachers and enhancing prevention and treatment of infectious disease and common diseases among students.

Pursuant to the Notice on Strengthening the Health Safety and Nutritional Health Management of School Canteens promulgated and became effective on August 6, 2021, school canteens shall operate independently in principle, and obtain the food business license. Schools contracting or entrusting the management of canteens to the third party shall, in accordance with the management regulations of relevant local departments, fully listen to the opinions of parent committees, student representative assemblies, and faculty and staff representative assemblies, publicly select catering service units or catering management companies with good social reputation, and sign contracts in accordance with the law.

Regulations on Qualifications of Teachers

Pursuant to the Implementation Rules for the Law on the Promotion of Private Education of the PRC, teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions provided for in the Teachers Law and the other relevant laws and regulations, and there shall be a definite number of full-time teachers in a private school. Pursuant to the Teachers Law of the PRC issued by Standing Committee of the NPC, the Teachers Law shall apply to teachers specifically engaged in education and teaching at schools of various levels and categories or other institutions of education. "Schools of various levels and categories" refers to the schools that carry out pre-school education, ordinary primary education, ordinary secondary education, vocational education, ordinary higher education, special education or adult education, and "other institutions of education" refers to ShaoNianGong, local teaching, research offices and the institutions that conduct audio-visual education.

In addition, pursuant to the Teachers Law, the relevant provisions of the Teachers Law may be applied mutatis mutandis in the light of the actual conditions to the educational and teaching assistants of schools or other institutions of education, as well as teachers and the educational and teaching assistants of schools of other categories.

Regulations Relating to Management of Kindergartens

On September 11, 1989, the MOE issued the Kindergarten Management Regulations, which took effect on February 1, 1990. The Kindergarten Management Regulations provide some basic principles for the establishment and management of kindergartens enrolling children aged three years and older, and call for local regulations following such principles. On the one hand, according to the Kindergarten Management Regulations, establishment of a kindergarten shall meet certain requirements, taking into consideration the following factors: (1) safety and sanitary conditions of the locations and facilities, (2) professional qualifications of the teaching and administrative staff, (3) financial capacity of the sponsors, and (4) procedures for approval by competent authorities. On the other hand, the Kindergarten Management Regulations set out provisions on the operation and management of a kindergarten, including: (1) educational practice shall be suitable for the children's developments; (2) no corporal punishment is allowed; (3) sanitation and hygiene rules and safety protection system shall be made and followed; and (4) financial management shall be enhanced to prevent inappropriate applications of the kindergarten funding. Any entity or person who violates the Kindergarten Management Regulations could be penalized by the MOE.

Regulations Relating to Licenses for Value-Added Telecommunications Services

On September 25, 2000, the State Council issued the Regulations on Telecommunications of China, or the Telecommunications Regulations, which was amended on July 29, 2014, and was amended again on February 6, 2016, to regulate telecommunications activities in China. The Telecommunications Regulations divide telecommunications services into two categories, namely "infrastructure telecommunications services" and "value-added telecommunications services." Pursuant to the Telecommunications Regulations, operators of value-added telecommunications services must first obtain a Value-added Telecommunications Business Operating License, or a VAT License, from the Ministry of Industry and Information Technology, or MIIT, or its provincial level counterparts. The Administrative Measures for Telecommunications Businesses Operating Licensing was promulgated by the MIIT on March 1, 2009 and amended on July 3, 2017, which set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses.

According to the Catalog of Classification of Telecommunications Businesses effective from April 1, 2003, Internet information services, also called Internet content services, or ICP services, are deemed to be a type of value-added telecommunications services. On December 28, 2015, the MIIT published a revised Catalog of Classification of Telecommunication Business, or the 2015 MIIT Catalog, which took effect on March 1, 2016, and was amended on June 6, 2019. According to the 2015 MIIT Catalog, Internet information services, which include information release and delivery services, information search and query services, information community platform services, information real-times interactive services, and information protection and processing services, continue to be classified as a category of value-added telecommunication services. The Administrative Measures on Internet Information Services, or ICP Measures, also promulgated by the PRC State Council on September 25, 2000 and amended on January 8, 2011, set forth more specific rules on the provision of ICP services. According to the ICP Measures, any company that engages in the provision of commercial ICP services shall obtain a sub-category VAT License for Internet Information Services, or ICP license, from the relevant government authorities before providing any commercial Internet content services within the PRC; when the ICP services involve areas of news, publication, education, medical treatment, health, pharmaceuticals and medical equipment, and if required by law or relevant regulations, specific approval from the respective regulatory authorities must be obtained prior to applying for the ICP License from the MIIT or its provincial level counterpart. Pursuant to the above mentioned regulations, "commercial ICP services" generally refers to provision of specific information content, online advertising, web page construction and other online application services through Internet for profit making purposes.

On December 11, 2001, the State Council of the PRC promulgated the Administrative Regulations on Foreign-Invested Telecommunications Enterprises, and was amended on September 10, 2008 and February 6, 2016 and March 29, 2022, and became effective on May, 1, 2022. The regulation requires that foreign-invested value-added telecommunications enterprises must be in the form of a Sino-foreign equity joint venture, and the ultimate capital contribution percentage by foreign investor(s) in a foreign-invested value-added telecommunications enterprise must not exceed 50%, unless otherwise stipulated by the state.

Regulations Relating to Franchise Businesses

On February 6, 2007, the State Council promulgated the Regulation on the Administration of Commercial Franchises, which became effective on May 1, 2007. This regulation requires that any enterprise engaging in trans-provincial franchise business shall register with the Ministry of Commerce, or the MOC, and any enterprise engaging in franchise business within one province shall register with the provincial counterpart of the MOC. The Administrative Measures for the Filing of Commercial Franchises, which was promulgated by the MOC on April 30, 2007 and amended on December 12, 2011 set forth in detail the procedures and documents required for such filing, including, among other things, the franchise agreement entered into with the franchisee, the franchise market plan and trademarks and patents relating to the franchise.

Regulations Relating to Publication Distribution

Under the Administrative Measures for the Publication Market, or Publication Market Measures, which were jointly promulgated by SAPPRFT and the Ministry of Commerce and became effective on June 1, 2016, any enterprise or individual who engages in publication distribution activities shall obtain permission from SAPPRFT or its local counterpart. “Publication” is defined as “books, newspapers, periodicals, audio-video products, and electronic publications,” and “distributing” is defined as “general distribution, wholesale, retail, rental, exhibition and other activities,” respectively, in the Publication Market Measures. Any enterprise or individual that engages in retail distribution of publications shall obtain a Publication Business Operating License issued by the local counterpart of SAPPRFT at the county level. In addition, any enterprise or individual that holds a Publication Business Operating License must make filings with the relevant local counterpart of SAPPRFT that granted such license to it within fifteen days of beginning to carry out any online publication distribution business.

Regulations on Internet Information Security, Censorship and Privacy Protection

Regulations on Cybersecurity

The Standing Committee of the National People’s Congress, China’s national legislative body, enacted the Decisions on the Maintenance of Internet Security on December 28, 2000 and amended them on August 27, 2009 that may subject persons to criminal liabilities in China for any attempt to use the internet to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights. In 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections which was amended in 2011 and prohibits using the internet to leak state secrets or to spread socially destabilizing materials. If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

In December 2012, the Standing Committee of the NPC promulgated the Decision on Strengthening Network Information Protection, or the Network Information Protection Decision, to enhance the legal protection of information security and privacy on the internet. The Network Information Protection Decision also requires internet operators to take measures to ensure confidentiality of information of users. In July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users to regulate the collection and use of users’ personal information in the provision of telecommunication service and internet information service in China. In August 2015, the Standing Committee of the NPC promulgated the Ninth Amendment to the Criminal Law, which became effective in November 2015 and amended the standards of crime of infringing citizens’ personal information and reinforced the criminal culpability of unlawful collection, transaction, and provision of personal information. It further provides that any ICP provider that fails to fulfil the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders will be subject to criminal liability. In November 2016, the Standing Committee of the NPC promulgated the PRC Cyber Security Law, which requires, among others, that network operators take security measures to protect the network from unauthorized interference, damage and unauthorized access and prevent data from being divulged, stolen or tampered with. Network operators are also required to collect and use personal information in compliance with the principles of legitimacy, properness and necessity, and strictly within the scope of authorization by the subject of personal information unless otherwise prescribed by laws or regulations. The Civil Code promulgated in 2020 also provides specific provisions regarding the protection of personal information.

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On July 1, 2015, the SCNPC issued the National Security Law, which became effective on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cyber security development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of China.

Pursuant to the Ninth Amendment to the Criminal Law issued by the Standing Committee of the National People's Congress on August 29, 2015, effective on November 1, 2015, any ICP provider that fails to fulfill the obligations related to internet content security as required by applicable laws and refuses to take corrective measures, will be subject to criminal liability for (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users' personal information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (i) sells or provides personal information to others unlawfully or (ii) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

The Cybersecurity Law of the PRC, or the PRC Cybersecurity Law, which was promulgated on November 7, 2016 by the Standing Committee of the National People's Congress and came into effect on June 1, 2017, provides that network operators shall meet their cyber security obligations and shall take technical measures and other necessary measures to protect the safety and stability of their networks. Under the PRC Cybersecurity Law, network operators are subject to various security protection-related obligations, including: (i) network operators shall comply with certain obligations regarding maintenance of the security of internet systems; (ii) network operators shall verify users' identities before signing agreements or providing certain services such as information publishing or real-time communication services; (iii) when collecting or using personal information, network operators shall clearly indicate the purposes, methods and scope of the information collection, the use of information collection, and obtain the consent of those from whom the information is collected; (iv) network operators shall strictly preserve the privacy of user information they collect, and establish and maintain systems to protect user privacy; (v) network operators shall strengthen management of information published by users, and when they discover information prohibited by laws and regulations from publication or dissemination, they shall immediately stop dissemination of that information, including taking measures such as deleting the information, preventing the information from spreading, saving relevant records, and reporting to the relevant governmental agencies. In addition, the PRC Cyber Security Law requires that critical information infrastructures operators generally shall store, within the territory of the PRC, the personal information and important data collected and produced during their operations in the PRC and their purchase of network products and services that affect or may affect national securities shall be subject to national cybersecurity review.

Pursuant to the Regulations for Internet Security Supervision and Inspection by Public Security Organs promulgated by the Ministry of Public Security on September 15, 2018, effective on November 1, 2018, public security organs shall, as needed for prevention for cybersecurity and in light of specific conditions on hidden dangers of cybersecurity risks, conduct supervision and inspection on the Internet service providers and network users providing Internet connection, Internet data centers, content distributions, domain name services and Internet information services. Public security organs shall, in light of the actual conditions of performing statutory cybersecurity duties by Internet service providers and network users, supervise and inspect certain aspects in accordance with relevant State regulations and standards, including but not limited to: (i) whether they have completed the filing formalities for network users and reported the basic information of connected organizations and users and changes thereof, (ii) whether they have worked out and implemented cybersecurity management systems and operational procedures, and determined the person responsible for cybersecurity, (iii) whether they have fulfilled cybersecurity graded protection and other obligations as stipulated by laws and administrative regulations.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law, which became effect in September 2021. The PRC Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data activities and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data shall designate the personnel and the management body responsible for data security, carry out risk assessments for its data processing activities and file the risk assessment reports with the competent authorities. In addition, the PRC Data Security Law provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information.

On April 13, 2020, the CAC, the NDRC, and several other administrations jointly promulgated the Measures for Cybersecurity Review, or the Review Measures, which became effective on June 1, 2020. The Review Measures establish the basic framework for national security reviews of network products and services, and provide the principal provisions for undertaking cyber security reviews. In addition, on July 22, 2020, the Ministry of Public Security issued the Guiding Opinions on Implementing the Cyber Security Protection System and Critical Information Infrastructure Security Protection System to further improve the national cyber security prevention and control system. On December 28, 2021, the CAC, together with certain other PRC governmental authorities, jointly released the Revised Cybersecurity Review Measures, which took effect on February 15, 2022. Pursuant to the Revised Cybersecurity Review Measures, operators of critical information infrastructure that intend to purchase network products and services that affect or may affect national security must apply for a cybersecurity review. In addition, any online platform operator holding over one million users' individual information must apply for a cybersecurity review before listing abroad. The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or the risk of a large amount of personal information being influenced, controlled or maliciously used by foreign governments after going public, and cyber information security risk. The Revised Cybersecurity Review Measures set out certain general factors which would be the focus in assessing the national security risk during a cybersecurity review.

The PIPL took effect in November 2021. The PIPL sets forth detailed rules on processing personal information, clarifies the relevant rights of the individuals and the obligations of the personal information processors, and further strengthens the liabilities for illegal process of personal information. In addition to other rules and principles of personal information processing, the PIPL specifically provides rules for processing sensitive personal information. Sensitive personal information refers to personal information that, once leaked or illegally used, could easily lead to the infringement of human dignity or harm to the personal or property safety of an individual, including biometric recognition, religious belief, specific identity, medical and health, financial account, personal whereabouts and other information of an individual, as well as any personal information of a minor under the age of 14. Only where there is a specific purpose and sufficient necessity, and under circumstances where strict protection measures are taken, may personal information processors process sensitive personal information. A personal information processor shall inform the individual of the necessity of processing such sensitive personal information and the impact thereof on the individual's rights and interests. Some information we collect, such as names, addresses, phone numbers of our students and their parents, as well as recordings of our CCTV monitoring system, may be deemed to be sensitive personal information under the PIPL. The PIPL also strengthens the supervision of automatic decision making to protect the rights of individuals to obtain fair transaction terms and the supervision of mobile applications.

On November 14, 2021, the CAC published the Draft Cyber Data Security Regulations for public comments, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. The Draft Cyber Data Security Regulations also provide that operators of large internet platforms that set up headquarters, operation centers or R&D centers overseas shall report to the national cyberspace administration and competent authorities. In addition, the Draft Cyber Data Security Regulations also require that data processors processing important data or going public overseas shall conduct an annual data security self-assessment or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of CAC before January 31 each year. As of the date of this annual report, this draft has not been formally adopted. Substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation.

On August 17, 2021, the PRC State Council promulgated the Regulations on Security Protection of Critical Information Infrastructures, which took effect on September 1, 2021 and provide that “critical information infrastructures” shall mean any important network facilities or information systems of important industries or fields such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, and any other important network facilities or information systems which may endanger national security, people’s livelihood and public interest in case of damage, function loss or data leakage. In addition, relevant administration departments of each critical industry and sector, or Protection Departments, shall be responsible to formulate eligibility criteria and determine the critical information infrastructure operator in the respective industry or field. The operators shall be informed about the final determination as to whether they are categorized as critical information infrastructure operators. The regulations further require critical information infrastructures operators, among others, (i) to report to the competent Protection Departments in a timely manner when the identification result may be affected due to material changes in the critical information infrastructures; (ii) to plan, construct or put into use the security protection measures and the critical information infrastructures simultaneously; and (iii) to report to the competent Protection Departments in a timely manner in the event of merger division or dissolution, and deal with critical information infrastructures as required by the competent Protection Departments. Operators in violation of the regulations may be ordered to rectify, subject to warnings, fines and other administrative penalties or even criminal liabilities, and the directly responsible personnel in charge may also be imposed on fines or other liabilities.

Regulations on Personal Information Protection

Under the Several Provisions on Regulating the Market Order of Internet Content Services, which was issued by the MIIT in December 2011 and took effect in March 2012, an internet content service provider may not collect any personal information on a user or provide any such information to third parties without the user’s consent. It must expressly inform the user of the method, content and purpose of the collection and processing of such user’s personal information and may only collect information to the extent necessary to provide its services. An internet content service provider is also required to properly maintain users’ personal information, and in case of any leak or likely leak of such information, it must take immediate remedial measures and, in the event of a serious leak, report to the telecommunications regulatory authority immediately.

Pursuant to the Decision on Strengthening the Protection of Online Information, which was issued by the SCNPC and took effect in December 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information, which was issued by the MIIT in 2013, any collection and use of a user’s personal information must be subject to the consent of the user, be legal, rational and necessary and be limited to specified purposes, methods and scopes. An internet content service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. An internet content service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Any violation of these laws and regulations may subject the internet content service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Personal Information, issued on May 8, 2017 and effective on June 1, 2017, specified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. On May 28, 2020, the National People’s Congress adopted the Civil Code, which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

The Provisions on Technological Measures for Internet Security Protection, published by the Ministry of Public Security on January 13, 2006 and became effective on March 1, 2006, requires internet service providers to keep records of certain information about their users (including user registration information, log-in and log-out times, IP addresses, content and time of posts by users) for at least 60 days. Under the PRC Cybersecurity Law, network operators must also report any instances of public dissemination of prohibited content. If a network operator fails to comply with such requirements, the PRC government may revoke its ICP License and shut down its websites.

On January 23, 2019, the SAMR, the Office of the Central Cyberspace Affairs Commission, the MIIT and the Ministry of Public Security jointly issued the Announcement on Carrying out Special Campaigns against Mobile Application Programs Collecting and Using Personal Information in Violation of Laws and Regulations, or “the App Announcement,” which prohibits mobile app operators from collecting personal information irrelevant to their services, or forcing users to give authorization in disguised manner. According to the App Announcement, mobile app operators shall indicate to users the rules for collecting and using personal information in a simple, concise and easy-to-understand manner, with permission independently granted by the user. Furthermore, coercive or excessive collection of personal information, collection and use of personal information without user permission, leakage and loss of information or possible leakage and loss of personal information without any remedial measure, illegal use of personal information are prohibited. On November 28, 2019, the SAMR, the Office of the Central Cyberspace Affairs Commission, the MIIT and the Ministry of Public Security jointly issued the Measures for the Determination of the Collection and Use of Personal Information by Apps in Violation of Laws and Regulations, which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance.

On August 22, 2019, the Office of the Central Cyberspace Affairs Commission promulgated the Cyber Protection of Children’s Personal Information Provisions, effective on October 1, 2019, which requires, among others, that network operators who collect, store, use, transfer and disclose personal information of children under the age of 14 shall establish special rules and user agreements for the protection of children’s personal information, inform the children’s guardians in a noticeable and clear manner, and shall obtain the consent of the children’s guardians.

On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law, which will take effect from November 1, 2021. Pursuant to the PRC Personal Information Protection Law, personal information refers to the information related to an identified or identifiable individual recorded electronically or by other means, excluding the anonymized information, and processing of personal information includes among others, the collection, storage, use, handling, transmission, provision, disclosure, deletion of personal information. The PRC Personal Information Protection Law explicitly sets forth the circumstances where it is allowed to process personal information, including (i) the consent from the individual has been obtained; (ii) it is necessary for the conclusion and performance of a contract under which an individual is a party, or it is necessary for human resource management in accordance with the labor related rules and regulations and the collective contracts formulated or concluded in accordance with laws; (iii) it is necessary to perform statutory duties or statutory obligations; (iv) it is necessary to respond to public health emergencies, or to protect the life, health and property safety of individuals in emergencies; (v) carrying out news reports, public opinion supervision and other acts for the public interest, and processing personal information within a reasonable scope; (vi) processing personal information disclosed by individuals or other legally disclosed personal information within a reasonable scope in accordance with this law; or (vii) other circumstances stipulated by laws and administrative regulations. In addition, this law emphasizes that individuals have the right to withdraw their consent to process their personal information, and the processors must not refuse to provide products or services on the grounds that the individuals do not agree to the processing of their personal information or withdraw their consent, unless processing of personal information is necessary for the provision of products or services. Before processing the personal information, the processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (i) the name and contact information of the personal information processor; (ii) the purpose of processing personal information, processing method, type of personal information processed, and the retention period; (iii) methods and procedures for individuals to exercise their rights under this law; (iv) other matters that should be notified according to laws and administrative regulations. Furthermore, the law provides that personal information processors who use personal information to make automated decisions should ensure the transparency of decision-making and the fairness and impartiality of the results, and must not impose unreasonable differential treatment on individuals in terms of transaction prices and other transaction conditions.

In addition to the aforementioned general rules, the PRC Personal Information Protection Law also introduces the rules for processing sensitive personal information, which refers to the personal information that, once leaked or illegally used, can easily lead to the infringement of the personal dignity of natural persons or harm personal and property safety, including biometrics, religious beliefs, specific identities, medical health, financial accounts, whereabouts and other information, as well as personal information of minors under the age of fourteen. Personal information processors can process sensitive personal information only if they have a specific purpose and sufficient necessity, and take strict protective measures. In addition, the law provides rules for cross-border provision of personal information. In particular, it is provided that the operators of critical information infrastructures and the personal information processors that process personal information up to the number prescribed by the national cyberspace administration shall store personal information collected and generated within the PRC. If it is really necessary to provide such personal information overseas, they shall pass the security assessment organized by the national cyberspace administration, except as otherwise stipulated by laws, administrative regulations and the national cyberspace administration. Any processor in violation of this law may be subject to administrative penalties including rectifications, warnings, fines, confiscation of illegal gains, suspension of the apps illegally processing personal information or suspension of the relevant business, revocation of business operation permits or business licenses, civil liabilities or even criminal liabilities. The directly responsible personnel in charge and other directly responsible personnel may be imposed with fines and prohibited from serving as directors, supervisors, senior management personnel and personal information protection officers of related companies within a certain period of time.

While we take measures to comply with all applicable data privacy and protection laws and regulations, we cannot guarantee the effectiveness of the measures undertaken by us and business partners. As certain laws and regulations, including the PRC Data Security Law and the PRC Personal Information Protection Law, were recently promulgated, we may be required to make further adjustments to our business practices to comply with these laws and regulations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Unauthorized disclosure or manipulation of sensitive personal data of our students and their parents, whether through breach of our network security or otherwise, could expose us to litigation or could adversely affect our reputation.”

Regulations Relating to Overseas Listing and M&A

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and revised on June 22, 2009. Foreign investors shall comply with the M&A rules when they purchase equity interests of a domestic company or subscribe for the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC for the purpose of purchasing the assets of a domestic company and operating the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A rules, among other things, purports to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On December 27, 2021, the NDRC and the MOC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), or the 2021 Negative List, which became effective on January 1, 2022. Pursuant to such Special Administrative Measures, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company’s operation and management, and their shareholding percentage shall be subject, mutatis mutandis, to the relevant regulations on the domestic securities investments by foreign investors.

On December 24, 2021, the CSRC issued a draft of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Provisions, and a draft of Administration Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Administration Measures, for public comments. According to the Draft Provisions and the Draft Administration Measures, the overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. Specifically, the determination of an indirect offering and listing will be conducted on a “substance over form” basis, and an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets the following conditions: (i) the operating income, gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year was more than 50% of the relevant line item in the issuer’s audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the main place of business is in the PRC or carried out in the PRC. According to the Draft Administration Measures, an overseas offering and listing is prohibited under any of the following circumstances: (i) if the intended securities offering and listing is specifically prohibited by national laws and regulations and relevant provisions; (ii) if the intended securities offering and listing may constitute a threat to or endangers national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) if there are material ownership disputes over the equity, major assets, and core technology, etc. of the issuer; (iv) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy, or are currently under judicial investigation for suspicion of criminal offenses, or are under investigation for suspicion of major violations; (v) if, in past three years, directors, supervisors, or senior executives have been subject to administrative punishments for severe violations, or are currently under judicial investigation for suspicion of criminal offenses, or are under investigation for suspicion of major violations; (vi) other circumstances as prescribed by the State Council.

According to the Draft Provisions and the Draft Administration Measures, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC (i) with respect to its initial public offering and listing within three business days, after its initial filing of the listing application to the regulator in the place of the intended listing, (ii) with respect to its follow-on offering within three business days after completion of the follow-on offering, (iii) with respect to its follow-on offering for purpose of acquiring specific assets, within three business days after the first public announcement of the transaction, and (iv) with respect to listing by means of reverse takeover, share swap, acquisition and similar transactions, within three business days after its initial filing of the listing application or the first public announcement of the transaction, as case may be. Non-compliance with the Draft Provisions and the Draft Administration Measures or an overseas listing completed in breach of Draft Administration Measures may result in a warning on the relevant domestic companies or a fine of RMB1 million to RMB10 million on them. If the circumstances are serious, they may be ordered to suspend their business or suspend their business pending rectification, or their permits or businesses license may be revoked. Furthermore, the controlling shareholder, actual controllers, directors, supervisors, and other legally appointed persons of the domestic enterprises may be warned, or fined between RMB500,000 to RMB5,000,000 either individually or collectively.

Regulations Relating to Intellectual Property in the PRC

Copyright

Pursuant to the Copyright Law of the PRC, copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the right of production and that of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law of the PRC, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

Trademark

Pursuant to the Trademark Law of the PRC, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of such trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. According to this law, using a trademark that is identical to or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Patent

Pursuant to the Patent Law of the PRC, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names, “domain name” shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the Internet and corresponds to IP address of that computer. And the principle of “first come, first serve” is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it.

Regulations Relating to Labor Protection in the PRC

According to the Labor Law of the PRC, or the Labor Law, which was promulgated by the Standing Committee of the NPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and on December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and have obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labor Contract Law of the PRC, which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law, which was promulgated on September 18, 2008, and became effective since the same day, regulate both parties through a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated under the Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contract shall be entered into within one month from the effective date of the Labor Contract Law.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums, the Regulations on Work Injury Insurance, the Regulations on Unemployment Insurance and the Trial Measures on Employee Maternity Insurance of Enterprises, enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance of the PRC, which was promulgated on October 28, 2010, and became effective on July 1, 2011, amended on December 29, 2018 and took effect on the same day, has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Interim Measures for Participation in the Social Insurance System by Foreigners Working within the Territory of China, which was promulgated by the Ministry of Human Resources and Social Security on September 6, 2011, and became effective on October 15, 2011, employers who employ foreigners shall participate in the basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, and maternity leave insurance in accordance with the relevant law, with the social insurance premiums to be contributed respectively by the employers and foreigner employees as required. In accordance with such Interim Measures, the social insurance administrative agencies shall exercise their right to supervise and examine the legal compliance of foreign employees and employers and the employers who do not pay social insurance premiums in conformity with the laws shall be subject to the administrative provisions provided in the Social Insurance Law and the relevant regulations and rules mentioned above.

According to the Regulations on the Administration of Housing Provident Fund, which was promulgated and became effective on April 3, 1999, and was amended on March 24, 2002, and was amended on March 24, 2019, housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall belong to the individual employee.

The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. With respect to companies who violate the above regulations and fail to process housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration center to complete such procedures within a designated period. Those who fail to process their registrations within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When companies breach these regulations and fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration center shall order such companies to pay up within a designated period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.

On September 18, 2018, the general meeting of State Council announced that the policies for social insurance shall remain unchanged until the reform has been completed for the transfer of the authority for social insurance from the Ministry of Human Resources and Social Security to the State Administration of Taxation on January 1, 2019. On September 21, 2018, the Ministry of Human Resources and Social Security released an Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment and required that the policies for both the rate and basis of social insurance contributions shall remain unchanged until the reform on the transfer of the authority for social insurance has been completed. On November 16, 2018, the State Administration of Taxation released the Notice of Certain Measures on Further Supporting and Serving the Development of Private Economy, which provided that the policy for social insurance shall remain stable and the State Administration of Taxation will pursue to lower the social insurance contribution rates with the relevant authorities, and ensure the overall burden of social insurance contribution on enterprises will be lowered.

Regulations Relating to Tax in the PRC

Income Tax

The PRC Enterprise Income Tax Law took effect on January 1, 2008 and amended on February 24, 2017 and amended on December 29, 2018. The PRC Enterprise Income Tax Law applies a uniform 25 percent enterprise income tax rate to both foreign-invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. Under the PRC Enterprise Income Tax Law and its implementation regulations, dividends generated from the business of a PRC subsidiary after January 1, 2008, and payable to its foreign investor may be subject to a withholding tax rate of 10 percent if the PRC tax authorities determine that the foreign investor is a Non-resident Enterprise, unless there is a tax treaty with China that provides for a preferential withholding tax rate. Distributions of earnings generated before January 1, 2008, are exempt from PRC withholding tax.

Under the PRC Enterprise Income Tax Law, an enterprise established outside China with “de facto management bodies” within China is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25 percent enterprise income tax rate on its worldwide income. A circular issued by the State Administration of Taxation in April 2009 regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese enterprise groups and established outside of China as “resident enterprises” clarified that dividends and other income paid by such PRC “resident enterprises” will be considered PRC-source income and subject to PRC withholding tax, currently at a rate of 10 percent, when paid to non-PRC enterprise shareholders. This circular also subjects such PRC “resident enterprises” to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the PRC Enterprise Income Tax Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the tax circular mentioned above specifies that certain PRC-invested overseas enterprises controlled by a Chinese enterprise or a Chinese enterprise group in the PRC will be classified as PRC resident enterprises if the following are located or resided in the PRC: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision making bodies; (iii) key properties, accounting books, the company seal, and minutes of board meetings and shareholders’ meetings; and (iv) half or more of the senior management or directors who have the voting rights.

On February 3, 2015, the SAT issued the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-resident Enterprises, or SAT Bulletin 7. SAT Bulletin 7 extends its tax jurisdiction to capture transactions involving transfer of immovable property in China and assets held under the establishment, and placement in China, of a foreign company through the offshore transfer of a foreign intermediate holding company. SAT Bulletin 7 also addresses transfer of the equity interest in a foreign intermediate holding company broadly. In addition, SAT Bulletin 7 provides criteria on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. However, it also brings challenges to both the foreign transferor and transferee of the Indirect Transfer as they have to assess on whether the transaction should be subject to PRC tax and to file or withhold the PRC tax accordingly.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Nonresident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

Where non-resident investors were involved in our private equity financing, if such transactions were determined by the tax authorities to lack reasonable commercial purpose, we and our non-resident investors may be at risk of being required to file a return and be taxed under SAT Bulletin 7 and/or SAT Bulletin 37 and we may be required to expend valuable resources to comply with SAT Bulletin 7 and/or SAT Bulletin 37 or to establish that we should not be held liable for any obligations under SAT Bulletin 7 and/or SAT Bulletin 37.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education, or Circular 39, schools established by government are not required to pay Enterprise Income Tax, or EIT on fees they have collected upon approval and have incorporated under the fiscal budget management or the special account management of the funds outside the fiscal budget. Schools are not required to pay EIT on the financial allocations they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels. Nonetheless, our main business is the operation of kindergartens, which is not explicitly exempted from the requirement to pay EIT under Circular 39, and we have paid our EIT for our income generated in 2018.

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According to the Amended Law for Promoting Private Education, private schools will be entitled to preferential tax treatments, among which not-for-profit private schools will be entitled to the same preferential tax treatment as public schools, and taxation policies for for-profit private schools after the Amended Law for Promoting Private Education takes effect are yet to be announced.

Other Tax Exemptions

According to Circular 39, the real properties and land used by schools, nurseries and kindergartens established by enterprises shall be exempt from house property tax and urban land use tax. Schools expropriating arable land upon approval shall be exempt from arable land use tax.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC amended on November 19, 2017, and its Implementation Rules promulgated by the Ministry of Finance, or the MOF and last amended on 28 October 2011, tax payers engaging in sale of goods, provision of processing services, repairs and replacement services, sales of services, intangible assets or real property, or importation of goods within the territory of the PRC shall pay value-added tax, or the VAT.

On November 16, 2011, the MOF and the SAT jointly promulgated the Pilot Plan for Levying Value-Added Tax in lieu of Business Tax. Starting from January 1, 2012, the PRC Government has been gradually implementing a pilot program in certain provinces and municipalities, to levy a 6% VAT on revenue generated from modern service industries in lieu of the business tax.

The Measures for the Exemption of Value-Added Tax from Cross-Border Taxable Activities in the Collection of Value-Added Tax in Lieu of Business Tax (for Trial Implementation), which was promulgated on May 6, 2016 by the SAT, and revised according to the Notice of State Administration of Taxation on Revising Some Normative Documents on Taxation on June 15, 2018, provides that if a domestic enterprise provides cross-border taxable activities such as professional technology services, technology transfer, software service etc., the above mentioned cross-border taxable activities shall be exempted from the VAT.

On March 23, 2016, the MOF and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform, which confirms that business tax will be completely replaced by the VAT from May 1, 2016.

Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates issued by the MOF and SAT on April 4, 2018 and effective on May 1, 2018, the applicable VAT for VAT-taxable sales activities or imported goods are adjusted respectively from 17% and 11% to 16% and 10%.

In accordance with Ministry of Finance, General Administration of Taxation, General Administration of Customs Announcement No. 39 of 2019, the applicable VAT for VAT-taxable sales activities or imported goods are adjusted respectively from 16% to 13% since April 1, 2019.

Tuition fees generated from kindergarten services in the PRC are qualified for VAT exemption pursuant to a circular jointly released by the Ministry of Finance and Finance and State Administration of Taxation. Revenue generated from other services in the PRC, namely play-and-learn center services, franchise fees, royalty fees, and training services, is reported net of VAT, at a rate of 6%, collected on behalf of PRC tax authorities, except for an entity who is designated as a small scale VAT payer. Small scale VAT payer is subject to VAT at a rate of 3% on play-and-learn center services and training services, which was reduced to 1% from March 1, 2021 to December 31, 2021, due to the pandemic of COVID-19.

Regulations Relating to Foreign Exchange

Foreign Currency Exchange

Pursuant to the Foreign Currency Administration Rules, as amended, and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi is freely convertible to the extent of current account items, such as trade related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, unless expressly exempted by laws and regulations, still require prior approval from SAFE or its provincial branch for conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside of the PRC. Payments for transactions that take place within the PRC must be made in Renminbi. Foreign currency revenues received by PRC companies may be repatriated into China or retained outside of China in accordance with requirements and terms specified by SAFE.

Dividend Distribution

Wholly foreign-owned enterprises and Sino-foreign equity joint ventures in the PRC may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, these foreign-invested enterprises may not pay dividends unless they set aside at least 10 percent of their respective accumulated profits after tax each year, if any, to fund certain reserve funds, until such time as the accumulative amount of such fund reaches 50 percent of the enterprise's registered capital. In addition, these companies also may allocate a portion of their after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends.

Regulations on loans to and direct investment in PRC entities by offshore holding companies

According to the Implementation Rules for the Provisional Regulations on Statistics and Supervision of Foreign Debt promulgated by SAFE on September 24, 1997 and the Interim Provisions on the Management of Foreign Debts promulgated by SAFE, the NDRC and the MOF and effective from March 1, 2003, loans by foreign companies to their subsidiaries in China, which accordingly are foreign-invested enterprises, are considered foreign debt, and such loans must be registered with the local branches of the SAFE. Under the provisions, the total amount of accumulated medium-term and long-term foreign debt and the balance of short-term debt borrowed by a foreign-invested enterprise is limited to the difference between the total investment and the registered capital of the foreign-invested enterprise.

On January 11, 2017, the People's Bank of China promulgated the Circular of the People's Bank of China on Matters relating to the Macro-prudential Management of Comprehensive Cross-border Financing, or PBOC Circular 9, which took effect on the same date. The PBOC Circular 9 established a capital or net assets-based constraint mechanism for cross-border financings. Under such mechanism, a company may carry out cross-border financings in Renminbi or foreign currencies at their own discretion. The total cross-border financings of a company shall be calculated using a risk-weighted approach and shall not exceed an upper limit. The upper limit is calculated as capital or assets multiplied by a cross-border financing leverage ratio and multiplied by a macro-prudential regulation parameter.

In addition, according to PBOC Circular 9, as of the date of the promulgation of PBOC Circular 9, a transition period of one year is set for foreign-invested enterprises and during such transition period, foreign-invested enterprises may apply either the current cross-border financing management mode, namely the mode provided by Implementation Rules for the Provisional Regulations on Statistics and Supervision of Foreign Debt and the Interim Provisions on the Management of Foreign Debts, or the mode in this PBOC Circular 9 at its sole discretion. After the end of the transition period, the cross-border financing management mode for foreign-invested enterprises will be determined by the People's Bank of China and SAFE after assessment based on the overall implementation of this PBOC Circular 9.

According to applicable PRC regulations on foreign-invested enterprises, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement. The term “Discretionary Foreign Exchange Settlement” refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Regulations Relating to Employee Stock Incentive Plan of Overseas Publicly-Listed Company

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, or Circular 7, issued by the SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. If we fail to complete the SAFE registrations, such failure may subject us to fines and legal sanctions and may also limit our ability to contribute additional capital into our wholly foreign-owned subsidiary in China and limit such subsidiary’s ability to distribute dividends to us.

In addition, the State Administration for Taxation has issued certain circulars concerning employee share options or restricted shares. Under these circulars, the employees working in the PRC who exercise share options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of such overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If the employees fail to pay or the PRC subsidiaries fail to withhold their income taxes according to relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

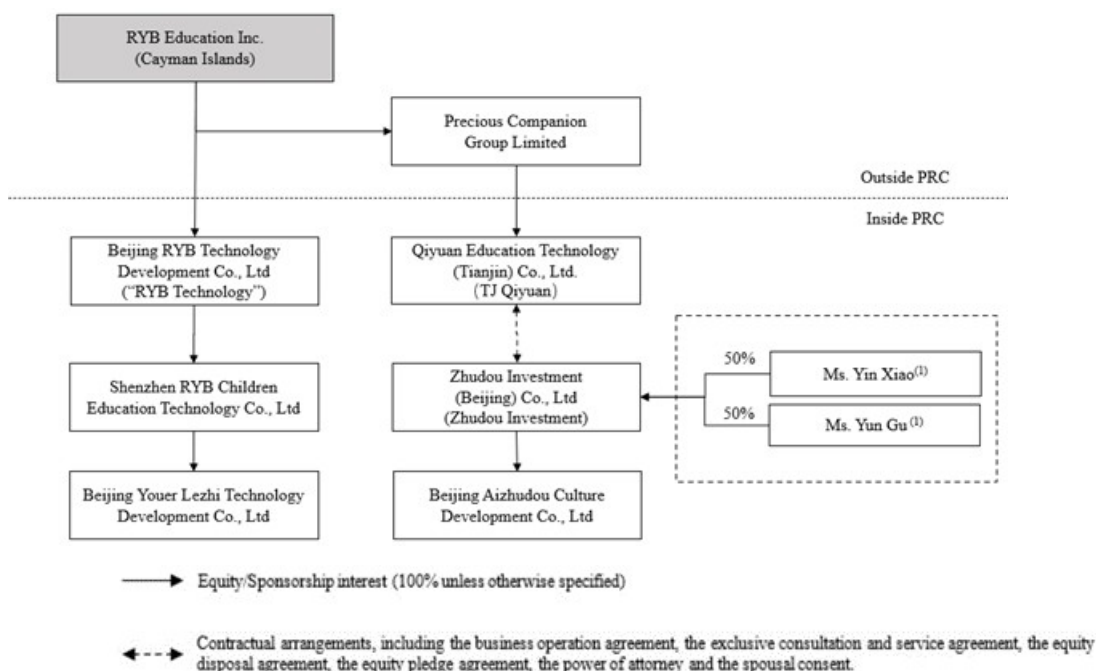
Regulations Relating to Anti Long-Arm Jurisdiction

The MOFCOM issued the Provisions on the List of Unreliable Entities, or the MOFCOM Order No. 4 of 2020, on September 19, 2020. Pursuant to the MOFCOM Order No. 4 of 2020, a working committee shall decide whether or not to include a foreign entity concerned in the list of unreliable entities and make an announcement on such inclusion based on investigation of following factors: (i) the extent of damage caused to China’s sovereignty, security and development interests; (ii) the extent of the damage to the legitimate rights and interests of Chinese enterprises, other organizations or individuals; (iii) whether or not the international economic and trade rules are followed; and (iv) any other relevant factors. If a foreign entity is included in the list of unreliable entities, the working committee may decide to take one or more of the following measures: (i) restricting or prohibiting the foreign entity from engaging in import or export activities related to China; (ii) restricting or prohibiting the foreign entity’s investment within the territory of China; (iii) restricting or prohibiting the entry of the foreign entity’s relevant personnel or transport vehicles into the territory of China; (iv) restricting or cancelling the work permit, stay or residence qualification of the foreign entity’s relevant personnel in China; (v) imposing a fine corresponding to the seriousness of the case against the foreign entity; or (vi) any other necessary measures.

On January 9, 2021, the MOFCOM promulgated the Rules on Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures, or the MOFCOM Order No. 1 of 2021. Pursuant to the MOFCOM Order No. 1 of 2021, where a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third State (or region) or its citizens, legal persons or other organizations, he/she/it shall truthfully report such matters to the competent department of commerce of the State Council within 30 days. A working committee will take the following factors into consideration when assessing whether there exists unjustified extra-territorial application of foreign legislation and other measures: (i) whether international law or the basic principles of international relations are violated; (ii) potential impact on China's national sovereignty, security and development interests; (iii) potential impact on the legitimate rights and interests of the citizens, legal persons or other organizations of China; and (iv) any other relevant factors. In case it is confirmed that there exists unjustified extra-territorial application of foreign legislation and other measures, the MOFCOM may issue an injunction against such relevant foreign legislation and other measures. A citizen, legal person or other organization in China may apply for exemption from compliance with an injunction.

C. Organizational Structure

The following chart illustrates our company's organizational structure, including our significant subsidiaries and consolidated affiliated entities as of the date of this annual report:



(1) Ms. Yin Xiao and Ms. Yun Gu are beneficial owners of the shares of Zhudou Investment and hold 50% and 50% equity interests in Zhudou Investment, respectively.

Contractual Arrangements with the Former VIE and Their Respective Shareholders

The following is a summary of the contractual arrangements by and among Beijing RYB Technology Development Co., Ltd., or RYB Technology, our wholly-owned subsidiary, Beijing RYB, our consolidated affiliated entity, and the shareholders of Beijing RYB. We also consolidated two additional VIEs that are not material to our overall operation through similar contractual arrangements.

We, through RYB Technology, had entered into a series of contractual arrangements with the former VIE and the nominee shareholders of the former VIE from July 2008 to April 2022. During the effective period of these contractual arrangements, these contractual arrangements have enabled us to: (i) receive the economic benefits that could potentially be significant to the former VIE in consideration for the services provided by our subsidiaries; (ii) exercise effective control over the former VIE; and (iii) hold an exclusive option to purchase all or part of the equity interests in and assets of the former VIE when and to the extent permitted by PRC law.

These contractual agreements included exclusive consulting and services agreements, business operation agreements, powers of attorney, equity interest pledge agreements, exclusive option agreements and spousal consent letters. We refer to Beijing RYB Technology Development Co., Ltd. as RYB Technology, and Beijing RYB Children Potential Education Entertainment Co., Ltd. as Beijing RYB. Pursuant to the option agreement, Beijing RYB had irrevocably granted RYB Technology or any person designated by it an exclusive option to purchase all or part of its equity interests. Pursuant to the business operation agreement, Beijing RYB and its shareholders agree that to the extent permitted by law, they accept and unconditionally execute instructions from RYB Technology on business operations. Beijing RYB and its shareholders also executed a power of attorney to irrevocably authorize RYB Technology, or any person designated by RYB Technology, to act as its attorney-in-fact to exercise all of its rights as a shareholder of Beijing RYB. Pursuant to the exclusive consulting and services agreement, RYB Technology had the exclusive right to provide Beijing RYB with operational supports as well as consulting and services required by Beijing RYB's business. Pursuant to the equity interest pledge agreements, Beijing RYB's shareholders had pledged 100% equity interests in Beijing RYB to RYB Technology, and Beijing RYB had pledged 100% equity interests in Beijing RYB to RYB Technology, to guarantee performance by Beijing RYB of their obligations under the option agreement, the exclusive technology consulting and services agreement, the business operation agreement and power of attorney they entered into. The spouses of the shareholders of Beijing RYB, if applicable, had each signed a spousal consent letter agreeing that the equity interests in Beijing RYB held by and registered under the name of the respective shareholders will be disposed pursuant to the contractual agreements with RYB Technology. We have evaluated the guidance in FASB ASC 810 and concluded that we are the primary beneficiary of the former VIE because of these contractual arrangements for the effective period of these contractual agreements. Accordingly, under U.S. GAAP, the financial statements of the former VIE are consolidated as part of our financial statements for the years ended December 31, 2019, 2020 and 2021 in this annual report.

In March 2022, we entered into agreements, including the VIE termination agreement by and among RYB Technology, Beijing RYB and its shareholders, to terminate the aforementioned contractual arrangements with the former VIE. RYB Technology no longer had the contractual power to direct the activities of the former VIE from April 30, 2022, thereby divesting the directly operated kindergarten business on April 30, 2022, or the "Divestiture." An aggregate amount of RMB158.5 million will be paid in installments to our subsidiaries as compensation for the termination of VIE agreements.

In conjunction with entering into the VIE termination agreements, our subsidiaries, including RYB Technology, have entered into a series of service agreements with a term of 15 years with the former VIE at arm's length terms under which our subsidiaries will continually provide brand royalty, training, management IT system, recruitment, and curriculum design services to these entities and the kindergartens operated by them. In addition, RYB Technology also entered into a guaranteed loan agreement with the former VIE with a term of 10 years for the total amount of RMB240.5 million, which had been provided by RYB Technology and its affiliates to the former VIE and their subsidiaries. The loan will be repaid in equal repayment of principal with the first repayment on May 1, 2023 with interest rate of 4% per annum. The former VIE provided joint and several guarantees for each other.

Contractual Arrangements with the New VIE and Its Respective Shareholders

The following is a summary of the contractual arrangements by and among Qiyuan Education Technology (Tianjin) Co., Ltd., or TJ Qiyuan, our wholly owned subsidiary, Zhudou Investment, our consolidated affiliated entity, the subsidiaries of Zhudou Investment, and the shareholders of Zhudou Investment.

Agreements that provide us with the power to direct the activities of Zhudou Investment

Business Operation Agreement. Pursuant to the Business Operation Agreement among TJ Qiyuan, Zhudou Investment, the subsidiaries of Zhudou Investment, and the shareholders of Zhudou Investment, Zhudou Investment and those shareholders agree that, without prior written consent of TJ Qiyuan, Zhudou Investment will not take any action that may have material adverse effects on its businesses, assets, human resources, rights, obligations, or business operations. Zhudou Investment and those shareholders further agree that they will accept and strictly follow TJ Qiyuan's instructions in relation to Zhudou Investment's daily operations, financial management, and election of directors appointed by TJ Qiyuan. Those shareholders agree to transfer any dividends or any other income or interests they receive as the shareholders of Zhudou Investment immediately and unconditionally to TJ Qiyuan. Unless TJ Qiyuan terminates this agreement in advance, this agreement will remain long term effective Zhudou Investment and those shareholders have no right to terminate this agreement unilaterally.

Power of Attorney. Each of the shareholders of Zhudou Investment has signed power of attorney to TJ Qiyuan to irrevocably authorize TJ Qiyuan or any person(s) designated by TJ Qiyuan to act as his or her attorney-in-fact to exercise all of his or her rights as a shareholder of Zhudou Investment, including, but not limited to, the right to convene shareholders' meetings, vote and sign any resolution as a shareholder, appoint directors, supervisors and officers, as well as the right to sell, transfer, pledge and dispose of all or a portion of the shares held by such shareholder. The power of attorney will remain in force for long term.

Spousal Consent. Spouses of the shareholders of Zhudou Investment, who collectively holds 100% equity interest, have each signed a spousal consent letter. Under the spousal consent letters, each signing spouse acknowledges the entry into of the contractual arrangements of new VIE by the shareholders of Zhudou Investment, respectively; also, undertakes that he or she shall not take any actions that are in conflict with the purpose and intention of the contractual arrangements of new VIE, including asserting that any equity interests held by the shareholders of Zhudou Investment, respectively, fall within the scope of their communal properties. Each signing spouse confirms that his or her authorization or consent is not required for the implementation of the contractual arrangements of the new VIE, any amendments thereto or the termination thereof.

Equity Pledge Agreement. Pursuant to the Equity Pledge Agreement among TJ Qiyuan, Zhudou Investment and the shareholders of Zhudou Investment, those shareholders have pledged 100% equity interest in Zhudou Investment to TJ Qiyuan to guarantee the performance by Zhudou Investment and its shareholders of their obligations under the business operation agreement, the power of attorney, the exclusive option agreement and the exclusive consultation and service agreement. If Zhudou Investment or those shareholders breach their contractual obligations under these agreements, TJ Qiyuan, as pledgee, will have the right to dispose of the pledged equity interests in Zhudou Investment and will have priority in receiving the proceeds from such disposal. Those shareholders also agree that, during the term of the equity pledge agreement, they will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests. The share pledge is required to be registered under the relevant laws and regulations. We will complete registering the equity pledge with the relevant with the relevant authority in accordance with the agreement.

Agreement that allows us to receive economic benefits from Zhudou Investment

Exclusive Consultation and Service Agreement. Pursuant to the Exclusive Consultation and Service Agreement among TJ Qiyuan, Zhudou Investment, the subsidiaries of Zhudou Investment, and the shareholders of Zhudou Investment, TJ Qiyuan or its designated person has the exclusive right to provide Zhudou Investment with exclusive technology and business support, business management consulting, intellectual property licensing, and other services. Without TJ Qiyuan's prior written consent, Zhudou Investment may not accept any services subject to this agreement from any third party. The service fee to be charged to Zhudou Investment under this agreement equal to total revenue deducting the relevant costs, fees, tax expenses and reserved funds as required by applicable PRC laws and regulations, and shall be determined by considering, among other things, the complexity of the services, the actual cost that may be incurred for providing such services, as well as the value and comparable price on the market of the service provided. TJ Qiyuan will have the exclusive ownership of all intellectual property rights created as a result of the performance of this agreement. Zhudou Investment also granted TJ Qiyuan an irrevocable and exclusive right to purchase part or all of Zhudou Investment's assets at the lowest price permitted by the PRC laws. To guarantee Zhudou Investment's performance of this agreement, upon request from TJ Qiyuan, Zhudou Investment shall pledge or mortgage part or all of its accounts receivable and part or all of its assets to TJ Qiyuan. Unless TJ Qiyuan terminates this agreement in advance, this agreement will remain effective during the term of operation of each of the parties to the agreement. Zhudou Investment and those shareholders have no right to terminate this agreement unilaterally.

Agreement that provides us with the option to purchase the equity interests in Zhudou Investment

Exclusive Option Agreement. Pursuant to the Exclusive Option Agreement among TJ Qiyuan, Zhudou Investment and the shareholders of Zhudou Investment, those shareholders irrevocably granted TJ Qiyuan or any third party designated by TJ Qiyuan an exclusive option to purchase all or part of their equity interests in Zhudou Investment at the lowest price permitted by applicable PRC laws. Those shareholders further undertake that they will neither create any pledge or encumbrance on their equity interests in Zhudou Investment, nor transfer, gift or otherwise dispose of their equity interests in Zhudou Investment to any person other than TJ Qiyuan or its designated third party. Without TJ Qiyuan's prior written consent, those shareholders agree not to, among other things, transfer or in any other way to dispose any assets of Zhudou Investment, terminate any material agreement to which Zhudou Investment is a party, permit Zhudou Investment to enter into transactions which materially and adversely affect Zhudou Investment's assets, financial status. This agreement will remain effective unless TJ Qiyuan or its designated third party exercises the option and has acquired all of the equity interests in and/or the relevant assets of Zhudou Investment, or all parties to this agreement have executed a written agreement to terminate this agreement, whichever is earlier.

In the opinion of Commerce & Finance Law Offices, our PRC legal counsel:

- the ownership structures of TJ Qiyuan and Zhudou Investment do not violate, the applicable PRC laws or regulations in effect; and
- the contractual arrangements among TJ Qiyuan, Zhudou Investment, and the shareholders of Zhudou Investment, governed by PRC law, are valid and binding on each party there-to under PRC law, and do not and will not result in any violation of applicable PRC laws or regulations currently in effect.

However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to or otherwise different from the above opinion of our PRC legal counsel. If the PRC government finds that the agreements that establish the structure for operating our early childhood education and value-added telecommunication services business do not comply with PRC government restrictions on foreign investment in education and value-added telecommunication services businesses, the operation of kindergartens, we could be subject to severe penalties, including being prohibited from continuing operations. See "Item 3. Key Information-D. Risk Factors-Risks Related to Our Corporate Structure—If the PRC government decides that the agreements that establish the structure for operating certain of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our contracts or other interests in those operations" and "—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us."

D. Property, Plant and Equipment

As of December 31, 2021, we leased office space and facilities for our directly operated teaching facilities in China and Singapore with an aggregate gross floor area of approximately 321,692 square meters. Our leases have terms of 1 to 20 years. The areas of our leased premises are based on figures specified in the relevant land use right certificates or lease agreements, where available, or our operational records. We lease properties from third parties on an as-is basis. A majority of our directly operated kindergartens are located on leased premises designated for educational use.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information—D. Risk Factors" or in other parts of this annual report on Form 20-F.

A. Operating Results

Major Factors Affecting Our Results of Operations

Our business and operating results are affected by factors affecting China and Singapore's early childhood education industry generally. We have benefited from the rapid economic growth, significant urbanization and higher per capita disposable income of urban households in China, which has allowed many Chinese parents to spend more on their children's education. Similarly, given the stable economic growth, adequate government support, and steadfast family spending on education in Singapore, we see our Singapore operations as a solid step forward in dedicating our continuous efforts in improving and expanding our educational offerings globally.

Fluctuations in birth rate of China and Singapore may have some impact on our student enrollment. A higher birth rate could increase our potential customer base, while declining birth rates could hint at a shrunken potential customer base.

At the same time, our results are subject to changes in the education industry regulatory regimes in China and Singapore. The PRC and the government of Singapore regulates various aspects of our business and operations, including the qualification and licensing requirements for entities that provide education services, standards for the operations of teaching facilities and foreign investments in the education industry.

As with other education service providers, our quarterly business and operating results are affected by seasonality. Due to the winter holidays and summer vacation, we typically have lower net revenues in the first and third calendar quarters.

While our business is influenced by factors affecting the early childhood education in China and Singapore generally, we believe our results of operations are more directly affected by company-specific factors, including the following major factors.

Size of Our Network and Student Enrollment

Our revenue growth is primarily driven by the expansion of our network in terms of the number of our directly operated facilities, student enrollment at those facilities and the number of franchise facilities. We derive a large portion of our revenues from tuition fees, which are primarily driven by student enrollment at our directly operated facilities. With respect to our franchise facilities, our revenues from initial franchise fees are mainly affected by the number of new franchisees, while revenues from recurring franchise fees are primarily driven by the total number of franchisees. As our network and student enrollment grow in size, we are also generally able to sell more education-related products through our network. In addition, we believe that our large scale strengthens our brand, which in turn boosts further growth.

Our ability to increase the size of our network and student enrollment depends on factors including our brand recognition, parents' demand for high-quality early childhood education, our ability to leverage the scalability of our franchise business model and to attract and retain more franchisees, the ability of us and the franchisees to successfully launch new teaching facilities, the quality of our services and products as well as the ability of us and the franchisees to respond to competition and achieve high utilization rates.

Our directly operated kindergartens and student care centers increased from 144 as of December 31, 2019 to 150 as of December 31, 2020, and decreased to 144 as of December 31, 2021, including 54 in Singapore as of December 31, 2021. We had 30,806, 34,011 and 33,890 students enrolled at our directly operated kindergartens and student care centers as of December 31, 2019, 2020, and 2021, respectively, including 5,742 in Singapore as of December 31, 2021. The number of our franchise kindergartens and student care centers decreased from 258 as of December 31, 2019 to 255 as of December 31, 2020, and decreased to 251 as of December 31, 2021 including 13 in Singapore as of December 31, 2021. The total number of our directly operated and franchise play-and-learn centers increased from 1,158 as of December 31, 2019 to 1,163 as of December 31, 2020, and decreased to 1,017 as of December 31, 2021.

Ability to Increase Tuition Fees

The level of tuition fees we charge at our directly operated kindergartens and student care centers affects our profitability. We aim to charge tuition fees commensurate with the quality and level of our education services while considering the general income level of the relevant neighborhood and the popularity of our facilities where we have discretion. We seek to gradually increase our tuition fee level without compromising our student enrollment. After years of development, we are generally able to charge higher fees with our mature facilities within our network than when they were in their initial ramp-up period. Due to economic disparity across different regions in China and Singapore, the geographical mix of our directly operated facilities can also affect our overall tuition fee level. Our tuition fees cannot exceed the maximum amounts on file with the local governmental pricing authorities.

We may elect to qualify our kindergartens within PRC as either for-profit or not-for-profit private schools under the framework of the Amended Law for Promoting Private Education. According to the Amended Law for Promoting Private Education, for-profit private schools have the discretion to determine the amount of their tuition fees without the need for governmental approval while fee levels at not-for-profit private schools will remain subject to approval. Those two types of private schools will also have different tax treatments. Due to uncertainties regarding the local implementation measures of the Amended Law for Promoting Private Education across China, we plan to analyze and determine whether to qualify all or part of our directly operated kindergartens as for-profit kindergartens. Furthermore, as certain of our kindergartens were established in the form of “inclusive kindergartens,” where tuitions are determined by local educational regulators for public interest needs, it is not clear whether such inclusive kindergartens will be eligible for for-profit treatment. See also “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Private Education in the PRC—The Amendment to the Law for Promoting Private Education.”

Regulatory environment of private education and preschool education in China

We operate in a challenging regulatory environment. Private education in China, particularly the preschool sector, is subject to a set of complex and evolving laws, rules and regulations. We may have to adjust our business operations and acquisition strategies from time to time in order to remain fully compliant with the most current laws and regulations, which could materially affect our operating results. For example, the Reform Opinions stipulates that public companies are not allowed to invest in for-profit kindergartens by way of financing through capital market or acquire assets of for-profit kindergartens through cash payment or share issuance, which could prohibit us from investing in any for-profit kindergartens through financing through capital market or acquiring assets of for-profit kindergartens through cash payments or share issuance. The Reform Opinions also stipulates that social capital is not allowed to control not-for-profit kindergartens or kindergartens that are sponsored by state-owned assets or collectively-owned assets through ways such as mergers and acquisitions, which could restrict us from conducting any acquisitions of not-for-profit kindergartens.

Many of the rules regulating the preschool education industry are issued by the central government in the form of high-level opinion or guidance document. To ensure legal compliance, however, we have to interpret the opinion and guidance documents in the most stringent ways the government authorities may interpret and enforce, which may require us to expend significant resources to adjust our business operations, thus affecting our operating results. For risk relating to the challenging regulatory environment, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—New Legislations and changes in the PRC regulatory requirement regarding private education and preschool education in countries where we operate may materially affect our business operations and prospects.”

Moreover, we are exposed to public scrutiny, and our potential customers, usually parents of young children, are particularly sensitive to news relating to the safety and compliance of our kindergartens. If our facilities or operations are perceived by parents as unsafe or in violation of any relevant laws, rules, or regulations, student enrollment is likely to be negatively affected.

Ability to Improve Our Operating Efficiency and Profitability

Our cost of revenues mainly consists of costs and expenses for our directly operated kindergartens. Costs and expenses of a kindergarten is typically affected by its capacity, which is determined by the number of classes that can be feasibly set up on the facility, and the number of students in each class. We normally assign two teachers and one nursery aide to each class, and regardless of its size, a kindergarten is required to have staff in nursery, security, kitchen and general management areas. As such, variable costs such as compensation to teaching staff generally increase with the addition of new classes, and fixed costs such as compensation to all other facility staff, costs and expenses to sustain the running of the facility, rental and related payments and depreciation and amortization remain relatively stable. An increase in the number of new directly operated kindergartens in the overall mix of directly operated kindergartens may place a constraint on our operating efficiency.

Gross margin of our directly operated kindergartens, which represents profit before income tax for kindergarten as all costs and expenses for the running of the kindergartens are charged to our cost of revenues, has a significant impact on our overall profitability. In general, larger kindergartens with more classes operating at higher utilizations and charging premium prices yield higher gross margin.

Scope and Quality of Our Product Offerings and Services

High-quality course offerings and learning experience at our directly operated kindergartens help increase their popularity. The scope and quality of our course offerings and the effectiveness of the franchisees' services also have an impact on the competitiveness of the franchisees' teaching facilities. As a result, high-quality course offerings and franchise support help us to better attract and retain franchisees and the scope of our course offerings determines, in a certain degree, our level of ongoing training fees. Furthermore, we can more effectively recruit and retain other business partners with kindergarten course content that is designed to address their needs. The diversity and quality of our educational merchandise that we sell directly affect the sales volume of these products, which is also a major component of our revenue.

Impact of COVID-19 On Our Operations

The majority of our net revenues are derived from tuition fees from directly operated kindergartens and student care centers and franchise fees from franchise play-and-learn centers. The outbreak of COVID-19 has substantially affected our results of operations and financial conditions during the year of 2020. Since the outbreak, the Chinese government with the aim to contain the spread of COVID-19 has taken a number of actions and imposed strict measures, including mandatory quarantine requirements, travel restrictions, contact tracing efforts, encouraging employees of enterprises to work remotely from home, and cancelling public activities, among others. The pandemic of COVID-19 has disrupted our operations in China and Singapore resulting in temporary closure of our facilities for most of the first half of 2020 as requirement by the government.

During the period of temporary facility closure, we have taken prompt and proactive measures in response, which included taking preventive measures to ensure the health and safety of our students and staff at our facilities, holding parent-teacher meetings online to proactively communicate our crisis relief plan and effectively retain students, as well as in-school health protocols and supportive measures for franchisees. In addition, we introduced online educational content to facilitate home-based education and continue to work towards an integrated OMO (online-merge-offline) model. We also carried out stringent cost control measures to strengthen balance sheet and liquidity position.

Thanks to the effective control of COVID-19 in China, following the guidance of local governments, our facilities have begun a phased reopening in late May of 2020. By the end of September 2020, most of our directly operated facilities in both China and Singapore had reopened. As of December 31, 2020, all of our directly operated facilities in both China and Singapore and over 80% of our franchise play-and-learn centers resumed operations.

While the spread of COVID-19 was substantially controlled in China in 2021 and the number of new cases in China remained relatively low, restrictions were re-imposed from time to time in certain cities to combat sporadic outbreaks. Because of the city-wide lockdowns from time to time, there have been strains on our business activities in certain cities, especially Hunan, Guangdong and Fujian. The extent to which the COVID-19 pandemic impacts us and the Chinese economy as a whole in future periods depends on its future developments, including the effectiveness of the mass vaccination programs and other actions taken to contain its spread, which are highly uncertain and unpredictable. Our results of operations may also be affected to the extent that the outbreak harm the Chinese economy in general.

After the initial outbreak of COVID-19, from time to time, some instances of COVID-19 infections have emerged in various regions of China, including the infections caused by the Omicron variants in early 2022, and varying levels of temporary restrictions and other measures are reinstated to contain the infections, including those in Shanghai from March 2022. Our operations in these regions may be adversely affected when these restrictive measures are in force. The emergence of such regional instances and the corresponding restrictive measures are beyond our control and may continue to adversely affect our operations. If a second wave of COVID-19 in China takes place resulting from reasons such as the spread of a new variant, or the global spread of COVID-19 and deterioration cannot be contained, risks set forth in this annual report may be exacerbated or accelerated at a heightened level. Given these factors, we expect the effects of COVID-19 on our business likely to adversely affect our results of operations in 2022. After the Divestiture, the effects of COVID-19 on the divested kindergartens may still affect our results of operations indirectly, especially by affecting some of the service fees that are dependent on the revenue and size of the divested kindergartens.

Key Components of Results of Operations

Net Revenues

Our net revenues include tuition fees generated from kindergarten services, student care services and play-and-learn center services, franchising fees, sale of educational merchandise, royalty fees and training and other services. We provide private kindergarten services, student care services and play-and-learn center services to students and charge tuition fees. We recorded US\$147.4 million, US\$92.1 million and US\$158.0 million in tuition fees from our directly operated facilities in 2019, 2020 and 2021, respectively. Tuition fees are collected in advance and are initially recorded as deferred revenue and recognized ratably over the course of the programs.

We generate franchise fees through the provision of initial setup services as well as ongoing franchisee support services. At the start of each franchise relationship, we charge the franchisee a one-time initial franchise fee, the first-year annual franchise fee and the initial merchandise fee. During the term of the franchise, we charge each franchisee recurring annual franchise fees for the use of our brand and core course materials and one advice session per year. We recorded US\$12.3 million, US\$9.1 million and US\$10.1 million in franchise fees in 2019, 2020 and 2021, respectively.

We generate training and other services revenues through provision of services such as training to the franchisees and their teaching staff, as well as other services. We recorded US\$6.2 million, US\$1.6 million and US\$4.1 million from training and other services provided to franchise business in 2019, 2020 and 2021, respectively.

We generate royalty fees through course licensing and provision of educational merchandise, kindergarten operational services, training and other advisory services through other business partners to the kindergartners beyond our directly operated and franchised kindergartens. We recorded US\$0.3 million, US\$0.3 million and US\$0.2 million in royalty fees in 2019, 2020 and 2021, respectively.

We generate educational merchandise revenue through the sale of educational merchandise, including educational toys, teaching aids, textbooks and other goods, to the franchisees for them to further distribute and also directly to a vast market of families. We recorded US\$16.1 million, US\$6.6 million and US\$7.9 million from the sale of educational merchandise to the franchisees and end-users in 2019, 2020 and 2021, respectively.

The following table sets forth the breakdown of our net revenues, both in absolute amount and as a percentage of our total net revenues, for the periods presented.

	Year Ended December 31,					
	2019		2020		2021	
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Services:						
Tuition fees from kindergartens, student care centers and play-and-learn centers	147,417	80.9 %	92,123	83.9 %	157,988	87.6 %
Franchise fees	12,269	6.7 %	9,065	8.3 %	10,140	5.6 %
Training and other services	6,156	3.4 %	1,632	1.5 %	4,096	2.3 %
Royalty fees	341	0.2 %	253	0.2 %	180	0.1 %
	166,183	91.2 %	103,073	93.9 %	172,404	95.6 %
Products:						
Sale of educational merchandise	16,100	8.8 %	6,642	6.1 %	7,909	4.4 %
Total net revenues	182,283	100 %	109,715	100 %	180,313	100 %

Cost of Revenues

Our cost of revenues related to tuition fees from our directly operated facilities consists primarily of all costs and expenses in the operation of all of our directly operated facilities. Such costs and expenses primarily include (i) compensation to facility staff, (ii) facility rental cost, (iii) food and supplies cost, (iv) all other costs and expenses incurred to run and maintain our facilities and (v) depreciation and amortization. Compensation to our facility staff consists of base salaries, performance-based bonuses and share-based and other compensation to them. Facility staff mainly includes principals and other managers of our teaching facilities, teachers, nursery aides and administrative staff. Most of our facility staff are our own employees. We normally assign two teachers and one nursery aide to each kindergarten class. Our food and supplies cost represents the cost of the raw ingredients for the meals and cost of raw materials for the educational products we provide at our directly operated teaching facilities. We expect our facility staff cost and ingredient and raw material cost to be in line with the size of our business. We expect the amount of our facility rental cost to continue to increase as we grow. Our depreciation and amortization cost relates to the depreciation charges of the furniture, fixtures and equipment used in rendering teaching services, the leasehold improvement for our teaching facilities, and amortization charges of the acquired intangible assets. As we further expand our directly operated facilities network, we expect such cost to increase in absolute amounts.

Our cost of revenues relating to our franchise fees mainly consists of compensation to our franchise service and supervision team members for (i) the signing and onboarding of new franchisees, (ii) the support and services to franchisees for their facility establishment, marketing and operation optimization and (iii) ongoing quality supervision. As we continue to expand our franchise network and employ more staff for our franchise service and supervision team, we expect the franchisee support and service cost to increase in absolute amounts.

Our cost of revenues relating to sale of merchandise consists of the cost of educational toys, teaching aids, textbooks and other goods and our cost of revenues relating to training and other services mainly consists of the costs and expenses incurred for the provision of training and other services for franchisees.

Selling Expenses

Our selling expenses primarily consist of advertising, marketing and brand promotion expenses as well as compensation to our selling personnel. We expect that our selling expenses will continue to increase in absolute amounts as we continue to market our products and services and expand into new geographic regions but will remain relatively stable as a percentage of our net revenues.

General and Administrative Expenses

Our general and administrative expenses mainly consist of (i) compensation to our management, administrative and R&D personnel, including base salaries, performance-based bonuses and share-based and other compensation, (ii) rental expenses for administrative facilities and (iii) professional service expense. We expect that our general and administrative expenses will increase in absolute amounts in the foreseeable future as we incur additional costs for becoming and being a public company but will in time decrease as a percentage of our net revenues as we continue to benefit from economies of scale and improve our operating efficiency.

The following table sets forth our operating expenses, both in absolute amount and as a percentage of our net revenues, for the periods presented.

	Year Ended December 31,					
	2019		2020		2021	
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Operating expenses:						
Selling expenses	2,808	1.5 %	1,285	1.2 %	2,491	1.4 %
General and administrative expenses	23,775	13.1 %	24,313	22.1 %	20,286	11.3 %
Impairment loss on goodwill	—	—	8,454	7.7 %	4,559	2.5 %
Impairment loss on long-lived assets	—	—	2,148	2.0 %	—	—
Total operating expenses	26,583	14.6 %	36,200	33.0 %	27,336	15.2 %

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods presented, both in absolute amount and as a percentage of our net revenues for the periods presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of our future trends.

	Year Ended December 31,					
	2019		2020		2021	
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Net Revenues						
Services						
Tuition fees from kindergartens, student care centers and play-and-learn centers	147,417	80.9 %	92,123	83.9 %	157,988	87.6 %
Franchise fees	12,269	6.7 %	9,065	8.3 %	10,140	5.6 %
Training and other services	6,156	3.4 %	1,632	1.5 %	4,096	2.3 %
Royalty fees	341	0.2 %	253	0.2 %	180	0.1 %
Products						
Sale of education merchandise	16,100	8.8 %	6,642	6.1 %	7,909	4.4 %
Total net revenues	182,283	100.0 %	109,715	100.0 %	180,313	100 %
Cost of revenues						
Services	147,669	81.0 %	113,285	103.2 %	145,473	80.7 %
Products	7,865	4.3 %	3,616	3.3 %	3,669	2.0 %
Total cost of revenues	155,534	85.3 %	116,901	106.5 %	149,142	82.7 %
Gross profit (loss)	26,749	14.7 %	(7,186)	(6.5)%	31,171	17.3 %
Operating expenses						
Selling expenses	2,808	1.5 %	1,285	1.2 %	2,491	1.4 %
General and administrative expenses	23,775	13.1 %	24,313	22.1 %	20,286	11.3 %
Impairment loss on goodwill	—	—	8,454	7.7 %	4,559	2.5 %
Impairment loss on long-lived assets	—	—	2,148	2.0 %	—	—
Total operating expenses	26,583	14.6 %	36,200	33.0 %	27,336	15.2 %
Operating (loss) income	166	0.1 %	(43,386)	(39.5)%	3,835	2.1 %
Interest income	858	0.5 %	348	0.3 %	219	0.1 %
Government subsidy income	499	0.3 %	4,591	4.1 %	2,491	1.4 %
Gain on disposal of subsidiaries	492	0.3 %	96	0.1 %	439	0.2 %
Impairment loss on long-term investments	—	—	(2,432)	(2.2)%	—	—
Income (loss) before income taxes	2,015	1.1 %	(40,783)	(37.2)%	6,984	3.9 %
Income tax expenses	3,541	1.9 %	215	0.2 %	3,440	1.9 %
Loss before loss in equity method investments	(1,526)	(0.8)%	(40,998)	(37.4)%	3,544	2.0 %
Loss from equity method investments	(664)	(0.4)%	(185)	(0.1)%	(15)	(0.0)%
Net (loss) income	(2,190)	(1.2)%	(41,183)	(37.5)%	3,529	2.0 %

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The following table lists our net revenue and cost of revenues by reportable segment for the periods indicated, and financial data has been retrospectively presented to give effect to the current structure.

	Years Ended December 31,		
	2019	2020	2021
	(in thousands of US\$)		
Net revenues			
PRC Kindergartens	131,427	68,319	128,402
PRC Play-and-learn centers	24,901	12,215	13,254
Singapore kindergartens, student care centers and others	19,073	25,964	31,007
Others	6,882	3,217	7,650
Total net revenues	182,283	109,715	180,313
Cost of revenues			
PRC Kindergartens	113,315	78,901	106,566
PRC Play-and-learn centers	14,269	8,610	8,634
Singapore kindergartens, student care centers and others	16,200	21,513	25,362
Others	11,750	7,877	8,580
Total cost of revenues	155,534	116,901	149,142
Gross profit (loss)			
PRC Kindergartens	18,112	(10,582)	21,836
PRC Play-and-learn centers	10,632	3,605	4,620
Singapore kindergartens, student care centers and others	2,873	4,451	5,645
Others	(4,868)	(4,660)	(930)
Total gross profit (loss)	26,749	(7,186)	31,171

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Net Revenues

Our directly operated facilities decreased from 150 in 2020 to 144 in 2021, with the student enrollment at our directly operated facilities decreased from 34,011 as of December 31, 2020 to 33,890 as of December 31, 2021. The decrease in our student enrollment was mainly driven by the decrease of number of our directly operated kindergartens in China from 98 as of December 31, 2020 to 90 as of December 31, 2021.

Our net revenues increased by 64.3% from US\$109.7 million in 2020 to US\$180.3 million in 2021. This increase was primarily attributable to a US\$65.9 million increase in tuition fees from our directly operated kindergartens, play-and-learn centers and student care centers. This was mainly because the directly operated kindergartens in China were in normal operation for the most time of 2021 whereas those facilities were temporarily closed during most of the first nine months of 2020 as a result of the COVID-19 pandemic.

Our revenues from franchise fees increase by 11.9% from US\$9.1 million in 2020 to US\$10.1 million in 2021, as our franchise facilities in PRC were also in normal operation for the most time of 2021 whereas those facilities were temporarily suspended operation during most of the first nine months of 2020 due to the COVID-19 pandemic.

Our revenues from the sale of educational merchandise increase by 19.1% from US\$6.6 million in 2020 to US\$7.9 million in 2021. This increase was primarily due to a increase in the amount of merchandise sold through our franchise network, as they were in normal operation for the most time of 2021.

Cost of Revenues

Our cost of revenues increased by 27.6% from US\$116.9 million in 2020 to US\$149.1 million in 2021, primarily due to an increase in staff compensation and higher operating costs as the directly operated kindergartens were in normal operation for the most time of 2021.

Gross profit/(loss)

As a result of the factors set out above, our gross profit in 2021 was US\$31.2 million, compared with gross loss of US\$7.2 million in 2020.

Operating Expenses

Our selling expenses increased by 93.9% from US\$1.3 million in 2020 to US\$2.5 million in 2021. This increase was generally in line with the increase of our net revenue. As a result of the temporary disclosure of our directly operated and franchised facilities during 2020, we took cost control measures by reducing marketing activities and staff compensation of sales persons. Selling expenses constituted 1.2% and 1.4% of our net revenues in 2020 and 2021, respectively.

Our general and administrative expenses decreased by 16.6% from US\$24.3 million in 2020 to US\$20.3 million in 2021. This decrease was mainly due to a credit loss incurred during the fourth quarter of 2020.

Our impairment loss on goodwill in 2021 was US\$4.6 million, compared to US\$8.5 in 2020. As a result of the changes in the regulatory environment of the education industry in China, the management identified impairment indicator on goodwill.

Application of a goodwill impairment test requires significant management judgment. The judgment in estimating the fair value of reporting unit includes estimating future cash flows, determining appropriate discount rates, consideration of the impact of COVID-19 and the new regulations, and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for the reporting unit.

We performed qualitative assessment for the reporting unit of Shanghai JES in 2021 due to the impact of Covid-19 and the new regulations. The Group evaluated all relevant factors including, but not limited to, macroeconomic conditions, industry, regulatory and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit and concluded that it was more likely than not that the fair value of the reporting unit was less than its carrying amount. After the quantitative impairment test, the Group recorded impairment losses on its goodwill amounting to USD 4.6 million during the year ended December 31, 2021. No impairment of goodwill was recorded for other four existing reporting units. We estimate the forecasted future cash flow based on historical financial and operating result, enrollment information, and fee level. With the assistance of a third-party valuer, we concluded the fair value of the reporting unit exceeds the carrying value of these reporting unit, thus no impairment loss was recognized for these four reporting units.

Operating Income/(loss)

We had US\$43.4 million operating loss in 2020, and US\$3.8 million operating income in 2021, respectively.

Government Subsidies

We recognized US\$4.6 million and US\$2.5 million in government subsidies for 2020 and 2021, respectively. We receive government subsidies at the discretion of the local government based on certain criteria in relation to our kindergarten operations. Government subsidies are recognized as liabilities when the government subsidies are received, and released to consolidated statements of operations as government subsidy income when we are not subject to further obligation or future refunds. Government subsidies granted to specific kindergartens to subsidize their rental and teacher training costs were recorded to offset the cost of revenues when the conditions were met. For the years ended December 31, 2020 and 2021, US\$12.7 million and US\$20.9 million were recognized as reduction of cost of revenues, respectively.

Income Tax Expenses

Our income tax expenses increased from US\$0.2 million in 2020 to US\$3.4 million in 2021, primarily due to increase in taxable income.

Net Income

As a result of the foregoing, we had net loss of US\$41.2 million in 2020 and net income of US\$3.5 million in 2021, respectively.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Net Revenues

Our directly operated facilities increased from 144 in 2019 to 150 in 2020, with the student enrollment at our directly operated facilities increased from 30,806 as of December 31, 2019 and 34,011 as of December 31, 2020. The increase in our student enrollment was mainly driven by higher utilization rates at ramping facilities and contribution from our Singapore operations.

Our net revenues decreased by 39.8% from US\$182.3 million in 2019 to US\$109.7 million in 2020. This decrease was primarily attributable to a US\$55.3 million decrease in tuition fees from our directly operated kindergartens, play-and-learn centers and student care centers. This was mainly due to the temporary closure of our facilities in PRC during most of the first nine months in 2020, which was caused by the COVID-19 pandemic.

Our revenues from franchise fees decrease by 26.1% from US\$12.3 million in 2019 to US\$9.1 million in 2020, as our franchise facilities in PRC also temporarily suspended operation during most of the first nine months of 2020 due to the COVID-19 pandemic.

Our revenues from the sale of educational merchandise decrease by 58.7% from US\$16.1 million in 2019 to US\$6.6 million in 2020. This decrease was primarily due to a decrease in the amount of merchandise sold through our franchise network, as our facilities in PRC suspended operation during most of the first nine months of 2020 due to the COVID-19 pandemic.

Cost of Revenues

Our cost of revenues decreased by 24.8% from US\$155.5 million in 2019 to US\$116.9 million in 2020, primarily due to a decrease in staff compensation and direct costs in our directly operated kindergartens.

Gross profit/(loss)

As a result of the factors set out above, our gross loss in 2020 was US\$7.2 million, compared with gross profit of US\$26.7 million in 2019.

Operating Expenses

Our selling expenses decreased by 54.2% from US\$2.8 million in 2019 to US\$1.3 million in 2020. This decrease was primarily due to our reduction in marketing activities, as our business was disrupted by the COVID-19 outbreak for the first nine months of 2020. Selling expenses constituted 1.5% and 1.2% of our net revenues in 2019 and 2020, respectively.

Our general and administrative expenses increased by 2.3% from US\$23.8 million in 2019 to US\$24.3 million in 2020. This increase was mainly contributed by credit loss expenses incurred in the fourth quarter of 2020, which was partially offset by the decrease of share-based compensation expenses and administrative expenses as a result of our stringent cost control measures to combat the challenges by COVID-19.

Our impairment loss on goodwill in 2020 was US\$8.5 million, compared to nil in 2019. Due to the impact of COVID-19 on operations and financial results, the Company concluded that an impairment indicator existed at the end of the first quarter and the fair value of its certain reporting units, primarily those with new initiatives, were less than their carrying value. As a result of the impairment assessments, the Company determined that there was an impairment loss on goodwill of \$8.5 million at the end of the first quarter 2020.

Our impairment loss on long-lived assets in 2020 was US\$2.1 million, compared to nil in 2019. This was mainly due to the impairment loss on intangible assets arisen from the acquisition of certain new initiatives and long-lived assets of a few directly-operated kindergartens such as leasehold improvements and furniture.

Operating Income/(loss)

We had US\$0.2 million operating income in 2019, and US\$43.4 million operating loss in 2020, respectively.

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Government Subsidies

We recognized US\$0.5 million and US\$4.6 million in government subsidies for 2019 and 2020, respectively. We receive government subsidies at the discretion of the local government based on certain criteria in relation to our kindergarten operations. Government subsidies are recognized as liabilities when the government subsidies are received, and released to consolidated statements of operations as government subsidy income when we are not subject to further obligation or future refunds. Government subsidies granted to specific kindergartens to subsidize their rental and teacher training costs were recorded to offset the cost of revenues when the conditions were met. For the years ended December 31, 2019 and 2020, US\$6.0 million and US\$12.7 million were recognized as reduction of cost of revenues, respectively.

Income Tax Expenses

Our income tax expenses decreased from US\$3.5 million in 2019 to US\$0.2 million in 2020, primarily due to the impact of COVID-19 on operations and financial results.

Net Loss

As a result of the foregoing, we had net loss of US\$2.2 million in 2019 and net loss of US\$41.2 million in 2020, respectively.

Taxation

We generate the majority of our operating income from our PRC operations. Income tax liability is calculated based on a separate return basis as if we had filed separate tax returns for all the periods presented.

The Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. In addition, the Cayman Islands does not impose withholding tax on dividend payments. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiary is subject to a 8.25% profit tax rate on assessable profits on the first Hong Kong Dollars (“HK\$”) 2 million and 16.5% on any assessable profits in excess of HK\$2 million starting from April 1, 2018. Under the Hong Kong tax laws, we are exempted from the Hong Kong income tax on our foreign-derived income. In addition, payments of dividends from our Hong Kong subsidiary to us are not subject to any Hong Kong withholding tax.

PRC

Under the PRC Enterprise Income Tax Law, or EIT Law, our PRC subsidiaries and consolidated affiliated entities are subject to enterprise income tax at a statutory rate of 25%. In accordance with the EIT Law, dividends, which arise from profits of foreign invested enterprises, or FIEs, earned after January 1, 2008, are subject to a 10% withholding income tax. In addition, under tax treaty between the PRC and Hong Kong, if the foreign investor is incorporated in Hong Kong and qualifies as the beneficial owner, the applicable withholding tax rate is reduced to 5%, if the investor holds at least 25% in the FIE, or 10%, if the investor holds less than 25% in the FIE. Under the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax, the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates which was promulgated on April 4, 2018 and came into effect on May 1, 2018, the Announcement on Relevant Policies for Deepening Value-added Tax Reform with effect from April 1, 2019, our PRC subsidiaries and consolidated affiliated entities, except for entities who are designated as small scale VAT payers, are subject to value added tax, or VAT, at a rate of 6% to 13% on proceeds received from customers, and are entitled to a refund for VAT already paid or borne on the goods purchased by it and utilized in the production of goods or provisions of services that have generated the gross sales proceeds. Small scale VAT payer is subject to VAT at a rate of 3% on play-and-learn center services and training services, which was reduced to 1% from March 1, 2020 to December 31, 2021, due to the pandemic of COVID-19.

Singapore

Our subsidiaries located in Singapore are subject to Singapore corporate income tax at a rate of 17% in 2021 and a tax relief enabling companies to deduct unutilized capital allowances, trade losses and donations of one company from the assessable income of another company within the same group. Our subsidiaries located in Singapore are also subject to tax exemption scheme, allowing for 75% to be exempted from tax for the first Singapore Dollars (“SGD\$”) 10,000 of the income and 50% exempted from tax for the next SGD\$190,000 for the year ended December 31, 2021.

Financial Impact by the Divestiture

In March 2022, we entered into termination agreements with former VIE. Starting from April 30, we no longer have contractual control over the former VIE, thereby divesting the directly operated kindergarten business, or the “Divestiture.” The Divestiture becomes effective on April 30, 2022. See “Item 4. Information on the Company—C. Organizational Structure.” for details.

After the Divestiture, we will no longer generate revenue from the tuition fees at our directly operated kindergartens, or annual franchise fees from our franchised kindergartens. For the year ended December 31, 2021, total net revenue that we generate from the divested entities is US\$103.0 million, which represents approximately 57.1% of our total consolidated net revenue. Total gross profit from the divested entities is US\$8.4 million, representing approximately 26.9% of our consolidated total gross profit. As of December 31, 2021, total assets of the divested entities are US\$163.8 million, which represents approximately 57.9% of our consolidated total assets.

As part of the divestiture, the subsidiaries of the Company have entered into a series of service agreements to provide brand royalty, training, management IT system, recruitment, and curriculum design services to the former VIE. We will generate revenue from the former VIE in the form of service fees, among which brand royalty fee is charged as a percentage of the revenues generated at the divested kindergartens, while the rest of the service fees are charged using a fixed amount. Franchise annual fee from franchised kindergartens is replaced with brand royalty fees from former VIE. Accordingly, we cease to incur direct costs from operating the divested kindergartens or supervising the franchised kindergartens, such as rental, staff compensation, utilities, depreciation and amortization, etc. Our cost of revenues under the service agreements primarily consists of staff compensation and is significantly lower than direct costs from operating the divested kindergarten. As a result of the change in the cost structure, our profit margin post the Divestiture is higher than the directly operated model.

Critical Accounting Policies

We prepare our financial statements in accordance with U.S. GAAP, which requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses during the reporting periods. We continually evaluate these judgments and estimates based on our own historical experience, knowledge and assessment of

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current business and other conditions, our expectations regarding the future based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements. You should read the following description of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Revenue Recognition

Prior to January 1, 2018, we recognized revenues, under FASB Revenue Recognition (Topic 605), when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the service has been performed and received by the customer, (iii) the amount of fees from the customer is fixed or determinable, and (iv) collectability is reasonably assured.

On January 1, 2018, we adopted ASC 606 applying the modified retrospective method to all contracts that were not completed as of January 1, 2018. Results for period beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. Revenues are recognized when control of the promised goods or services are transferred to the customers, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services.

We follow five steps for our revenue recognition under ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) we satisfies a performance obligation.

We provide private kindergarten services, play-and-learn center services and student care center services to students. Tuition fees are collected in advance and are initially recorded as deferred revenue.

Kindergarten services consist of a series of classes which are highly interdependent and interrelated in the context of the contract and each class is not distinct and not sold standalone. Therefore, the kindergarten services are accounted for as a single performance obligation.

Play-and-learn center services provide a different series of classes which are highly interdependent and interrelated in the context of the contract and each class is not distinct and not sold standalone. Therefore, play-and-learn center services are accounted for as a single performance obligation.

Student care services provide a separate series of classes which are highly interdependent and interrelated in the context of the contract and each class is not distinct and not sold standalone. Therefore, student care services are accounted for as a single performance obligation.

The transaction prices for kindergarten services, play-and-learn center services and students care center services are determined by the contract amount net of refund. For the kindergarten program, the students can claim certain amount of the tuition refund, upon withdrawal, if more than a certain number of classes are missed. For the play-and-learn program, students are entitled to refund, upon withdrawal, for unused portion of the prepaid course fees. For the student care services, the students can claim refund, upon withdrawal, if classes are missed due to illness. The refund amount is subject to the refund policy at each facility and the timing of the student's withdrawal.

Revenues for the kindergarten services and student care services are recognized on a straight line basis over the service period. Revenues for the play-and-learn center services are recognized ratably over the course of the programs.

We generate revenues by franchising kindergartens and play-and-learn centers under the brand name of RYB. We collect from franchisees the initial franchising fees and annual franchise fee. As the initial franchising service and

annual franchising service are distinct from each other, we identify two performance obligations accordingly. The transaction price is allocated to each performance obligation based on a relative stand-alone selling price.

Initial franchising fees represent provision of initial setup services which are typically received upfront and recorded as prepayments from customers. The set-up period usually begins with the site renovation or training services, whichever is earlier, to the time point when kindergartens or play-and-learn centers commence operations, which is approximately 7 or 8 months. Initial franchising fees are recognized over time throughout the set-up period.

Annual franchise fees represent supporting services provided by us to the franchised kindergartens or play-and-learn centers. The related annual franchise fees are received upfront and recorded as deferred revenue. Annual franchise fees are recognized over time throughout the contract terms.

Our educational merchandise consists of educational toys, teaching aids, textbooks and other goods. We consider both franchisees and end-users are our customers. Prepayments for sales of educational merchandise is recognized as prepayments from customers. Sales of educational merchandise is accounted for as a single performance obligation, and recognize at the point of time when the control of promised goods is transferred to the customers.

We provide training services to the franchisees of the franchised kindergartens and play-and-learn centers. We identified the training services as a single performance obligation, and given the trainings are usually performed during a short period of time, revenues are recognized at the point of time when training services are delivered.

We authorize our business partners the right to use its educational courses and relevant solutions. The royalty fees are received upfront and recorded as deferred revenue. We identified the royalty fees as a single performance obligation, and revenues are recognized over time throughout the contract terms.

Consolidation of Variable Interest Entities

Our consolidated financial statements include the financial statements of RYB Education, Inc., its subsidiaries, its VIEs and the VIEs' subsidiaries and kindergartens. All profits, transactions and balances among RYB Education, Inc., its subsidiaries, its VIEs and the VIEs' subsidiaries and kindergartens have been eliminated upon consolidation.

PRC laws and regulations restrict foreign ownership and investment in the education industry at the kindergarten level. As RYB Technology, Qiyuan Education Technology (Tianjin) Co., Ltd. ("TJ Qiyuan") and Beijing Beilin International Education Co., Ltd. ("BJ Beilin") are deemed foreign legal persons under PRC laws, our subsidiaries are not eligible to engage in the provision of kindergarten services. To comply with these foreign ownership restrictions, we operate substantially all of its education services through VIEs and the VIEs' subsidiaries and kindergartens in the PRC. The VIEs and their subsidiaries and kindergartens hold leases and other assets necessary to provide education services and generate revenues.

As a result of these contractual arrangements, we believe we are entitled to direct the activities that most significantly affect the economic performance of Beijing RYB, Beiyao and Bozhi, and receive the economic benefits of Beijing RYB, Beiyao and Bozhi. In making the conclusion that we are the primary beneficiaries of Beijing RYB, Beiyao and Bozhi, we believe our rights under the terms of the equity disposal agreement and exclusive option agreement have provided us with a substantive kick out right. More specifically, we believe the terms of the equity disposal agreement and exclusive option agreement are valid, binding and enforceable under PRC laws and regulations currently in effect. We also believe that the minimum amount of consideration permitted by the applicable PRC law to exercise the option has not represented a financial barrier or disincentive for us to currently exercise our rights under the equity disposal agreement and exclusive option agreement. In addition, our rights under the business operation agreement and powers of attorney have reinforced our abilities to direct the activities most significantly impacting Beijing RYB, Beiyao and Bozhi's economic performance. We also believe that this ability to exercise control ensures that Beijing RYB, Beiyao and Bozhi would continue to execute and renew service agreements and pay service fees to us. By charging service fees, and by ensuring that service agreements are executed and renewed indefinitely, we have the rights to receive substantially all of the economic benefits from Beijing RYB, Beiyao and Bozhi. Accordingly, as the primary beneficiaries of Beijing RYB, Beiyao and Bozhi and in accordance with U.S. GAAP, we consolidate its financial results and assets and liabilities in our consolidated financial statements.

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In 2019, 2020 and 2021, our certain kindergartens, during the application or renewal process of registration, elected as not-for-profit kindergartens in the PRC and operated in compliance with PRC not-for-profit legal regimes. However, we believe these not-for-profit kindergartens do not meet the definition of a not-for-profit entity under U.S. GAAP, and therefore treat these not-for-profit kindergartens as “for-profit” entities for accounting purposes. These not-for-profit kindergartens generally cannot declare dividends or distribute their net assets to their sponsors, our consolidated VIEs.

We generally do not have legal entitlement to distribute the net assets of these not-for-profit kindergartens. In the event of liquidation of these not-for-profit kindergartens, the net proceeds can only continue to be used for another not-for-profit kindergarten with similar purposes. In the unlikely case of liquidation of the not-for-profit kindergarten, we may be able to retain the residual value by naming another not-for-profit kindergarten of us in the PRC as the recipient, if one exists; however, we generally cannot name a for-profit entity as the recipient. Moreover, because the kindergarten generally would be required to provide for the continued education of its students, liquidation would not be a likely course of action and would be unlikely to result in significant residual assets available for distribution.

We maintain control of these not-for-profit kindergartens through our rights to designate a majority of the governing entities’ board members, through which we have the legal ability to direct the activities most significantly impacting these not-for-profit kindergartens’ economic performance. We maintain a variable interest in these not-for-profit kindergartens through consultation and service arrangements in which fees for such consultation and service are determined at our discretion. We have the ability to provide additional contractual arrangements for educational and other services. We also have the ability to transfer our sponsor rights to govern these not-for-profit kindergartens to other parties, which could yield a return if and when these rights are transferred.

Under ASC 810-10, “Consolidation,” we believe we are the primary beneficiary of these not-for-profit kindergartens because we have, as further described herein: (1) the power to direct the activities of these not-for-profit kindergartens that most significantly affect their educational and economic performance and (2) the right to receive economic benefits from contractual and other arrangements with these not-for-profit kindergartens that could potentially be significant to these not-for-profit kindergartens.

As advised by our PRC legal counsel, our corporate structure in China does not violate all existing PRC laws and regulations. However, our PRC legal counsel has also advised us that as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, and we cannot assure you that the PRC government would agree that our corporate structure or any of the above contractual arrangements comply with current or future PRC laws or regulations. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities may have broad discretion in interpreting these laws and regulations.

Business Combinations

Business combinations are recorded using the acquisition method of accounting. The purchase price of the acquisition is allocated to the tangible assets, liabilities, identifiable intangible assets acquired and non-controlling interest, if any, based on their estimated fair values as of the acquisition date. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses are expensed as incurred.

Income Taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the financial statements. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that a portion of or all of the deferred tax assets will not be realized. The impact of an uncertain income tax position is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

Fair Value of Options

The fair value of the options granted is estimated on the dates of grant using the binomial option pricing model with the following assumptions used.

	<u>2020</u>
Risk-free interest rate ⁽¹⁾	0.86%-0.93 %
Expected volatility ⁽²⁾	40 %
Expected dividend yield ⁽³⁾	—
Expected multiples ⁽⁴⁾	2.2
Fair value of underlying ordinary share ⁽⁵⁾	2.38-2.7

- (1) We estimate risk-free interest rate based on the daily treasury long term rate of U.S. Department of the Treasury with a maturity period close to the expected term of the options.
- (2) We estimated expected volatility based on the annualized standard deviation of the daily return embedded in historical share prices of comparable companies with a time horizon close to the expected expiry of the term of the options.
- (3) We have never declared or paid any cash dividends on our capital stock, and we do not anticipate any dividend payments on our ordinary shares in the foreseeable future.
- (4) The exercise multiple is estimated as the ratio of fair value of underlying shares over the exercise price as at the time the option is exercised, based on a consideration of research study regarding exercise pattern based on historical statistical data.
- (5) The estimated fair value of the ordinary shares underlying the options as of the grant dates was mainly determined based on a retrospective valuation with the assistance of a third-party appraiser before September 27, 2017, and based on the Company's share price since September 27, 2017.

Share-based Compensation

Share-based compensation with employees is measured based on the grant date fair value of the equity instrument. Share-based compensation expenses are recognized over the requisite service period based on the graded vesting attribution method with corresponding impact reflected in additional paid-in capital. When no future services are required to be performed by grantees in exchange for an award of equity instruments, the cost of the award is expensed on the grant date. We elect to recognize forfeitures when they occur.

We adopted the 2009 and 2017 Share Incentive Plans for the grant of share options to employees, directors and non-employees to provide incentive for their services. The maximum number of ordinary shares that may be issued pursuant to all awards under the 2009 and 2017 Share Incentive Plans was 6,920,014 ordinary shares as of February 28, 2022.

For share options, we used the binomial option pricing model determine the estimated fair value. For options granted before our initial public offering, the volatility assumption was estimated based on the annualized standard deviation of the daily return embedded in historical share prices of comparable companies with a time horizon close to the expected expiry of the term of the options. For options granted after our initial public offering, the volatility assumption was also considered the historical volatility of our share price since the initial public offering.

For non-vested shares granted after our initial public offering, the fair value of our non-vested shares on the grant date is determined by the closing quoted market price.

Impairment Assessment on Long-Lived Assets and Goodwill

Long-lived assets, including property, plant and equipment, operating lease right-of-use assets, intangible assets with definite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When these events occur, we measure impairment by comparing the carrying amount of long-lived assets or asset group 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 would recognize an impairment loss based on the fair value of the assets. Fair value is estimated based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires us to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. We recorded impairment loss on property, plant, and equipment and operating lease right-of-use assets of nil, US\$428,000 and nil during the years ended December 31, 2019, 2020 and 2021. We recorded impairment losses on intangible assets with definite lives of US\$79,000, US\$1,720,000 and nil during the years ended December 31, 2019, 2020 and 2021.

The impairment test for intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. No impairment charge was recognized for the years ended December 31, 2019, 2020 and 2021.

The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheet as goodwill. The guidance permits us to first assess qualitative factors to determine whether it is “more likely than not” that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test.

We performed annual impairment test, at December 31, using a two-step approach. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit is greater than its carrying amount, goodwill is not considered impaired and the second step is not required. If the fair value of the reporting unit is less than its carrying amount, the second step of the impairment test measures the amount of the impairment loss, if any, by comparing the implied fair value of goodwill to its carrying amount. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized equal to that excess. The implied fair value of goodwill is calculated in the same manner that goodwill is calculated in a business combination, whereby the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit, with the excess purchase price over the amounts assigned to assets and liabilities representing the implied fair value of goodwill. We recorded impairment losses on goodwill of US\$337,000, US\$8,454,000, and US\$4,559,000 during the years ended December 31, 2019, 2020 and 2021.

Depreciation and Amortization

The costs of property and equipment and acquired finite-lived intangible assets are charged ratably as depreciation and amortization expenses, respectively, over the estimated useful lives of the respective assets using the straight-line method. We periodically review changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation and amortization rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in estimated useful lives and therefore depreciation and amortization expenses in future periods.

Leases

We have lease contracts for offices, kindergartens, play-and-learn centers and student care centers in different cities in the PRC and Singapore under operating leases. We determine whether an arrangement constitutes a lease and record lease liabilities and right-of-use assets on our consolidated balance sheets at the lease commencement. We measure our lease liabilities based on the present value of the total lease payments not yet paid discounted based on the more readily determinable of the rate implicit in the lease or its incremental borrowing rate, which is the estimated rate we would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease. We estimate our incremental borrowing rate based on an analysis of publicly traded debt securities of companies with credit and financial profiles similar to us. We measure right-of-use assets based on the corresponding lease liability adjusted for payments made to the lessor at or before the commencement date, and initial direct costs it incurs under the lease. We begin recognizing rent expense when the lessor makes the underlying asset available to us. Our leases have remaining lease terms of up to 17 years, none of them include options to extend or terminate the leases.

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For leases with lease term less than one year (short-term leases), the Group records operating lease expense in its consolidated statements of operations on a straight-line basis over the lease term and record variable lease payments as incurred.

Recent Accounting Pronouncements

A list of recent accounting pronouncements that are relevant to us is included in note 2 to our consolidated financial statements, which are included in this annual report.

B. Liquidity and Capital Resources

The following table sets forth the movements of our cash and cash equivalents for the periods presented:

	Years Ended December 31,		
	2019	2020	2021
	(in thousands of US\$)		
Summary Consolidated Cash Flow:			
Net cash generated from/(used in) operating activities	12,982	(6,526)	19,230
Net cash used in investing activities	(34,378)	(2,585)	(6,429)
Net cash (used in)/generated from financing activities	(13,454)	556	(1,397)
Exchange rate effect on cash and cash equivalents and restricted cash	(542)	(6,302)	271
Net (decrease)/increase in cash and cash equivalents and restricted cash	(35,392)	(14,857)	11,675
Cash and cash equivalents and restricted cash at beginning of year	104,830	69,438	54,581
Cash and cash equivalents and restricted cash at end of year	69,438	54,581	66,256

To date, we have financed our operations primarily through cash generated by operating activities and historical equity financing activities. As of December 31, 2019, 2020 and 2021, our cash and cash equivalents and restricted cash were US\$69.4 million, US\$54.6 million and US\$66.3 million, respectively. Restricted cash represents Renminbi deposits in restricted bank accounts for operating kindergartens required by certain local regulations. The deposits in restricted bank accounts cannot be withdrawn until these kindergartens are closed. As of December 31, 2019, 2020 and 2021 restricted cash were approximately US\$0.7 million, US\$1.1 million and US\$1.0 million, respectively. Approximately 86.7% of our cash and cash equivalents, term deposit and restricted cash as of December 31, 2021 were held in China. Approximately 54.1% of our cash and cash equivalents, term deposit and restricted cash were held by our consolidated affiliated entities and denominated in Renminbi.

The disruption on our business operations caused by the pandemic of COVID-19 has had material adverse effects on our financial condition and operations during the first three quarters of 2020. Since February 2020, most of our facilities in China have been closed until May 2020 when our facilities began a phased reopening. During 2020, we have taken various mitigating steps to cope with COVID-19's adverse impact on our operations and liquidity, including (i) reducing labor costs and operational expenses, (ii) postponing discretionary capital expenditures and (iii) obtaining bank facilities if necessary. By cutting expenses and reducing costs reasonably, streamlining team structure and adjusting personnel, we successfully overcome the challenges brought by the COVID-19 pandemic and maintained a healthy cash position by the end of 2020. During 2021, despite of the recurrence of COVID-19 outbreaks in certain provinces of China due to Delta and Omicron variants, our facilities were under normal operation during most of the year and maintained a normal cashflow during 2021 and healthy cash position by the end of 2021,

After the Divestiture, we no longer operate the previously directly operated kindergartens by ourselves, and start to provide services to the divested kindergartens including brand royalty, training, management IT system, recruitment, and curriculum design services. Under the new platform model, we cease to incur direct costs from operating the divested kindergartens or supervising the franchised kindergartens, such as rental, staff compensation and utilities, funds tie-up is lower than the directly operated model, the Divestiture will not affect our liquidity. As of December 31, 2021, cash and cash equivalents and restricted cash held by the divested business were US\$32.8 million, which represents approximately 49.6% of our total cash and cash equivalents and restricted cash. As of December 31, 2021, total current assets of the remaining business were US\$43.7 million, which exceeds current liabilities of US\$42.5 million by US\$1.2 million. In addition, an aggregate amount of RMB158.5 million approximately equal to US\$24.0 million will be paid over the next three years to our subsidiaries as compensation for the termination of VIE agreements, which will further improve our liquidity,

We believe our cash and cash equivalents on hand will be sufficient to meet our current and anticipated needs for general corporate purposes for at least the next 12 months. We may, however, need additional cash resources in the future if we experience changes in business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, capital expenditure or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand, we may seek to issue equity or equity linked securities or obtain debt financing. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

Although we consolidate the results of our consolidated variable interest entity and its subsidiaries, we only have access to the assets or earnings of our consolidated variable interest entity and its subsidiaries through our contractual arrangements with VIE. See “Item 4. Information on the Company—C. Organizational Structure.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure.”

In utilizing the proceeds we received from our initial public offering and the other cash that we hold offshore, we may make additional capital contributions to our PRC subsidiaries, establish new PRC operating entities, make loans to our PRC operating entities, or acquire offshore entities with business operations in China in offshore transactions. Most of these uses are subject to PRC regulations and approvals.

Operating Activities

Net cash generated in operating activities in the year ended December 31, 2021 was US\$19.2 million. The difference between our net income of US\$3.5 million and the net cash generated in operating activities was due to (i) an adjustment to add back US\$31.6 million in non-cash and non-operating items, which mainly consist of US\$14.2 million from the reduction in the carrying amount of the right-of-use assets, US\$13.0 million from depreciation and amortization and US\$2.0 million from share-based compensation, (ii) changes in certain working capital accounts that affected operating cash flow, primarily including a US\$12.2 million decrease in operating lease liabilities and a US\$8.0 million decrease in deferred revenue. Operating lease liabilities were decreased mainly due to the lease payment. Deferred revenue was decreased mainly due to the decrease of number of our directly operated kindergartens.

Net cash used in operating activities in the year ended December 31, 2020 was US\$6.5 million. The difference between our net loss of US\$41.2 million and the net cash used in operating activities was due to (i) an adjustment to add back US\$44.7 million in non-cash and non-operating items, which mainly consist of US\$15.6 million from the reduction in the carrying amount of the right-of-use assets, US\$13.0 million from impairment losses, US\$11.7 million from depreciation and amortization, and (ii) changes in certain working capital accounts that affected operating cash flow, primarily including a US\$14.3 million decrease in operating lease liabilities, a US\$1.7 million decrease in accrued expenses and other current liabilities, and a US\$1.4 million decrease in deferred revenue; which was partially offset by a US\$1.7 million decrease in our inventories, and a US\$3.7 million increase in our income tax payable. Operating lease liabilities were decreased mainly due to the lease payment. Accrued expenses and other current liabilities were decreased mainly due to the decrease in salary and welfare payable as a result of our cost control measures to mitigate impacts by COVID-19.

Net cash generated from operating activities in the year ended December 31, 2019 was US\$13.0 million. The difference between our net loss of US\$2.2 million and the net cash generated from operating activities was due to (i) an adjustment to add back US\$16.2 million in non-cash and non-operating items, which mainly consist of US\$11.5 million from depreciation and amortization and US\$4.0 million from share-based compensation, (ii) a decrease of cash as result of increase in working capital. In 2019, our accounts receivable increased for US\$1.7 million, inventories increased for US\$2.0 million, other non-current assets increased for US\$2.3 million, prepayment from customers decreased for US\$1.4 million and deferred tax assets increased for US\$2.7 million, this effect was partially offset by an increase of US\$5.6 million in accrued expenses and other liabilities and an increase of US\$3.4 million in income tax payable. Prepayment from customers decreased mainly due to our proactive slowdown of expansion in franchise network in the second half of 2019. Deferred tax assets increased mainly because several of our subsidiaries and directly operated facilities recorded loss in 2019. Accrued expenses and other current liabilities increased mainly due to the increase in salary and welfare payable that accompanied the increase in the number of employees and network expansion. Current income taxes are provided for in accordance with the laws of the relevant tax authorities. It increased in 2019 due to the increase in our taxable income in the fourth quarter of 2019.

Investing Activities

Net cash used in investing activities was US\$6.4 million in the year ended December 31, 2021, primarily due to US\$7.0 million used in purchase of property, plant and equipment and spending on leasehold improvement.

Net cash used in investing activities was US\$2.6 million in the year ended December 31, 2020, primarily due to US\$4.0 million used in purchase of property, plant and equipment and spending on leasehold improvement.

Net cash used in investing activities was US\$34.4 million in the year ended December 31, 2019, primarily due to US\$17.9 million used in acquisition related payments and US\$12.5 million used in purchase of property, plant and equipment and spending on leasehold improvement to support our expansion of directly operated facilities.

Financing Activities

Net cash used in financing activities in the year ended December 31, 2021 was US\$1.4 million, which was primarily attributable to acquisition of additional equity interest from non-controlling shareholders of US\$1.6 million.

Net cash generated from financing activities in the year ended December 31, 2020 was US\$0.6 million, which was primarily attributable to capital contribution from noncontrolling interests of US\$0.8 million.

Net cash used in financing activities in the year ended December 31, 2019 was US\$13.5 million, which was primarily attributable to US\$12.0 million used in share repurchase payments.

Cash Requirements

Our material cash requirements mainly include capital expenditures and contractual obligations.

Capital Expenditures

Our capital expenditures are incurred mainly for new teaching facility establishment and existing facility renovations. We made capital expenditures of US\$14.1 million, US\$4.8 million and US\$7.0 million in 2019, 2020 and 2021, respectively. The increase of capital expenditures from 2020 to 2021 was mainly due to the increase of existing facility renovations in 2021, since some of the renovations in 2020 were postponed to 2021 as a result of the COVID-19 pandemic.

We will continue to make capital expenditures to support the expected growth of our business.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2021:

	Payment Due by Period				More than 5 years
	Total	Less than 1 year	1-3 years	3-5 years	
	(in thousands of US\$)				
Operating Lease Obligations	105,396	16,901	30,691	19,993	37,811
Purchase Obligations	3,983	475	682	264	2,562
Total	109,379	17,376	31,373	20,257	40,373

Our operating lease obligations relate to our leases of office premises. We lease our office premises under non-cancelable operating lease arrangements. Rental expenses under operating leases for 2019, 2020 and 2021 were US\$20.3 million, US\$16.9 million and US\$18.0 million, respectively. Purchase obligations relate to future minimum purchase obligations under the non-cancelable purchase agreements related to curriculum collaboration with international institutions.

Other than those shown above, we did not have any significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2021.

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After the Divestiture, we will no longer operate the previously directly operated kindergartens by ourselves and provide certain training programs directly to children or teachers. As most of our operating lease obligations relate to our leases of kindergartens, it will significantly reduce after the Divestiture. The following table sets forth our contractual obligations as if the Divestiture was consummated at December 31, 2021.

	Payment Due by Period				More than 5 years
	Total	Less than 1 year	1-3 years	3-5 years	
Operating Lease Obligations	25,357	6,069	8,733	4,221	6,334
Purchase Obligations	3,263	235	202	264	2,562
Total	28,620	6,304	8,935	4,485	8,896

Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's 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 product development services with us.

Holding Company Structure

RYB Education, Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiary, our consolidated variable interest entity and its subsidiaries in China. As a result, RYB Education, Inc.'s ability to pay dividends depends upon dividends paid by our PRC subsidiary. In addition, our wholly foreign-owned subsidiary in China is permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiary and our consolidated variable interest entity in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of their registered capital. In addition, our wholly foreign-owned subsidiary in China may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds and staff bonus and welfare funds at its discretion, and our consolidated variable interest entity may allocate a portion of its after-tax profits based on PRC accounting standards to a surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. Our PRC subsidiary has not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

C. Research and Development

See "Item 4. Information On the Company—B. Business Overview—Intellectual Property."

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since January 1, 2021 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect our reporting of, among other things, assets and liabilities, contingent assets and liabilities and total revenues and expenses. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since

our financial reporting process inherently relies on the use of estimates and assumptions, our actual results could differ from what we expect.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. Such critical estimates are discussed below. For further information on our other significant accounting estimates, see Note 2 to our consolidated financial statements included elsewhere in this annual report.

Valuation allowance for deferred tax asset

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. Significant judgment is required in determining the valuation allowance. In assessing the need for a valuation allowance, we consider all sources of taxable income, including projected future taxable income, reversing taxable temporary differences and ongoing tax planning strategies. If it is determined that we are able to realize deferred tax assets in excess of the net carrying value or to the extent we are unable to realize a deferred tax asset, we would adjust the valuation allowance in the period in which such a determination is made, with a corresponding increase or decrease to earnings.

Goodwill impairment assessment

We assess goodwill for impairment in accordance with ASC 350-20, *Intangibles—Goodwill and Other: Goodwill* (“ASC 350-20”), which requires that goodwill be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events.

We have ten reporting units in 2021. We have the option to assess qualitative factors first to determine whether it is necessary to perform the quantitative test in accordance with ASC 350-20. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. If we believe, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required.

In the quantitative assessment, the fair value of each reporting unit was estimated using a discounted cash flow methodology. The discounted cash flow analysis requires significant estimates, including projections of future operating results and cash flows of each reporting unit that are based on internal budgets and strategic plans, expected long-term growth rates, terminal values, weighted average cost of capital and the effects of external factors and market conditions. Changes in these estimates and assumptions could materially affect the estimated fair value of each reporting unit that could result in an impairment charge to reduce the carrying value of goodwill, which could be material to our financial position and results of operations.

The sensitivity analyses on the future cash flows and WACC assumptions are described below. These key assumptions utilized in the discounted cash flow valuation methodology require significant management judgment:

Future cash flow assumptions - The projections for future cash flows utilized in the models are derived from historical experience and assumptions regarding future growth and profitability of each reporting unit. These projections are consistent with our operating budget and strategic plan. Cash flows for the five years subsequent to the date of the quantitative goodwill impairment test were utilized in the determination of the fair value of each reporting unit. The growth rates assumed a gradual increase in revenue based on new customer acquisition and market expansion. Beyond five years a terminal value was determined using a perpetuity growth rate based on inflation and real GDP growth rates. A sensitivity analysis of the revenue growth rates, gross profit and operating expenses were performed on all reporting units. For each reporting unit analyzed using quantitative assessment, a 10% reduction in the revenue growth rates used, or a 5% increase in operating expense, or 5% reduction in gross profit respectively would not change the result of assessment.

WACC - The WACC is the rate used to discount each reporting unit’s estimated future cash flows. The WACC is calculated based on the proportionate weighting of the cost of debt and equity. The cost of equity is based on a risk-free interest rate and an equity risk factor, which is derived from public companies similar to the reporting unit and which captures the perceived risks and uncertainties associated with the reporting unit’s cash flows. The cost of debt component

is calculated as the weighted average cost associated with all of the Company's outstanding borrowings as of the date of the impairment test and was immaterial to the computation of the WACC. The cost of debt and equity is weighted based on the debt to market capitalization ratio of publicly traded companies with similarities to the reporting unit being tested. The range of the WACC used is 14%-18% as of December 31, 2021. A sensitivity analysis of the WACC was performed as of December 31, 2021. An increase in the WACC of ten percentage would not change the result of assessment.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of February 28, 2022.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Gang Chen	55	Chairman of the Board
Chimin Cao	58	Co-founder, Director
Yanlai Shi	51	Co-founder, Executive Director and Chief Executive Officer
Joel A. Getz	57	Independent Director
Dennis Demiao Zhu	58	Independent Director
Zhengong Chang	71	Independent Director
Hao Gu	40	Chief Financial Officer

Mr. Gang Chen served as our chairman of the Board since September 2021. Mr. Chen is a partner of Ascendent Capital Partners, where he has been heavily involved in managing its portfolio companies and accumulated extensive experience in operations and corporate management. Prior to joining Ascendent, he served as the chief strategist for Biltmore Capital Group and head of alternative investment group for CMS Companies. Mr. Chen received his bachelor's degree from East China Normal University where he worked for two years as a college teacher after graduation. He obtained a master of business administration degree from the Yale School of Management.

Mr. Chimin Cao is our co-founder and director, and he served as chairman of the board from our inception to September 2021. Mr. Cao has a wealth of experience in the early childhood education industry. Together with Ms. Yanlai Shi, Mr. Cao established our first play-and-learn center in 1998 and then incorporated Beijing RYB to expand our operations in July 2001. Prior to that, Mr. Cao founded Beijing Dongrun Fandoule Kepu Entertainment Co. Ltd. in 1996 as the first franchise to introduce Fun Dazzle indoor playgrounds to Beijing. Mr. Chimin Cao received his joint master's degree of management from the Australian National University and Tsinghua University in 2007.

Ms. Yanlai Shi is our co-founder and has served as director and chief executive officer since our inception. Ms. Shi is a pioneer of the early childhood education industry in China. Ms. Shi also holds various positions, including a member of National Committee of the Chinese People's Political Consultative Conference of Fengtai District, Beijing, and a representative of the 11th National Congress of Chinese Women. Ms. Shi has received many honors in the business world as well. To name a few, she was awarded "Leader of Education Industry" in 2016 and "The Most Influential Business Women in China" in 2014. Ms. Shi received her bachelor's degree in law from Peking University and joint master's degree in management from the Australian National University and Tsinghua University.

Mr. Joel A. Getz started to serve as our director in September 2017. Mr. Getz is now a board member and secretary of the Stephan Co. (Nasdaq: SPCO), a board trustee of New England Innovative Academy, and the Deputy Dean for Alumni, Development, and Special Initiatives at the Yale School of Management. In addition to that, Mr. Getz serves as secretary and independent director of Stephan Co., a publicly traded manufacturer and distributor of hair care, skincare and personal care items in the U.S. Prior to that, Mr. Getz held senior development roles at several non-profit organizations. From 1990 to 1997, Mr. Getz was the president and co-founder of Rim Pacific, a manufacturing and distribution firm focusing on art reproductions. Mr. Getz received his B.A. in 1986 from Harvard University.

Mr. Dennis Demiao Zhu started to serve as our director in September 2017. Mr. Zhu worked at Oaktree Capital (Hong Kong) Limited from 2005 to 2011, serving as its managing director first and later as a senior advisor. Prior to joining Oaktree, Mr. Zhu was managing director, chairman of Greater China Operating Committee and member of Asia Pacific Executive Committee at JPMorgan Chase. Between 1994 and 1999, Mr. Zhu worked at Credit Suisse First Boston in the Equity Capital Markets and Investment Banking departments as Head of China Businesses. From 1992 to 1994, Mr. Zhu worked at FMC Corporation's Investment Analysis Department and was based in Chicago. Mr. Zhang received his M.B.A. degree from the University of Chicago Booth School of Business in 1993 and is currently the co-chairman of Asia Regional Cabinet of the Global Advisory Board of the University of Chicago Booth School of Business.

Mr. Zhengong Chang started to serve as our director in September 2017. Mr. Chang is now the president of Beijing FYJS Investment Inc. Between April 2013 and April 2014, Mr. Chang served as a consultant to Huawei Technologies Co., Ltd, and he was an independent director of the board of BOYA Software Group between April 2011 and April 2015. From September 2011 to September 2013, Mr. Chang was an independent director of the board of Beijing Yucheng Technologies Limited. Mr. Zhengong Chang has been the co-chairman of the Federation of Sino-Canadian Business Marketing Association since 2006. Mr. Chang also founded and served as the president of CBL Data Recovery Technologies Inc. from March 1992 to May 2010. Mr. Chang received his master's degree in computer science from Stevens Institute of Technology, New Jersey in 1987.

Mr. Hao Gu has served as our chief financial officer since May 2019. Prior to joining us, Mr. Gu was executive director in the investment banking division at the Hong Kong branch of UBS AG. Between 2017 and 2018, Mr. Gu was vice president in the investment banking division at Credit Suisse (Hong Kong) Limited, where he originated and executed various transactions focusing on social media, education and IT services. Mr. Gu received his B.A. from Beijing Foreign Studies University and M.B.A. from Cornell University.

B. Compensation of Directors and Executive Officers

Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2021, we paid an aggregate of approximately RMB13.1 million in cash to our directors and executive officers. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers. PRC subsidiaries and variable interest entity are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause upon three-month advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. The executive officer may resign at any time with a three-month advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to; (i) approach our suppliers, clients, customers or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business

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with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination, without our express consent.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

2009 Share Incentive Plan

In September 2009, our board of directors approved the 2009 Share Incentive Plan, which we refer to as the 2009 Plan in this annual report, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. The maximum aggregate number of shares that may be issued under the 2009 Plan was at first 1,222,910, and was later increased by the board of director to 2,573,756 in 2011. As of February 28, 2022, options to purchase 2,016,456 ordinary shares have been granted and outstanding, excluding awards that were forfeited or cancelled after the relevant grant dates.

The following paragraphs describe the principal terms of the 2009 Plan.

Types of Awards. The 2009 Plan permits the awards of options.

Plan Administration. Our board of directors will administer the 2009 Plan. The board of directors will determine the participants to receive awards and the terms and conditions of each award grant.

Award Agreement. Awards granted under the 2009 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee's employment or service terminates.

Eligibility. We may grant awards to our employees, directors and consultants of our company.

Vesting Schedule. In general, options granted under the 2009 Plan will vest in three years, with 40%, 30% and 30% vesting at the 1st, 2nd and 3rd anniversary.

Exercise of Options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is nine years from the date of a grant.

The following table summarizes, as of February 28, 2022, the options granted under our 2009 Plan to our directors and executive officers, excluding awards that were forfeited or cancelled after the relevant grant dates.

Name	Ordinary Shares Underlying Options Awarded	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Chimin Cao	*	3.11	September 29, 2013	From November 17, 2023 to July 15, 2024
Yanlai Shi	583,460	1.08	September 11, 2009	From April 27, 2022 to May 27, 2024
	*	3.11	September 29, 2013	From November 17, 2023 to July 15, 2024
	*	1.08	November 5, 2015	November 4, 2023
	789,096	3.11	November 5, 2015	November 4, 2023
	*	1.08	July 1, 2017	June 30, 2025
	*	3.11	July 1, 2017	June 30, 2025

* Less than 1% of our total outstanding shares.

As of February 28, 2022, other employees as a group held options to purchase 788,650 ordinary shares of our company, with exercise prices ranging from US\$1.08 to US\$3.11 per share.

2017 Share Incentive Plan

In June 2017, our board of directors approved the 2017 Share Incentive Plan, as amended and restated from time to time, which we refer to as the 2017 Plan in this annual report, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. Under the 2017 Plan, the maximum aggregate number of shares which may be issued pursuant to all awards is initially 2,059,005 Class A ordinary shares, plus an annual increase in the maximum number of Class A ordinary shares on the first day of each of our fiscal year during the term of the 2017 Plan commencing with the fiscal year beginning January 1, 2018, by an amount equal to the lesser of (i) 2.0% of the total number of ordinary shares issued and outstanding on the last day of the immediately preceding fiscal year, and (ii) such number as may be determined by the board of directors. As of February 28, 2022, the maximum aggregate number of shares which may be issued pursuant to all awards under the 2017 Plan was 4,896,258 Class A ordinary shares, and options to purchase 3,756,736 ordinary shares and restricted shares have been granted and outstanding, excluding awards that were forfeited or cancelled after the relevant grant dates.

The following paragraphs describe the principal terms of the 2017 Plan.

Types of Awards. The 2017 Plan permits the awards of options, restricted shares or any other type of awards that the committee decides.

Plan Administration. Our board of directors or a committee of one or more members of the board of directors will administer the 2017 Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award grant.

Award Agreement. Awards granted under the 2017 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to our employees, directors and consultants of our company. However, we may grant options that are intended to qualify as incentive share options only to our employees and employees of our parent companies and subsidiaries.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise of Options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is ten years from the date of a grant.

Transfer Restrictions. Awards may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution, except as otherwise provided by the plan administrator.

Termination and Amendment of the 2017 Plan. Unless terminated earlier, the 2017 Plan has a term of ten years. Our board of directors has the authority to amend or terminate the plan. However, no such action may adversely affect in any material way any awards previously granted unless agreed by the recipient.

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The following table summarizes, as of February 28, 2022, the options granted under our 2017 Plan to our directors and executive officers, excluding awards that were forfeited or cancelled after the relevant grant dates.

Name	Ordinary Shares Underlying Options and Restricted Shares Awarded	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Chimin Cao	514,751	11.66	June 22, 2017	June 21, 2027
	* (1)	N/A	March 14, 2018	March 13, 2028
	* (1)	N/A	August 20, 2019	August 19, 2029
	* (1)	N/A	August 27, 2020	August 26, 2030
	* (1)	0.001	February 8, 2022	February 7, 2032
Yanlai Shi	772,127	11.66	June 22, 2017	June 21, 2027
	* (1)	N/A	March 14, 2018	March 13, 2028
	* (1)	N/A	August 20, 2019	August 19, 2029
	* (1)	N/A	August 27, 2020	August 26, 2030
	* (1)	0.001	February 8, 2022	February 7, 2032
Hao Gu		N/A	July 29, 2019	July 28, 2029
	* (1)	N/A	December 4, 2019	December 3, 2029
	* (1)	N/A	August 27, 2020	August 26, 2030
	* (1)	0.001	February 8, 2022	February 7, 2032

(1) Restricted shares

* Less than 1% of our total outstanding shares.

As of February 28, 2022, other employees as a group held options to purchase 1,284,824 ordinary shares of our company, with exercise price ranging from US\$0.001 to US\$11.66 per share.

C. Board Practices

Board of Directors

Our board of directors consists of six directors. A director is not required to hold any shares in our company to qualify to serve as a director. A director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with our company is required to declare the nature of his interest at a meeting of our directors. A director may vote in respect of any contract or transaction, proposed contract or transaction notwithstanding that he may be interested therein, and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of our directors at which any such contract or transaction or proposed contract or transaction is considered. The directors may exercise all the powers of the company to raise or borrow money, mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof, and issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

We have established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Mr. Joel A. Getz, Mr. Dennis Demiao Zhu and Mr. Zhengong Chang. Mr. Zhu is the chairman of our audit committee. We have determined that Mr. Getz, Mr. Zhu and Mr. Chang satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange and Rule 10A-3 under the Exchange Act. We have determined that Mr. Zhu qualifies as an “audit committee financial expert.” The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management’s response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee. Our compensation committee consists of Mr. Joel A. Getz, Mr. Dennis Demiao Zhu and Mr. Zhengong Chang. Mr. Chang is the chairman of our compensation committee. We have determined that Mr. Getz, Mr. Zhu and Mr. Chang satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Mr. Dennis Demiao Zhu, Mr. Zhengong Chang, and Mr. Joel A. Getz. Mr. Zhu is the chairperson of our nominating and corporate governance committee. Each of Mr. Zhu and Mr. Chang satisfies the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;

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- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors owe to our company a duty to exercise the care, and diligence that a reasonably prudent person would exercise in comparable circumstances and a duty to exercise the skill they actually possess. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. In certain limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office and responsibilities of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our share register.

Terms of Directors and Officers

Our directors may be appointed by an ordinary resolution of our shareholders. Our directors are not subject to a term of office, unless such term is expressly specified in a written agreement between the company and the director or otherwise, and hold office until such time as they are removed from office by ordinary resolution of the shareholders. A director will also cease to be a director automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found by our company to be or becomes of unsound mind; (iii) resigns his office by notice in writing to our company; or (iv) without special leave of absence from our board, is absent from three consecutive board meetings and our board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association. Where the office of a director is vacated in any of these circumstances, our board of directors may appoint another director to fill the vacancy so created. Our officers are elected by and serve at the discretion of the board of directors.

D. Employees

As of December 31, 2019, 2020 and 2021, we had a total of 6,547, 6,338 and 6,341 employees, respectively. The majority of our employees are located in China. The following table sets forth the breakdown of our own employees as of December 31, 2021 by function:

Functions:	Number of Employees
Teaching staff in directly operated teaching facilities	4,033
Other staff in directly operated teaching facilities and supporting branch offices	1,758
Network support and supervision	145
Research and development*	39
Selling, general and administrative	366
Total	6,341

* Note: Aside from our dedicated research and development team, many of our teaching staff and facility principals also actively participate in our daily content development activities.

We believe we offer our employees competitive compensation packages and a merit-based work environment that encourages proactivity and responsibility, and, as a result, we have generally been able to attract and retain qualified personnel.

We believe we offer our employees competitive compensation packages and a merit-based work environment that encourages initiative, and as a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team.

As required by PRC regulations, we participate in various government statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan, a maternity insurance plan, and a housing provident fund. We are required by PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

We enter into standard labor agreements with our employees, in addition, we enter into confidentiality and intellectual property rights agreements with our key employees.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes. None of our employees are represented by labor unions.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of February 28, 2022 by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our total outstanding shares.

The calculations in the table below are based on 21,124,302 Class A ordinary shares and 6,949,141 Class B ordinary shares outstanding as of February 28, 2022, excluding the Company's repurchase of 1,627,455 Class A ordinary shares in the form of ADSs made by December 31, 2021.

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Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days after February 28, 2022, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned				Percentage of aggregate voting power [†]
	Class A ordinary shares	Class B ordinary shares	Total ordinary shares	Percentage of total ordinary shares	
Directors and Executive Officers:**					
Gang Chen ⁽¹⁾	5,713,612	2,831,131	8,544,743	30.4 %	37.5 %
Chimin Cao ⁽²⁾	4,865,605	2,059,005	6,924,610	24.2 %	27.7 %
Yanlai Shi ⁽³⁾	2,485,674	2,059,005	4,544,679	15.1 %	24.7 %
Joel A. Getz	—	—	—	—	—
Dennis Demiao Zhu	—	—	—	—	—
Zhengong Chang	—	—	—	—	—
Hao Gu ⁽⁴⁾	*	—	*	*	*
All Directors and Executive Officers as a Group	13,110,959	6,949,141	20,060,100	64.1 %	88.2 %
Principal Shareholders:					
Ascendent Rainbow (Cayman) Limited ⁽⁵⁾	5,713,612	2,831,131	8,544,743	30.4 %	37.5 %
Joy Year Limited ⁽⁶⁾	4,135,854	2,059,005	6,194,859	22.1 %	27.3 %
Trump Creation Limited ⁽⁷⁾	2,108,691	—	2,108,691	7.5 %	2.3 %
Bloom Star Limited ⁽⁸⁾	—	1,194,865	1,194,865	4.3 %	13.2 %
RYB Education Limited ⁽⁹⁾	300,741	864,140	1,164,881	4.1 %	9.9 %

[†] For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to ten votes per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

* Less than 1% of our total outstanding ordinary shares.

** Except for Messrs. Gang Chen, Joel A. Getz, Dennis Demiao Zhu and Zhengong Chang, the business address of our directors and executive officers is c/o 4/F, No. 29 Building, Fangguyuan Section 1, Fangzhuang, Fengtai District, Beijing, People's Republic of China. The business address of Mr. Gang Chen's is Suite 2210-2211, 22/F, One ICC, 999 Middle Huai Hai Road, Xuhui District, Shanghai, 200031, People's Republic of China. The business address of Mr. Dennis Demiao Zhu is Park Avenue 2-29G, 8 Chaoyang Park Nanlu, Beijing, 100026, People's Republic of China. The business address of Mr. Zhengong Chang is PH01-55 South Town Centre BL, Markham ON, L6G 0B6, Canada.

(1) Represents the 5,713,612 Class A ordinary shares and 2,831,131 Class B ordinary shares held by Ascendent Rainbow (Cayman) Limited. Mr. Gang Chen is partner of Ascendent Capital Partners II, L.P., the sole shareholder of Ascendent Rainbow (Cayman) Limited.

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- (2) Represents (i) 4,135,854 Class A ordinary shares and 2,059,005 Class B ordinary shares held by Joy Year Limited, a British Virgin Islands company, (ii) 529,751 Class A ordinary shares of February 28, 2022, other employees as a group held options to purchase 788,650 ordinary shares of our company, with exercise prices ranging from \$10.00 to \$15.00 per share, Top Genius Ventures Limited, a British Virgin Islands company, has the right to acquire upon exercise of option within 60 days after February 28, 2022, (iii) 195,000 Class A ordinary shares held by Mr. Cao and (iv) 5,000 restricted share units issuable to Mr. Cao within 60 days after February 28, 2022. Both Joy Year Limited and Top Genius Ventures Limited are ultimately held by The Top Genius Trust, a trust established with the laws of Guernsey and managed by Credit Suisse Trust Limited as the trustee. Mr. Chimin Cao is the settlor of The Top Genius Trust, and Mr. Cao and his family members are the trust's beneficiaries. Under the terms of this trust, Mr. Cao has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to the shares held by Joy Year Limited and Top Genius Ventures Limited in our company.
- (3) Represents (i) 1,194,865 Class B ordinary shares held by Bloom Star Limited, a British Virgin Islands company, (ii) 300,741 Class A ordinary shares and 864,140 Class B ordinary shares held by RYB Education Limited, a Cayman Islands company, (iii) 1,984,933 Class A ordinary shares held by Noble Hero Holdings Limited, a British Virgin Islands company, has the right to acquire upon exercise of option within 60 days after February 28, 2022, (iv) 195,000 Class A ordinary shares held by Ms. Shi and (v) 5,000 restricted share units issuable to Ms. Shi within 60 days after February 28, 2022. Bloom Star Limited, Noble Hero Holdings Limited and RYB Education Limited are all ultimately held by The Noble Hero Trust, a trust established with the laws of Guernsey and managed by Credit Suisse Trust Limited as the trustee. Ms. Yanlai Shi is the settlor of The Noble Hero Trust, and Ms. Shi and her family members are the trust's beneficiaries. Under the terms of this trust, Ms. Shi has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to the shares held by Bloom Star Limited, Noble Hero Holdings Limited and RYB Education Limited in our company.
- (4) Represents the Class A ordinary shares held by Mr. Hao Gu and the restricted share units issuable to Mr. Hao Gu within 60 days after February 28, 2022.
- (5) Represents the 5,713,612 Class A ordinary shares and 2,831,131 Class B ordinary shares held by Ascendent Rainbow (Cayman) Limited. The registered address of Ascendent Rainbow (Cayman) Limited is at the office of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. Ascendent Rainbow (Cayman) Limited is wholly owned by Ascendent Capital Partners II, L.P., a Cayman Islands limited partnership, whose general partner is Ascendent Capital Partners II GP, L.P., another Cayman Islands limited partnership. The general partner of Ascendent Capital Partners II GP, L.P. is Ascendent Capital Partners II GP Limited, a Cayman Islands company.
- (6) Represents the 4,135,854 Class A ordinary shares and 2,059,005 Class B ordinary shares held by Joy Year Limited, a British Virgin Islands company. Joy Year Limited is ultimately held by The Top Genius Trust. Mr. Chimin Cao is the settlor and proctor of The Top Genius Trust, and Mr. Cao and his family members are its beneficiaries. Under the terms of this trust, Mr. Cao has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to the shares held by Joy Year Limited in our company. The registered address of Joy Year Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.
- (7) Represents the 2,108,691 Class A ordinary shares held by Trump Creation Limited, a British Virgin Islands company. The registered address of Trump Creation Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.
- (8) Represents the 1,194,865 Class B ordinary shares held by Bloom Star Limited, a British Virgin Islands company. Bloom Star Limited is ultimately held by The Noble Hero Trust, a trust established with the laws of Guernsey and managed by Credit Suisse Trust Limited as the trustee. Ms. Yanlai Shi is the settlor of The Noble Hero Trust, and Ms. Shi and her family members are the trust's beneficiaries. Under the terms of this trust, Ms. Shi has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to the shares held by Bloom Star Limited in our company.
- (9) Represents the 300,741 Class A ordinary shares and 864,140 Class B ordinary shares held by RYB Education Limited, a Cayman Islands company. RYB Education Limited is ultimately held by The Noble Hero Trust. Ms. Yanlai Shi is the settlor and proctor of The Noble Hero Trust, and Ms. Shi and her family members are its beneficiaries. Under the

terms of this trust, Ms. Shi has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to the shares held by RYB Education Limited in our company.

To our knowledge, as of February 28, 2022, 9,938,323 of our ordinary shares were held by one record holder in the United States, which was Citibank, N.A., the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

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

B. Related Party Transactions

Contractual Arrangements with our Variable Interest Entity and its Shareholders

See “Item 4. Information on the Company—C. Organizational Structure.”

Registration Rights Agreement

We have granted certain registration rights to Ascendent. Set forth below is a description of the registration rights granted under our agreement with Ascendent.

Demand Registration Rights. At any time after 180 days after the effective date of the registration statement for a public offering, Ascendent has the right to demand that we file a registration statement covering the registration of any of its registrable securities. We are not obligated to effect more than two demand registrations, other than demand registration to be effected pursuant to registration statement on Form F-3, for which an unlimited number of demand registrations shall be permitted.

Piggyback Registration Rights. If we propose to file a registration statement for a public offering of our securities, we must offer Ascendent an opportunity to include in the registration the number of registrable securities of the same class or series as those proposed to be registered. If the managing underwriters of any underwritten offering determine in its view the number of registrable securities exceeds the maximum offering size, the registrable securities shall allocate first to us, second to Ascendent and third to any other holders of our securities; provided that Ascendent shall be entitled to register the offer and sale or distribute at least 50% of the securities to be included in any such registration statement.

Form F-3 Registration Rights. Ascendent may request us in writing to file an unlimited number of registration statements on Form F-3 of registrable securities with total value of no less than US\$10 million. Within two months of receiving such request, we shall effect the registration of the securities on Form F-3.

Employment Agreements and Indemnification Agreements

See “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Employment Agreements and Indemnification Agreements.”

Share Incentive Plan

See “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—2009 Share Incentive Plan” and “—2017 Share Incentive Plan.”

Other Transactions with Related Parties

We have rented certain office space from Ms. Zhiying Li, the spouse of Mr. Chimin Cao, our co-founder and Chairman of the Board. During 2019, 2020 and 2021, we incurred US\$0.5 million, US\$0.6 million and US\$0.6 million, in rental expenses to Ms. Li. We had nil, nil and nil due from Ms. Li as of December 31, 2019, 2020 and 2021, respectively, as prepaid rental expenses for the next year.

We have also extended loans that are interest-free, unsecured and payable on demand to certain related parties.

In conjunction with the Divestiture, our subsidiaries, including RYB Technology, have entered into a series of service agreements with a term of 15 years with the former VIE, including Beijing RYB, at arm's length terms under which our subsidiaries will continually provide brand royalty, training, management IT system, recruitment, and curriculum design services to these entities and the kindergartens operated by them.

In addition, RYB Technology also entered into a guaranteed loan agreement with the former VIE with a term of 10 years for the total amount of RMB240.5 million, which had been provided by RYB Technology and its affiliates to the former VIE and their subsidiaries. The loan will be repaid in equal repayment of principal with the first repayment on May 1, 2023 with interest rate of 4% per annum. The former VIE provided joint and several guarantees for each other.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

We, certain of our directors and officers, and certain underwriters for our initial public offering were also named as defendants in a putative class action filed in the Superior Court of the State of California for the County of San Mateo: *Qian v. RYB Education, Inc. et al.*, Case No. 17CIV05494. The complaint alleges that our registration statements contained misstatements or omissions regarding our business, operations and prospects in violation of the U.S. securities laws. The complaint states that the plaintiffs seek to represent a class of persons who allegedly suffered damages as a result of their purchase or other acquisition of our securities in connection with our initial public offering on or about September 27, 2017, and alleges violations of Sections 11, 12(a) (2) and 15 of the Securities Act of 1933. On November 2, 2020, the consolidated action was voluntarily dismissed without prejudice.

We and certain of our directors and officers were also named as defendants in a putative class action filed in the Supreme Court of the State of New York for the County of Queens: *Zhang v. RYB Education, Inc. et al.*, Index No. 717923/2018. The complaint alleges that our registration statements contained misstatements or omissions regarding our business, operations and prospects in violation of the U.S. securities laws. The complaint states that the plaintiffs seek to represent a class of persons who allegedly suffered damages as a result of their purchase or other acquisition of our securities in connection with our initial public offering on or about September 27, 2017, and alleges violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933. On October 19, 2020, the consolidated action was voluntarily discontinued.

We are currently not a party to, and we are not aware of any pending or threatened legal, arbitral or administrative proceedings or claims, which, in the opinion of our management, is likely to have a material and adverse effect on our business, financial condition or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings or claims arising in the ordinary course of our business. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business— We may encounter disputes from time to time relating to our use of intellectual properties of third parties."

Dividend Policy

Our board of directors has discretion on whether to distribute dividends, subject to certain restrictions under Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Under Cayman Islands law, our company may only pay dividends out of either profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends on our ordinary shares, the form, frequency and amount will depend

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upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiary to pay dividends to us. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Foreign Exchange—Dividend Distribution.”

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the Class A ordinary shares underlying our ADSs to the depository, as the registered holder of such Class A ordinary shares, and the depository then will pay such amounts to our ADS holders in proportion to Class A ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

See “—C. Markets.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing one Class A ordinary share of ours, have been listed on the New York Stock Exchange since September 27, 2017 under the symbol “RYB.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The following are summaries of material provisions of our fifth amended and restated memorandum and articles of association, as well as the Companies Act (As Revised) insofar as they relate to the material terms of our ordinary shares.

Objects of Our Company. Under our memorandum and articles of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

Ordinary Shares. Our ordinary shares are issued in registered form, and are issued when registered in our register of shareholders. We may not issue share to bearer. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time at the option of the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of any Class B ordinary shares by a holder thereof to any person or entity that is not an Affiliate (as defined in our articles of association) of such holder, or upon a change of ultimate beneficial ownership of any Class B ordinary share to any person or entity that is not an Affiliate of the registered holder of such shares, such Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary shares. In addition, if at any time, Mr. Chimin Cao, Ms. Yanlai Shi and their respective affiliates collectively hold less than 5% of the issued and outstanding share capital of our company, each issued and outstanding Class B ordinary share shall be automatically re-designated into one Class A ordinary share, and we will not issue any Class B ordinary shares thereafter.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend shall exceed the amount recommended by our directors. Our articles of association provide that dividends may be declared and paid out of the funds of our company lawfully available therefor, which under Cayman law includes our profits, realized or unrealized, and any reserve set aside from funds legally available for distribution. Under the laws of the Cayman Islands, our company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights. Voting at any shareholders' meeting is by show of hands unless a poll is demanded (before or on the declaration of the result of the show of hands). A poll may be demanded by the chairman of such meeting or any shareholder present in person or by proxy at the meeting.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes cast by shareholders entitled to do so at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast by shareholders entitled to do so at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association. Holders of the ordinary shares may, among other things, divide or combine their shares by ordinary resolution.

General Meetings of Shareholders. As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by the chairman of our board or a majority of our board of directors. Advance notice of at least ten calendar days is required for the convening of our annual general shareholders' meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least one shareholder present or representing by proxy, representing not less than one-third of all votes attaching to all of our shares in issue and entitled to vote.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association provide that upon the requisition of shareholders representing in aggregate not less than one-third of the votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings as at the date of the deposit, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. However, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Transfer of Ordinary Shares. Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or such other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required; and
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four.
- a fee of such maximum sum as the New York Stock Exchange may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within three calendar months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on ten calendar days' notice being given by advertisement in such one or more newspapers by electronic means or by any other means in accordance with the rules of the New York Stock Exchange, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided always that the registration of transfers shall not be suspended nor the register closed for more than 30 calendar days in any calendar year.

Liquidation. On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay the whole of the share capital, the assets will be distributed so that, as nearly as may be, the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders in respect of any moneys unpaid on their shares in a notice served to such shareholders at least 14 calendar days prior to the specified time of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by either our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's

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profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares issued and outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. If at any time, our share capital is divided into different classes of shares, the rights attached to any class of shares (subject to any rights or restrictions for the time being attached to any class of shares), may be materially adversely varied with the consent in writing of the holders of two-thirds of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied by the creation or issue of further shares ranking *pari passu* with or subsequent to such existing class of shares or the redemption or purchase of any shares of any class. The rights of the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

Issuance of Additional Shares. Our memorandum and articles of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our memorandum and articles of association also authorizes our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (save for our memorandum and articles of association, our register of mortgages and charges and special resolutions of shareholders). However, our board of director may from time to time determine whether the accounts and books of the Company shall be open to the inspection of our shareholders.

Anti-Takeover Provisions. Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Exempted Company. We are an exempted company with limited liability incorporated under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;

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- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company”, “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions,” in this “Item 10. Additional Information—C. Material Contracts” or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

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

E. Taxation

The following summary of the material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of December 31, 2021, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People’s Republic of China and the United States.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of the ADSs and ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares, nor will gain derived from the disposal of the shares be subject to Cayman Islands income or corporation tax.

People's Republic of China Taxation

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within the PRC is considered a resident enterprise. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that RYB Education, Inc. is not a PRC resident enterprise for PRC tax purposes. RYB Education, Inc. is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that RYB Education, Inc. meets all of the conditions above. RYB Education, Inc. is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.”

If the PRC tax authorities determine that RYB Education, Inc. is a PRC resident enterprise for enterprise income tax purposes, we will be subject to PRC enterprise income tax on our worldwide income at the rate of 25%. Furthermore, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders (including our ADS holders) and any gain realized on the transfer of ADSs or ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% unless a reduced rate is available under an applicable tax treaty. It is also unclear whether non-PRC shareholders of RYB Education, Inc. would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that RYB Education, Inc. is treated as a PRC resident enterprise.

In January 2009, the State Administration of Taxation promulgated the Provisional Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises, pursuant to which the entities that have the direct obligation to make certain payments to a non-resident enterprise should be the relevant tax withholders for the non-resident enterprise, and such payments include: income from equity investments (including dividends and other return on investment), interest, rents, royalties and income from assignment of property as well as other incomes subject to enterprise income tax received by non-resident enterprises in China. Further, the measures provide that in case of an equity transfer between two non-resident enterprises which occurs outside China, the non-resident enterprise which receives the equity transfer payment must, by itself or engage an agent to, file tax declaration with the PRC tax authority located at place of the PRC company whose equity has been transferred, and the PRC company whose equity has been transferred should assist the tax authorities to collect taxes from the relevant non-resident enterprise.

The State Administration of Taxation issued an SAT Circular 59 together with the Ministry of Finance in April 2009 and a SAT Circular 698 in December 2009. By promulgating and implementing these two circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. Under SAT Circular 698, where a non-resident enterprise transfers the equity interests of a PRC “resident enterprise” indirectly by disposition of the equity interests of an overseas holding company, and the overseas holding company is located in a tax jurisdiction that: (1) has an effective tax rate less than 12.5% or (2) does not tax foreign income of its residents, the non-resident enterprise, being the transferor, must report to the relevant tax authority of the PRC “resident enterprise” the indirect transfer. On February 3, 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or SAT Bulletin 7, to supersede the rules with respect to the Indirect Transfer under SAT Circular 698. SAT Bulletin 7 has introduced a new tax regime that is significantly different from the previous one under SAT Circular 698. SAT Bulletin 7 extends its tax jurisdiction to not only Indirect Transfers set forth under SAT Circular 698 but also transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Bulletin 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Nonresident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017 and was amended on June 15, 2018. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax. Where a nonresident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions, under SAT Bulletin 7 and/or SAT Bulletin 37. For transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under SAT Bulletin 7 and/or SAT Bulletin 37. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 and/or SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

United States Federal Income Tax Considerations

The following is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ADSs or Class A ordinary shares. Unless otherwise noted, this summary addresses only U.S. Holders (as defined below) that hold our ADSs as “capital assets” (generally, property held for investment) for U.S. federal income tax purposes. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations promulgated thereunder (“Regulations”), judicial decisions, administrative pronouncements, the income tax treaty between the United States and China (the “Treaty”) and other relevant authorities, all as in effect as of the date hereof and all of which are subject to differing interpretations and change, possibly with retroactive effect. No ruling has been sought from the Internal Revenue Service, or the IRS, with respect to any U.S. federal income tax considerations described below, and there can be no assurance that the IRS or a court will not take a contrary position.

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This summary does not address U.S. federal estate, gift or other non-income tax considerations, the alternative minimum tax, the Medicare tax on certain net investment income, or any state, local or non-U.S. tax considerations, relating to the ownership or disposition of our ADSs or Class A ordinary shares, nor does it address all aspects of U.S. federal income taxation that may be relevant to a particular U.S. Holder in light of that U.S. Holder's particular circumstances or that may be relevant to certain types of U.S. Holders subject to special treatment under U.S. federal income tax law, such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- dealers in securities or currencies;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- persons that acquire their ADSs or Class A ordinary shares pursuant to any employee share option or otherwise as compensation;
- persons that will hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- persons that have a functional currency other than the U.S. dollar; or
- persons that actually or constructively own 10% or more of our stock (by vote or value).

Prospective investors should consult their tax advisors with respect to the U.S. federal, state, local, and non-U.S. income and other tax considerations relevant to the ownership and disposition of our ADSs or Class A ordinary shares in light of their particular circumstances.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of our ADSs or Class A ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the law of the United States, any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (i) that is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions, or (ii) that has validly elected to be treated as a United States person under the applicable Regulations.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) owns our ADSs or Class A ordinary shares, the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or Class A ordinary shares and their partners should consult their tax advisors regarding an investment in our ADSs or Class A ordinary shares.

For U.S. federal income tax purposes, it is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs will generally not be subject to U.S. federal income tax.

Passive Foreign Investment Company Considerations

A non-U.S. corporation, such as our company, will be classified as a PFIC, for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. Passive assets are those which give rise to passive income and include assets held for investment, as well as cash, assets readily convertible into cash, and (subject to certain exceptions) working capital. Our company’s goodwill and other unbooked intangibles are taken into account and may be classified as active or passive depending on the income such assets generate or are held to generate. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly, indirectly or constructively, 25% or more (by value) of its stock.

Although the law in this regard is not entirely clear, we treat our consolidated VIE as being owned by us for U.S. federal income tax purposes for periods prior to the Divestiture because, prior to the Divestiture, we controlled its management decisions and were entitled to substantially all of the economic benefits associated with this entity. As a result, we consolidate its results of operations in our consolidated U.S. GAAP financial statements for periods prior to the Divestiture. If it were determined, however, that we are not the owner of the consolidated VIE for U.S. federal income tax purposes prior to the Divestiture, such determination could cause our company to be treated as a PFIC for the current taxable year.

Assuming that we are the owner of the VIE for U.S. federal income tax purposes prior to the Divestiture, and based upon an analysis of our income and assets and the market value of our ADSs, we do not believe that we were a PFIC for the taxable year ended December 31, 2021. There can be no assurance regarding our PFIC status for the current taxable year or foreseeable future taxable years, however, because our PFIC status is a factual determination made annually that will depend, in part, upon the composition of our income and assets. The value of our assets for purposes of the asset test, including the value of our goodwill and unbooked intangibles, may be determined in part by reference to the market price of our ADSs from time to time (which may be volatile). Because we will generally take into account our current market capitalization in estimating the value of our goodwill and other unbooked intangibles, our PFIC status for the current taxable year and foreseeable future taxable years may be affected by our market capitalization. Recent fluctuations in our market capitalization create a material risk that we may be classified as a PFIC for the current taxable year and foreseeable future taxable years. In addition, the composition of our income and our assets will be affected by how, and how quickly, we realize and spend or otherwise dispose of our liquid assets, including the cash proceeds from the Divestiture. Under circumstances where our revenue from activities that produce passive income significantly increases relative to our revenue from activities that produce non-passive income (including revenue from our directly operated kindergarten business), or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase.

Because there are uncertainties in the application of the relevant rules, it is possible that the IRS may challenge our classification of certain income or assets as non-passive, or our valuation of our goodwill and other unbooked intangibles, each of which could cause us to become classified as a PFIC for the current or subsequent taxable years. If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, we would generally continue to be treated as a PFIC with respect to such U.S. Holder unless we cease to be a PFIC and the U.S. Holder makes certain elections.

The discussion below under “—Distributions” and “—Sale or Other Disposition” assumes that we are not and will not be classified as a PFIC for U.S. federal income tax purposes.

Distributions

The gross amount of any distributions received by a U.S. Holder on our ADSs or Class A ordinary shares (including any amounts withheld in respect of PRC withholding taxes) will generally be subject to tax as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, and will be includible in the gross income of a U.S. Holder on the day actually or constructively received. Such dividends will not be eligible for the dividends received deduction generally allowed to U.S. corporations under the Code. The following discussion assumes that any dividends will be paid in U.S. dollars. Distributions in excess of our current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s adjusted tax basis in our ADSs and Class A ordinary shares and thereafter generally as capital gain. Because we do not intend to determine our earnings and profits in accordance with U.S. federal income tax principles, the full amount of any distribution we pay is generally expected to be treated as a “dividend” for U.S. federal income tax purposes.

An individual or other non-corporate U.S. Holder may be subject to tax on any such dividends at the lower capital gain tax rate applicable to “qualified dividend income,” provided that certain conditions are satisfied, including that (1) the ADSs are readily tradable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefits of the Treaty, (2) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend is paid and the preceding taxable year, and (3) certain holding period requirements are met. Our ADSs (but not our Class A ordinary shares) are readily tradable on the New York Stock Exchange. There can be no assurance, however, that our ADSs will be considered readily tradable on an established securities market in later years.

For U.S. foreign tax credit purposes, dividends received on our ADSs or Class A ordinary shares will generally be treated as income from foreign sources and will generally constitute passive category income. If we are deemed to be a PRC resident enterprise under PRC tax law, a U.S. Holder may be subject to PRC withholding taxes on such dividends. Subject to certain conditions and limitations, a Treaty-eligible U.S. Holder may be eligible to claim a foreign tax credit in respect of any PRC income taxes paid or withheld with respect to dividends on our ADS or Class A ordinary shares to the extent such taxes are nonrefundable under the Treaty. Alternatively, a U.S. Holder may elect to deduct such taxes in computing its taxable income for U.S. federal income tax purposes. A U.S. Holder’s election to deduct foreign taxes instead of claiming foreign tax credits applies to all creditable foreign income taxes paid or accrued in the relevant taxable year. The rules regarding foreign tax credits and the deductibility of foreign taxes are complex. All U.S. Holders, whether or not they are Treaty-eligible, should consult their tax advisors regarding the availability of foreign tax credits and the deductibility of foreign taxes in light of their particular circumstances.

Sale or Other Disposition

A U.S. Holder will generally recognize gain or loss on the sale or other disposition of ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized on the disposition and the U.S. Holder’s adjusted tax basis in such ADSs or Class A ordinary shares. Any such gain or loss will generally be long-term capital gain or loss if the U.S. Holder’s holding period in the ADSs or Class A ordinary shares exceeds one year at the time of disposition. Long-term capital gains of individuals and certain other non-corporate U.S. Holders are generally eligible for a reduced rate of taxation. The deductibility of capital losses may be subject to limitations.

As described in “—People’s Republic of China Taxation,” if we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, gains from the sale or other disposition of our ADSs or Class A ordinary shares may be subject to PRC income tax and will generally be U.S. source gains, which may limit a U.S. Holder’s ability to claim a foreign tax credit for any such PRC income tax imposed on such gain. U.S. Holders that are eligible for the benefits of the Treaty may apply the Treaty to treat such gain as PRC source. Notwithstanding this, pursuant to recently issued Regulations, it is possible that Treaty-eligible U.S. Holders that do not apply the Treaty and U.S. Holders that are not eligible for benefits under the Treaty may not be able to claim a foreign tax credit for any PRC tax imposed on a sale or other disposition of our ADSs or Class A ordinary shares. The rules regarding foreign tax credits and the deductibility of foreign taxes are complex. U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit or a deduction in lieu thereof in light of their particular circumstances, as well as with respect to their eligibility for benefits under the Treaty and the potential impact of the recently issued Regulations.

Passive Foreign Investment Company Rules

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, the U.S. Holder will be subject to special tax rules with respect to any “excess distribution” that the holder receives on our ADSs or Class A ordinary shares and any gain the U.S. Holder recognizes from a sale or other disposition (including a pledge) of our ADSs or Class A ordinary shares, unless the U.S. Holder makes a “mark-to-market” election as discussed below.

Distributions received by a U.S. Holder on our ADSs or Class A ordinary shares in a taxable year that are greater than 125% of the average annual distributions the U.S. Holder received in the three preceding taxable years or, if shorter, such U.S. Holder’s holding period for the ADSs or Class A ordinary shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated pro rata over the U.S. Holder’s holding period for the ADSs or Class A ordinary shares;
- amounts allocated to the taxable year of the excess distribution or of the sale or other disposition and to any taxable years in the U.S. Holder’s holding period prior to the first taxable year in which we are classified as a PFIC (each, a “pre-PFIC year”), will be taxable as ordinary income; and
- amounts allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. Holder, for that year, and such amounts will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to such years.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, and any of our subsidiaries (or, for periods prior to the Divestiture, our variable interest entity or any of the subsidiaries or sponsored entities of our variable interest entity) is also a PFIC, the U.S. Holder will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiary, our variable interest entity or any of the subsidiaries or sponsored entities of our variable interest entity.

Alternatively, a U.S. Holder of “marketable stock” (as defined below) in a PFIC may elect out of the excess distribution regime by making a mark-to-market election for such stock. If a U.S. Holder makes a valid mark-to-market election for the ADSs, the U.S. Holder will include in income each year an amount equal to the excess, if any, of the fair market value of the ADSs as of the close of such U.S. Holder’s taxable year over such U.S. Holder’s adjusted basis in such ADSs. The U.S. Holder is allowed a deduction for the excess, if any, of such U.S. Holder’s adjusted basis in the ADSs over their fair market value as of the close of the taxable year. Deductions are allowable, however, only to the extent of any net mark-to-market gains on the ADSs included in the U.S. Holder’s income for prior taxable years. Amounts included in the U.S. Holder’s income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs, will be treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ADSs, as well as to any loss realized on the actual sale or disposition of the ADSs, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included in income with respect to such ADSs. The U.S. Holder’s basis in the ADSs will be adjusted to reflect any such income or loss amounts. If a U.S. Holder makes a mark-to-market election, then, in any taxable year for which we are classified as a PFIC, tax rules that apply to distributions by corporations that are not PFICs would apply to distributions by us (except that the lower applicable capital gains rate for qualified dividend income would not apply). If a U.S. Holder makes a valid mark-to-market election and we subsequently cease to be classified as a PFIC, the U.S. Holder will not be required to take into account the mark-to-market income or loss described above during any period that we are not classified as a PFIC.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market, as defined in applicable Regulations. The ADSs, but not our Class A ordinary shares, are listed on the New York Stock Exchange, which is a qualified exchange for these purposes, and consequently, assuming that the ADSs are regularly traded, it is expected that the mark-to-market election would be available to U.S. Holders of ADSs if we are or become a PFIC. However, a mark-to-market election may not be made with respect to our Class A ordinary shares as they are not marketable stock. Accordingly, if we are a PFIC during any year in which a U.S. Holder holds Class A ordinary shares, such holder will generally be subject to the special tax rules discussed above.

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In addition, because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide the information necessary for U.S. Holders to make qualified electing fund elections, which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

U.S. Holders that own our ADSs or Class A ordinary shares during any taxable year that we are a PFIC will generally be required to file an annual report with the IRS regarding their ownership of such shares. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax considerations relevant to holding and disposing of our ADSs or Class A ordinary shares if we were, are, or become a PFIC, including the possibility of making a mark-to-market election and the annual PFIC filing requirements, if any.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than four months after the close of each fiscal year. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Citibank, N.A., the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

The majority of our revenues and expenses are denominated in RMB, and a small portion is denominated in SGD. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

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The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert Renminbi 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 Renminbi would have a negative effect on the U.S. dollar amounts available to us.

As of December 31, 2021, we had Renminbi-denominated cash and cash equivalents, accrued expenses and other current liabilities and deferred revenue of RMB221.5 million, RMB343.2 million and RMB173.5 million, respectively. A 10% depreciation of Renminbi against the U.S. dollar based on the foreign exchange rate on December 31, 2021 would result in a decrease of US\$3.5 million in cash and cash equivalents. A 10% appreciation of Renminbi against the U.S. dollar based on the foreign exchange rate on December 31, 2021 would result in an increase of US\$5.4 million and US\$2.7 million in accrued expenses and other current liabilities and deferred revenue, respectively.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to material risks due to changes in interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, our future interest income may fall short of expectations due to changes in market interest rates.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

Citibank, N.A. is our depository. The depository collects its fees for delivery and surrender of ADSs directly from investors depositing ordinary shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depository may generally refuse to provide fee-attracting services until its fees for those services are paid.

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An ADS holder will be required to pay the following fees under the terms of the deposit agreement:

<u>Services:</u>	<u>Fees:</u>
· Issuance of ADSs upon deposit of shares (excluding issuances as a result of distributions of shares)	· Up to US\$0.05 per ADS issued
· Cancellation of ADSs	· Up to US\$0.05 per ADS cancelled
· Distribution of cash dividends or other cash distributions (e.g., sale of rights and other entitlements)	· Up to US\$0.05 per ADS held
· Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs	· Up to US\$0.05 per ADS held
· Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., spin-off shares)	· Up to US\$0.05 per ADS held
· ADS Services	· Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary

Fees and Other Payments Made by the Depositary to Us

The depositary may reimburse us for expenses we incur that are related to the establishment and maintenance of the ADR program, by making available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary may agree from time to time. For the year ended December 31, 2021, we received reimbursement in the amount of US\$0.6 million from the depositary.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information—B. Memorandum and Articles of Association” for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File Number 333-220259) (the “F-1 Registration Statement”) in relation to our initial public offering of 5,500,000 ADSs representing 5,500,000 Class A ordinary shares, at an initial offering price of US\$18.50 per ADS. Our initial public offering closed in September 2017. Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. International plc were the representatives of the underwriters for our initial public offering. We received net proceeds of approximately US\$90.1 million from our initial public offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

We still intend to use the proceeds from our initial public offering as disclosed in the F-1 Registration Statement, subject to the changes of laws and regulations that may restrict our intended use of the proceeds.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, which is defined in Rules 13a-15(e) of the Exchange Act, as of December 31, 2021. Based upon that evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in this annual report is recorded, processed, summarized and reported to them for assessment, and required disclosure is made within the time period specified in the rules and forms of the SEC.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15 (f) under the Exchange Act. Our management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our internal control over financial reporting based on criteria established in the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2021.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Attestation Report of the Registered Public Accounting Firm

As an “emerging growth company,” as defined in the JOBS Act, we may take advantage of certain temporary exemptions from various reporting requirements, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act (and the SEC rules and regulations there under). When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Dennis Demiao Zhu, a member of our audit committee and independent director (under the standards set forth in Section 303A of the Corporate Governance Rules of the New York Stock Exchange and Rule 10A-3 under the Securities Exchange Act of 1934), is an audit committee financial expert.

ITEM 16B. CODE OF ETHICS

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers and employees in August 2017. We have posted a copy of our code of business conduct and ethics on our website at <http://ir.rybbaby.com>.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by our independent registered public accounting firms for the periods indicated. We did not pay any other fees to our auditors during the periods indicated below.

	For the Year Ended December 31,		
	2019	2020	2021
	(in thousands of US\$)		
Audit fees ⁽¹⁾			
Deloitte Touche Tohmatsu Certified Public Accountants LLP	1,201	647	—
KPMG Huazhen LLP ⁽²⁾	—	999	—
Friedman LLP ⁽³⁾	—	—	730
Other fees	—	—	—

- (1) “Audit fees” means the aggregate fees billed for professional services rendered by our principal auditors for the audit of our annual financial statements and the review of our comparative interim financial statements.
- (2) On November 18, 2020, we replaced Deloitte Touche Tohmatsu Certified Public Accountant LLP (“Deloitte”) and engaged KPMG Huazhen LLP (“KPMG”) as our independent registered public accounting firm. See also “Item 16F. Change in Registrant’s Certifying Accountant.”
- (3) On December 10, 2021, we replaced KPMG Huazhen LLP (“KPMG”) and engaged Friedman LLP (“Friedman”) as our independent registered public accounting firm. See also “Item 16F. Change in Registrant’s Certifying Accountant.”

The policy of our audit committee is to pre-approve all audit and other service provided by our independent registered public accounting firms as described above, other than those for *de minimis* services which are approved by the Audit Committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On December 16, 2018, our board of directors authorized a share repurchase program, under which we may purchase up to US\$12 million of our ADSs over the next 12 months from December 18, 2018 through December 17, 2019. The share repurchase program was publicly announced on December 18, 2018.

The following table sets forth a summary of our repurchase of our ADSs made in 2019 under the share repurchase program described in the paragraph above. All shares were repurchased in the open market pursuant to the share repurchase program announced on December 16, 2018.

	Total Number of ADSs Purchased	Average Price Paid Per ADS	Total Number of ADSs Purchased as Part of the Publicly Announced Plan	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plan
January, 2019	19,464	US\$ 6.866800	19,464	US\$ 11,866,345
February, 2019	229,667	US\$ 7.747914	229,667	US\$ 10,086,904
March, 2019	262,922	US\$ 7.380455	262,922	US\$ 8,146,420
April, 2019	649,007	US\$ 7.275642	649,007	US\$ 3,424,478
May, 2019	338,777	US\$ 7.596043	338,777	US\$ 851,113
June, 2019	127,618	US\$ 6.669192	127,618	US\$ 4
Total	1,627,455	N/A	1,627,455	N/A

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

On November 18, 2020, we replaced Deloitte Touche Tohmatsu Certified Public Accountant LLP (“Deloitte”) as our independent registered public accounting firm. We engaged KPMG Huazhen LLP (“KPMG”) as our independent registered public accounting firm. The change of our independent registered public accounting firm had been approved by the audit committee of our board. The decision to replace Deloitte was not made due to any disagreements between us and Deloitte.

The report of Deloitte on our consolidated financial statements for the fiscal year ended December 31, 2019 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle.

During the fiscal year ended December 31, 2019 and the subsequent interim period through November 18, 2020, there have been no (i) disagreements between us and Deloitte on any matter of accounting principles or practices, financial statement disclosure, or audit scope or procedure, which disagreements if not resolved to the satisfaction of Deloitte would have caused them to make reference thereto in their report on the consolidated financial statements for such years, or (ii) reportable events as defined in Item 16F(a)(1)(v) of the instructions to Form 20-F.

We have provided Deloitte with a copy of the disclosures hereunder and required under Item 16F of Form 20-F and requested from Deloitte a letter addressed to the SEC indicating whether it agrees with such disclosures. A copy of the letter from Deloitte addressed to the SEC, dated May 14, 2021, was filed as Exhibit 15.5 to the Form 20-F for the year ended December 31, 2020 which we filed with the SEC on May 14, 2021.

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During the fiscal years ended December 31, 2019 and the subsequent interim period through November 18, 2020, neither we nor anyone on behalf of us has consulted with KPMG regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report nor oral advice was provided to us that KPMG concluded was an important factor considered by us in reaching a decision as to any accounting, audit, or financial reporting issue, (ii) any matter that was the subject of a disagreement pursuant to Item 16F(a)(1)(iv) of the instructions to Form 20-F, or (iii) any reportable event pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F.

On December 10, 2021, we engaged Friedman LLP (“Friedman”) as our independent registered public accounting firm, to replace KPMG Huazhen LLP (“KPMG”). The change of our independent registered public accounting firm was approved by the audit committee of the board of directors on December 10, 2021. Friedman is engaged to audit and report on our consolidated financial statements as of and for the year ending December 31, 2021.

During the fiscal year ended December 31, 2020, and the subsequent interim period through December 10, 2021, there were no: (1) disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) reportable events. The audit report of KPMG on the consolidated financial statements of the Company as of and for the year ended December 31, 2020 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

We have provided KPMG with a copy of the disclosures hereunder and required under Item 16F of Form 20-F and requested from KPMG a letter addressed to the SEC indicating whether it agrees with such disclosures. A copy of KPMG’s letter dated May 11, 2022 is attached as Exhibit 15.7.

During the fiscal year ended December 31, 2020 and the subsequent period prior to our engagement of Friedman, neither we nor anyone on its behalf has consulted with Friedman regarding (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report nor oral advice was provided to us that Friedman concluded was an important factor considered by us in reaching a decision as to any accounting, audit, or financial reporting issue, (ii) any matter that was the subject of a disagreement pursuant to Item 16F(a)(1)(iv) of the instructions to Form 20-F, or (iii) any reportable event pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F.

ITEM 16G. CORPORATE GOVERNANCE

As a Cayman Islands exempted company listed on the New York Stock Exchange, we are subject to the New York Stock Exchange corporate governance listing standards. However, New York Stock Exchange rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the New York Stock Exchange corporate governance listing standards. Currently, we rely on home country practice exemption as our board does not contain a majority of independent directors. We may also opt to rely on additional home country practice exemptions in the future. As a result, our shareholders may be afforded less protection than they otherwise would under the New York Stock Exchange corporate governance listing standards applicable to U.S. domestic issuers. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our American Depositary Shares—As a company incorporated in the Cayman Islands, we are permitted to, and do, adopt certain home country practices in relation to corporate governance matters that differ significantly from the New York Stock Exchange corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the New York Stock Exchange corporate governance listing standards.”

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of RYB Education, Inc. are included at the end of this annual report.

ITEM 19. EXHIBITS

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	Fifth Amended and Restated Memorandum and Articles of Association of the Registrant, effective September 27, 2017 (incorporated herein by reference to Exhibit 3.2 to the Form F-1/A filed on September 13, 2017 (File No. 333220259))
2.1	Registrant's Specimen American Depositary Receipt (incorporated herein by reference to Exhibit 4.3 to the Form F-1/A filed on September 13, 2017 (File No. 333-220259))
2.2	Registrant's Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the Form F-1/A filed on September 13, 2017 (File No. 333-220259))
2.3	Form of Deposit Agreement, among the Registrant, the depositary and the holders and beneficial owners of the American Depositary Shares issued thereunder (incorporated herein by reference to Exhibit 4.3 to the Form F-1/A filed on September 13, 2017 (File No. 333-220259))
2.4	Shareholder and Noteholder Agreement between the Registrant and other parties thereto dated November 5, 2015 (incorporated herein by reference to Exhibit 4.4 to the Form F-1 filed on August 30, 2017 (File No. 333-220259))
2.5	Description of American Depositary Shares of the Registrant (incorporated herein by reference to Exhibit 2.5 to the annual report on Form 20-F filed on April 30, 2020 (File No. 001-38203))
2.6	Description of Class A Ordinary Shares of the Registrant (incorporated herein by reference to Exhibit 2.6 to the annual report on Form 20-F filed on April 30, 2020 (File No. 001-38203))
4.1	English summary of 2009 Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Form F-1 filed on August 30, 2017 (File No. 333-220259))
4.2	2017 Share Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the Form F-1 filed on August 30, 2017 (File No. 333-220259))
4.3	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.3 to the Form F-1 filed on August 30, 2017 (File No. 333-220259))
4.4	Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.4 to the Form F-1 filed on August 30, 2017 (File No. 333-220259))
4.5	English translation of amended and restated Exclusive Consultation and Services Agreement among RYB Technology, Beijing RYB and shareholders of Beijing RYB dated November 4, 2015 (incorporated herein by reference to Exhibit 10.5 to the Form F-1 filed on August 30, 2017 (File No. 333-220259))
4.6	English translation of amended and restated Business Operation Agreement among RYB Technology, Beijing RYB and shareholders of Beijing RYB dated November 4, 2015 (incorporated herein by reference to Exhibit 10.6 to the Form F-1 filed on August 30, 2017 (File No. 333-220259))
4.7	English translation of Equity Pledge Agreement among RYB Technology, Beijing RYB and shareholders of Beijing RYB dated November 4, 2015 (incorporated herein by reference to Exhibit 10.7 to the Form F-1 filed on August 30, 2017 (File No. 333-220259))
4.8	English translation of amended and restated Equity Disposal Agreement among RYB Technology, Beijing RYB and shareholders of Beijing RYB dated November 4, 2015 (incorporated herein by reference to Exhibit 10.8 to the Form F-1 filed on August 30, 2017 (File No. 333-220259))
4.9	English translation of Power of Attorney granted by shareholders of Beijing RYB dated November 4, 2015 (incorporated herein by reference to Exhibit 10.9 to the Form F-1 filed on August 30, 2017 (File No. 333-220259))
4.10	Registration Rights Agreement between the Registrant and Ascendent Rainbow (Cayman) Limited dated September 13, 2017 (incorporated herein by reference to Exhibit 10.10 to the Form F-1/A filed on September 13, 2017 (File No. 333-220259))
4.11*	English translation of VIE Termination Agreement dated March 1, 2022 among RYB Technology, Beijing RYB, and individual shareholders of Beijing RYB

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4.12*	English translation of Brand License Agreement (applicable to directly operated business) dated March 1, 2022 between RYB Technology and Beijing RYB
4.13*	English translation of Brand License Agreement (applicable to franchising businesses) dated March 1, 2022 between RYB Technology and Beijing RYB
4.14*	English translation of Management System and Software License Agreement dated March 1, 2022 between RYB Technology and Beijing RYB
4.15*	English translation of Training Services Agreement dated March 1, 2022 between RYB Technology and Beijing RYB
4.16*	English translation of Design Service Agreement of Kindergarten-based Core Course dated March 1, 2022 between RYB Technology and Beijing RYB
4.17*	English translation of Recruitment Services Agreement dated March 1, 2022 between RYB Technology and Beijing RYB
4.18*	English translation of Guaranteed Loan Agreement dated March 1, 2022 between RYB Technology and Beijing RYB
4.19*	English translation of Exclusive Consulting and Services Agreement dated April 30, 2022 among TJ Qiyuan, Zhudou Investment and shareholders of Zhudou Investment
4.20*	English translation of Exclusive Option Agreement dated April 30, 2022 among TJ Qiyuan, Zhudou Investment and shareholders of Zhudou Investment
4.21*	English translation of Equity Interest Pledge Agreement dated April 30, 2022 among TJ Qiyuan, Zhudou Investment and shareholders of Zhudou Investment
4.22*	English translation of Business Operation Agreement dated April 30, 2022 among TJ Qiyuan, Zhudou Investment and shareholders of Zhudou Investment
4.23*	English translation of Powers of Attorney granted by Zhudou Investment and its shareholders dated April 30, 2022
4.24*	English translation of the executed form of Spouse Letter dated April 30, 2022 by the spouses of shareholders of Zhudou Investment, as currently in effect, and a schedule of all spousal consent letters adopting the same form
8.1*	Significant Subsidiaries and Consolidated Affiliates Entities of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the Form F-1 filed on August 30, 2017 (File No. 333-220259))
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Maples and Calder (Hong Kong) LLP
15.2*	Consent of Commerce & Finance Law Offices
15.3*	Consent of Friedman LLP, an independent registered public accounting firm
15.4*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm
15.5	Letter from Deloitte Touche Tohmatsu Certified Public Accountants LLP to the Securities and Exchange Committee (incorporated herein by reference to Exhibit 15.5 to the annual report on Form 20-F filed on May 14, 2021 (File No. 001-38203))
15.6*	Consent of KPMG Huazhen LLP, an independent registered public accounting firm
15.7*	Letter from KPMG Huazhen LLP to the Securities and Exchange Committee
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Scheme Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File

* Filed with this Annual Report on Form 20-F.

** Furnished with this Annual Report on Form 20-F.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

RYB Education, Inc.

By: /s/ Yanlai Shi
Name: Yanlai Shi
Title: Executive Director and Chief Executive Officer

Date: May 11, 2022

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors
RYB Education, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of RYB Education, Inc. and subsidiaries (the Company) as of December 31, 2021, the related consolidated statements of operations, comprehensive (loss) income, changes in shareholders' equity, and cash flows for the year ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Emphasis of a Matter

As discussed in Note 26 to the financial statements, on March 1, 2022, the subsidiaries of the Company have entered into termination agreements with the Company's variable interest entities. As a result of the termination agreements, the Company will no longer be the primary beneficiary of its directly operated kindergartens in China beginning on the divestiture date. Our opinion is not modified with respect to this matter.

/s/ Friedman LLP

We have served as the Company's auditor since 2021.

New York, New York
May 11, 2022

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To the shareholders and Board of Directors
RYB Education, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of RYB Education, Inc. and subsidiaries (the Company) as of December 31, 2020, the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity, and cash flows for the year ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG Huazhen LLP

We served as the Company's auditor from 2020 to 2021.

Beijing, China
May 14, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of RYB Education, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows of RYB Education Inc. and its subsidiaries (the "Company") for the year ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
April 30, 2020

We began serving as the Company's auditor in 2016. In 2020 we became the predecessor auditor.

CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data, or otherwise noted)

	As of December 31	
	2020	2021
ASSETS		
Current assets		
Cash and cash equivalents	53,454	65,263
Term deposits	—	215
Accounts receivable (net of allowance for doubtful accounts of \$467 and \$473 as of December 31, 2020 and 2021, respectively)	1,844	1,300
Inventories	5,773	6,130
Prepaid expenses and other current assets	8,927	9,344
Loan receivables	107	—
Total current assets	70,105	82,252
Non-current assets		
Restricted cash	1,127	993
Property, plant and equipment, net	47,638	39,379
Goodwill	46,147	42,102
Intangible assets, net	14,179	12,737
Long-term investments	217	169
Deferred tax assets	21,168	22,803
Other non-current assets	14,438	8,668
Operating lease right-of-use assets	87,472	73,973
TOTAL ASSETS	302,491	283,076
LIABILITIES		
Current liabilities		
Prepayments from customers, current portion (including prepayments from customers of the consolidated VIEs without recourse to the Group of \$4,145 and \$4,881 as of December 31, 2020 and 2021, respectively)	4,145	4,919
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to the Group of \$42,703 and \$41,790 as of December 31, 2020 and 2021, respectively)	54,406	55,642
Income tax payable (including income tax payable of the consolidated VIEs without recourse to the Group of \$17,865 and \$19,729 as of December 31, 2020 and 2021, respectively)	18,592	20,888
Operating lease liabilities, current portion (including operating lease liabilities of the consolidated VIEs without recourse to the Group of \$12,277 and \$9,017 as of December 31, 2020 and 2021, respectively)	16,856	13,890
Deferred revenue, current portion (including deferred revenue of the consolidated VIEs without recourse to the Group of \$29,367 and \$23,289 as of December 31, 2020 and 2021, respectively)	34,351	27,019
Long-term debt, current portion (including long-term debt of the consolidated VIEs without recourse to the Group of \$nil and \$nil as of December 31, 2020 and 2021, respectively)	7	—
Total current liabilities	128,357	122,358
Non-current liabilities		
Prepayments from customers, non-current portion (including prepayments from customers of the consolidated VIEs without recourse to the Group of \$4,024, and \$1,461 as of December 31, 2020 and 2021, respectively)	4,024	1,461
Deferred revenue, non-current portion (including deferred revenue of the consolidated VIEs without recourse to the Group of \$709, and \$255 as of December 31, 2020 and 2021, respectively)	1,726	999
Other non-current liabilities (including other non-current liabilities of the consolidated VIEs without recourse to the Group of \$9,307 and \$8,518 as of December 31, 2020 and 2021, respectively)	12,519	11,645
Deferred income tax liabilities (including deferred income tax liabilities of the consolidated VIEs without recourse to the Group of \$nil and \$217 as of December 31, 2020 and 2021, respectively)	1,890	1,768
Operating lease liabilities, non-current portion (including operating lease liabilities of the consolidated VIEs without recourse to the Group of \$67,726 and \$56,799 as of December 31, 2020 and 2021, respectively)	76,308	65,689
TOTAL LIABILITIES	224,824	203,920
MEZZANINE EQUITY		
Redeemable non-controlling interests	9,988	4,942
EQUITY		
Ordinary shares (par value of \$0.001 per share; 990,000,000 shares authorized; 29,213,801 shares issued and 27,812,754 shares outstanding as of December 31, 2020; 29,213,801 shares issued and 28,035,934 shares outstanding as of December 31, 2021)	29	29
Treasury stock	(10,321)	(8,667)
Additional paid-in capital	141,094	136,504
Statutory reserve	4,652	5,164
Accumulated other comprehensive loss (income)	(1,468)	257
Accumulated deficit	(71,837)	(65,559)
Total RYB Education, Inc. shareholders' equity	62,149	67,728
Non-controlling interest	5,530	6,486
TOTAL EQUITY	67,679	74,214
TOTAL LIABILITIES, MEZZANINE EQUITY AND TOTAL EQUITY	302,491	283,076

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

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except share and per share data, or otherwise noted)

	Years ended December 31		
	2019	2020	2021
Net revenues:			
Services	166,183	103,073	172,404
Products	16,100	6,642	7,909
Total net revenues	182,283	109,715	180,313
Cost of revenues:			
Services	147,669	113,285	145,473
Products	7,865	3,616	3,669
Total cost of revenues	155,534	116,901	149,142
Gross profit (loss)	26,749	(7,186)	31,171
Operating expenses:			
Selling expenses	2,808	1,285	2,491
General and administrative expenses	23,775	24,313	20,286
Impairment loss on goodwill	—	8,454	4,559
Impairment loss on long-lived assets	—	2,148	—
Total operating expenses	26,583	36,200	27,336
Operating income (loss)	166	(43,386)	3,835
Interest income	858	348	219
Government subsidy income	499	4,591	2,491
Gain on disposal of subsidiaries	492	96	439
Impairment loss on long-term investments	—	(2,432)	—
Income (loss) before income taxes	2,015	(40,783)	6,984
Less: Income tax expenses	3,541	215	3,440
(Loss) Income before loss from equity method investments	(1,526)	(40,998)	3,544
Loss from equity method investments	(664)	(185)	(15)
Net (loss) income	(2,190)	(41,183)	3,529
Less: Net income (loss) attributable to non-controlling interest	387	(3,903)	189
Decrease in redeemable non-controlling interest	(143)	—	(3,450)
Net (loss) income attributable to ordinary shareholders of RYB Education, Inc.	(2,434)	(37,280)	6,790
Net (loss) income per share attributable to ordinary shareholders of RYB Education, Inc.			
Basic	(0.09)	(1.33)	0.24
Diluted	(0.09)	(1.33)	0.23
Weighted average shares used in calculating net loss (income) per ordinary share			
Basic	28,074,624	28,122,851	28,208,734
Diluted	28,074,624	28,122,851	28,962,480

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands of U.S. dollars)

	Years ended December 31		
	2019	2020	2021
Net (loss) income	(2,190)	(41,183)	3,529
Other comprehensive income (loss), net of tax of nil:			
Change in cumulative foreign currency translation adjustments	269	(1,036)	1,785
Total comprehensive (loss) income	(1,921)	(42,219)	5,314
Less: comprehensive income (loss) attributable to non-controlling interest	289	(3,330)	(3,201)
Comprehensive (loss) income attributable to RYB Education, Inc.	(2,210)	(38,889)	8,515

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars, except share data)

	RYB Education, Inc. Shareholders										
	Number of ordinary share	Ordinary share	Treasury stock	Additional paid-in capital	Statutory reserve	Accumulated other comprehensive (loss) income	Accumulated deficit	Total RYB Education, Inc. shareholders' equity	Non- controlling interest	Total equity	Redeemable non- controlling interest
Balance as of January 1, 2019	29,213,801	29	—	135,881	3,362	(122)	(30,421)	108,729	4,611	113,340	1,628
Net loss for the year	—	—	—	—	—	—	(2,577)	(2,577)	70	(2,507)	317
Repurchase of shares	—	—	(12,000)	—	—	—	—	(12,000)	—	(12,000)	—
Provision of statutory reserve	—	—	—	—	698	—	(698)	—	—	—	—
Share-based payments	—	—	—	3,962	—	—	—	3,962	—	3,962	—
Recognition of redeemable non-controlling interest	—	—	—	—	—	—	—	—	—	—	6,895
Adjustment of redeemable non-controlling interest	—	—	—	—	—	—	143	143	—	143	(143)
Foreign currency translation adjustment	—	—	—	—	—	263	—	263	(98)	165	104
Contribution by minority interest	—	—	—	—	—	—	—	—	420	420	—
Disposal of non-wholly subsidiaries	—	—	—	—	—	—	—	—	(758)	(758)	—
Business acquisitions	—	—	—	—	—	—	—	—	5,151	5,151	—
Balance as of December 31, 2019	29,213,801	29	(12,000)	139,843	4,060	141	(33,553)	98,520	9,396	107,916	8,801
Cumulative effect adjustment upon adoption of ASC 326	—	—	—	—	—	—	(412)	(412)	—	(412)	—
Balance as of January 1, 2020	29,213,801	29	(12,000)	139,843	4,060	141	(33,965)	98,108	9,396	107,504	8,801
Net loss for the year	—	—	—	—	—	—	(37,280)	(37,280)	(4,915)	(42,195)	1,012
Settlement of vested shares using treasury shares	—	—	1,679	(1,679)	—	—	—	—	—	—	—
Provision of statutory reserve	—	—	—	—	592	—	(592)	—	—	—	—
Share-based payments	—	—	—	2,930	—	—	—	2,930	—	2,930	—
Foreign currency translation adjustment	—	—	—	—	—	(1,609)	—	(1,609)	398	(1,211)	175
Contribution by minority interest	—	—	—	—	—	—	—	—	760	760	—
Disposal of non-wholly subsidiaries	—	—	—	—	—	—	—	—	(109)	(109)	—
Balance as of December 31, 2020	29,213,801	29	(10,321)	141,094	4,652	(1,468)	(71,837)	62,149	5,530	67,679	9,988
Net income for the year	—	—	—	—	—	—	3,340	3,340	515	3,855	(326)
Settlement of vested shares using treasury shares	—	—	1,654	(1,654)	—	—	—	—	—	—	—
Provision of statutory reserve	—	—	—	—	512	—	(512)	—	—	—	—
Share-based payments	—	—	—	2,021	—	—	—	2,021	—	2,021	—
Adjustment of redeemable non-controlling interest	—	—	—	—	—	—	3,450	3,450	—	3,450	(3,450)
Acquisition on minority interest	—	—	—	(5,297)	—	—	—	(5,297)	(26)	(5,323)	(1,206)
Foreign currency translation adjustment	—	—	—	—	—	1,725	—	1,725	124	1,849	(64)
Contribution by minority interest	—	—	—	—	—	—	—	—	154	154	—
Disposal of non-wholly subsidiaries	—	—	—	(200)	—	—	—	(200)	(291)	(491)	—
Business acquisition	—	—	—	540	—	—	—	540	480	1,020	—
Balance as of December 31, 2021	29,213,801	29	(8,667)	136,504	5,164	257	(65,559)	67,728	6,486	74,214	4,942

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Years ended December 31		
	2019	2020	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	(2,190)	(41,183)	3,529
<i>Adjustments to reconcile net loss to net cash generated from (used in) operating activities:</i>			
Depreciation of property, plant and equipment	9,296	9,239	10,555
Amortization of intangible assets	2,224	2,431	2,493
Reduction in the carrying amount of the right-of-use assets	—	15,634	14,188
Share-based compensation	3,962	2,930	2,021
Change in allowance for doubtful accounts receivable and other receivables	477	2,893	6
Change in allowance for loan receivables	—	1,464	(96)
Inventories write-down	—	199	166
Loss on disposal of property, plant and equipment	100	11	99
Loss from equity method investments	664	185	15
Impairment loss on long-term investments	—	2,432	—
Net gain on disposal of subsidiaries	(492)	(96)	(439)
Impairment loss on goodwill	—	8,454	4,559
Impairment loss on long-lived assets	—	2,148	—
Deferred tax benefit	—	(3,223)	(1,286)
<i>Changes in operating assets and liabilities, net of the effect of acquisition:</i>			
Accounts receivable	(1,724)	631	537
Inventories	(1,992)	1,664	(325)
Prepaid expenses and other current assets	884	157	(743)
Deferred tax assets	(2,689)	—	—
Other non-current assets	(2,255)	719	890
Prepayments from customers	(1,415)	(243)	(828)
Accrued expenses and other current liabilities	5,582	(1,708)	2,709
Operating lease liabilities	—	(14,289)	(12,181)
Income tax payable	3,353	3,663	2,296
Deferred revenue	516	(1,447)	(8,060)
Other non-current liabilities	(1,319)	809	(875)
Net cash generated from (used in) operating activities	12,982	(6,526)	19,230
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of businesses, net of cash acquired	(17,949)	(417)	427
Collection of prepayment for investment	—	279	—
Investments in term deposits	(1,881)	—	(215)
Proceeds from maturity of term deposits	868	1,005	—
Proceeds from disposal of subsidiaries	1,218	374	1,008
Purchase of long-term investments	(4,800)	(22)	—
Purchase of property, plant and equipment	(12,492)	(3,975)	(7,019)
Proceeds from disposal of property, plant and equipment	658	554	—
Loans to third parties	—	—	(197)
Cash out from disposal of business	—	—	(834)
Loan to an investee	—	(536)	—
Collection of loans to third parties	—	153	401
Net cash used in investing activities	(34,378)	(2,585)	(6,429)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling interests	420	760	165
Acquisition of businesses	(1,936)	—	—
Acquisition of additional equity interest	—	—	—
from non-controlling shareholders	—	—	(1,555)
Amount due to related parties	125	—	—
Repayment of advances from an investee	—	(124)	—
Payment made in connection with repurchase of shares	(12,000)	—	—
Repayment of long-term debt	(63)	(80)	(7)
Net cash (used in) generated from financing activities	(13,454)	556	(1,397)
Exchange rate effect on cash and cash equivalents, and restricted cash	(542)	(6,302)	271
Net (decrease) increase in cash and cash equivalents, and restricted cash	(35,392)	(14,857)	11,675
Cash and cash equivalents, and restricted cash at beginning of the year	104,830	69,438	54,581
Cash and cash equivalents, and restricted cash at end of the year	69,438	54,581	66,256
Supplemental schedule of cash flow information			
Income taxes paid	(3,451)	(921)	(3,085)
Supplemental schedule of non-cash activities			
Acquisition of property, plant and equipment through payable	478	1,042	—
Payable for investment and business acquisition	575	613	550

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(In thousands of U.S. dollars, except share and per share data, or otherwise noted)**

1. ORGANIZATION AND BASIS OF PRESENTATION

Top Margin Limited was incorporated under the laws of the Cayman Islands on January 11, 2007. In June 2017, Top Margin Limited changed the corporate name into RYB Education, Inc. (the “Company”). The Company, its subsidiaries, its consolidated variable interest entities (“VIEs”) and VIEs’ subsidiaries and kindergartens (collectively the “Group”) are primarily engaged in providing kindergarten educational services, play-and-learn center services, student care services and sale of educational merchandise in the People’s Republic of China (“PRC”) and in Singapore.

As of December 31, 2021, details of the Company’s subsidiaries, its VIEs and VIEs’ major subsidiaries and kindergartens were as follows:

Name	Date of establishment or acquisition	Place of establishment	Percentage of legal ownership by the Company	Principal activities
Subsidiaries:				
Beijing RYB Technology Development Co., Ltd. (“RYB Technology”)	December 24, 2007	PRC	100%	Investment holding and provision of educational services
QIYUAN Education Technology (Tianjin) Co., Ltd. (“TJ Qiyuan”)	May 18, 2018	PRC	100%	Investment holding and provision of educational services
Beijing Beilin International Education Co., Ltd. (“BJ Beilin”)	September 28, 2018	PRC	90%	Investment holding and provision of educational services
Precious Companion Group Limited	August 4, 2018	Hong Kong	100%	Investment holding and provision of educational services
Digital Knowledge World Co., Ltd.	September 1, 2018	Cayman Islands	100%	Investment holding and provision of educational services
Digital Education Co., Ltd.	September 1, 2018	Hong Kong	100%	Investment holding and provision of educational services
Beilin International Education Limited	September 1, 2018	Hong Kong	100%	Investment holding and provision of educational services
Global Eduhub Pte Ltd.	April 1, 2019	Singapore	82.3%	Investment holding and provision of educational services
Global Edu (SG) Holding Pte Ltd.	April 1, 2019	Singapore	82.3%	Investment holding and provision of educational services
Global Eduhub Holding Limited	April 1, 2019	Hong Kong	82.3%	Investment holding and provision of educational services
Variable interest entities:				
Beijing RYB Children Education Technology Development Co., Ltd. (“Beijing RYB”)	July 3, 2001	PRC	Consolidated VIE	Investment holding and provision of educational services
Beiyao Technology Development Co., Ltd. (“Beiyao”)	June 15, 2018	PRC	Consolidated VIE	Investment holding and provision of educational services
Beijing Haidian District Bozhi Training School (“Bozhi”)	September 28, 2018	PRC	Consolidated VIE	Training services
Shanghai Huijiang Technology Development Co., Ltd. (“Shanghai Huijiang”)	April 1, 2020	PRC	Consolidated VIE	Investment holding and provision of educational services
Major subsidiaries and kindergartens ⁽¹⁾:				
Shenzhen RYB Children Education Technology Development Co., Ltd.	June 20, 2007	PRC	Consolidated VIE	Sale of educational merchandise and provision of educational services
Beijing Youer Lezhi Technology Development Co., Ltd.	April 2, 2014	PRC	Consolidated VIE	Play-and-learn center services
Shanghai Geleli Technology Development Co.,	June 4, 2019	PRC	Consolidated VIE	Sale of educational merchandise and provision of educational services
NASCANS Pte. Ltd.	April 1, 2019	Singapore	82.3%	Provision of educational services
Beijing Haidian District RYB Multi-Dimension Intelligence Experimental Kindergarten ⁽²⁾	January 10, 2005	PRC	Consolidated VIE	Kindergarten services
Beijing Fengtai District RYB Multi-Dimension Intelligence Experimental Kindergarten ⁽²⁾	April 14, 2005	PRC	Consolidated VIE	Kindergarten services
Beijing Development RYB Bilingual Kindergarten ⁽²⁾	February 21, 2006	PRC	Consolidated VIE	Kindergarten services
Mulberry Learning Centre International Pte Ltd	April 1, 2019	Singapore	82.3%	Kindergarten services
Mulberry Learning Centre @ Tanjong Pagar Pte Ltd	April 1, 2019	Singapore	82.3%	Kindergarten services
Beijing Chaoyang District RYB Xintiandi Kindergarten ⁽²⁾	April 11, 2011	PRC	Consolidated VIE	Kindergarten services
Changsha Kaifu District RYB Kindergarten ⁽²⁾	March 30, 2012	PRC	Consolidated VIE	Kindergarten services
Hefei Faneng Sunshine Beach Kindergarten ⁽²⁾	January 18, 2013	PRC	Consolidated VIE	Kindergarten services
Beijing Chaoyang District Mulberry Kindergarten ⁽²⁾	July 5, 2013	PRC	Consolidated VIE	Kindergarten services
Changzhou Wujin District RYB New City Villa Kindergarten ⁽²⁾	February 17, 2014	PRC	Consolidated VIE	Kindergarten services
Chongqing North Bank RYB Huanan Central Park Kindergarten	May 26, 2014	PRC	Consolidated VIE	Kindergarten services
Changzhou Tianming District Huarun International RYB Kindergarten	September 25, 2014	PRC	Consolidated VIE	Kindergarten services

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(In thousands of U.S. dollars, except share and per share data, or otherwise noted)

1. ORGANIZATION AND BASIS OF PRESENTATION - continued

Jinan Licheng District RYB Wanxiang New Sky Kindergarten ⁽²⁾	October 30, 2014	PRC	Consolidated VIE	Kindergarten services
Xiamen Siming District RYB Yongmiantianshu Kindergarten ⁽²⁾	July 10, 2015	PRC	Consolidated VIE	Kindergarten services
Jinan Licheng District Wangsheren Street RYB Kindergarten ⁽²⁾	October 30, 2016	PRC	Consolidated VIE	Kindergarten services
Beijing Shunyi District RYB City Garden Kindergarten ⁽²⁾	November 1, 2016	PRC	Consolidated VIE	Kindergarten services
Beijing XueErLe Education Technology Co., Ltd	December 13, 2016	PRC	Consolidated VIE	Kindergarten services
Beijing Xicheng District RYB Kindergarten ⁽²⁾	January 16, 2017	PRC	Consolidated VIE	Kindergarten services
Xiamen Jimei District RYB Kindergarten ⁽²⁾	April 19, 2017	PRC	Consolidated VIE	Kindergarten services
ZaoZhuang RYB Kindergarten ⁽²⁾	May 1, 2018	PRC	Consolidated VIE	Kindergarten services
Chongqing Liangjiang New District RYB Leyuan Kindergarten Co., Ltd.	June 1, 2018	PRC	Consolidated VIE	Kindergarten services
Tengzhou RYB Renhe Tiandi Kindergarten ⁽²⁾	May 1, 2018	PRC	Consolidated VIE	Kindergarten services
Shanghai Peidi Culture Communication Co., Ltd (Shanghai Peidi)	July 1, 2018	PRC	Consolidated VIE	Kindergarten services
Alphabet Playhouse Childcare and Learning Centre Pte Ltd	April 1, 2019	Singapore	82.3%	Kindergarten services
Alphabet Playhouse @ East Coast Pte Ltd	April 1, 2019	Singapore	82.3%	Kindergarten services
Beijing RYB Children Education Technology Development Co., Ltd.	July 3, 2001	PRC	Consolidated VIE	Investment holding and provision of educational services
Beijing Digital Knowledge Dream Flying Wanliu Kindergarten Haidian Co. LTD	September 30, 2018	PRC	Consolidated VIE	Kindergarten services
Changsha Boyu Education Technology Development Co., LTD	October 21, 2019	PRC	Consolidated VIE	Sale of educational merchandise and provision of educational services
Mulberry Learning Centre Alexandra Pte Ltd	November 1, 2019	Singapore	82.3%	Kindergarten services
Shenzhen Longhua District Mulberry Kindergarten ⁽²⁾	January 1, 2019	PRC	Consolidated VIE	Kindergarten services
Little Greenhouse @ Bukit Batok Pte Ltd	April 1, 2019	Singapore	82.3%	Kindergarten services
Global Eduhub Pte Ltd.	April 1, 2019	Singapore	82.3%	Investment holding and provision of educational services
Beijing Chaoyang District Digital Knowledge Dream Flying Kindergarten ⁽²⁾	September 30, 2018	PRC	Consolidated VIE	Kindergarten services
Little Greenhouse @ Sengkang Pte Ltd	April 1, 2019	Singapore	82.3%	Kindergarten services
Changsha Tianxin District Yuwentai RYB Kindergarten ⁽²⁾	September 1, 2018	PRC	Consolidated VIE	Kindergarten services
Chongqing RYB leyuan Art Training Co. LTD	February 25, 2011	PRC	Consolidated VIE	Sale of educational merchandise and provision of educational services
Guangzhou Yuexiu District RYB Donghai Jiayuan Kindergarten ⁽²⁾	February 29, 2012	PRC	Consolidated VIE	Kindergarten services
Changsha Yuhua District Liudu RYB Kindergarten ⁽²⁾	October 1, 2017	PRC	Consolidated VIE	Kindergarten services
Changsha Furong District RYB Kindergarten Co. LTD	September 30, 2017	PRC	Consolidated VIE	Kindergarten services
Little Greenhouse @ S540 Pte Ltd	April 1, 2019	Singapore	82.3%	Kindergarten services
Guiyang Wudang District RYB Poly Hot Spring Kindergarten ⁽²⁾	August 31, 2013	PRC	Consolidated VIE	Kindergarten services
Chongqing Liangjiang New District RYB Investment Garden City Kindergarten ⁽²⁾	February 28, 2015	PRC	Consolidated VIE	Kindergarten services
Little Greenhouse Childcare & Development Pte Ltd	April 1, 2019	Singapore	82.3%	Kindergarten services
Guangzhou Yuexiu District RYB Wende Road Kindergarten ⁽²⁾	March 30, 2018	PRC	Consolidated VIE	Kindergarten services
Zhuzhou Tianyuan District RYB Kindergarten ⁽²⁾	August 31, 2016	PRC	Consolidated VIE	Kindergarten services
Shenzhen Futian District RYB Tian Golf Longyuan Kindergarten ⁽²⁾	August 31, 2011	PRC	Consolidated VIE	Kindergarten services
Changsha Quantang Street RYB Kindergarten ⁽²⁾	September 1, 2018	PRC	Consolidated VIE	Kindergarten services
Allegiance (Edu) Ptd Ltd	April 1, 2020	Singapore	82.3%	Kindergarten services
Little Greenhouse @ S553 Pte Ltd	April 1, 2019	Singapore	82.3%	Kindergarten services
Changsha Tianxin District RYB Kindergarten ⁽²⁾	February 28, 2017	PRC	Consolidated VIE	Kindergarten services

(1) The Group had 199 entities including 108 kindergartens as of December 31, 2021. The English name is for identification purpose only.

(2) These kindergartens are established and controlled by Beijing RYB, Beiyao or their subsidiaries. Under PRC laws and regulations, entities who establish kindergartens are commonly referred to as "sponsors" instead of "owners" or "shareholders". The economic substance of "sponsorship" in respect of kindergartens is substantially similar to that of ownership with respect to legal, regulatory and tax matters.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(In thousands of U.S. dollars, except share and per share data, or otherwise noted)**

1. ORGANIZATION AND BASIS OF PRESENTATION - continued

The VIE arrangements

PRC laws and regulations restrict foreign ownership and investment in the education industry at the kindergarten level. As the Company is deemed a foreign legal person under PRC laws, accordingly the Company's subsidiary is not eligible to engage in the provision of kindergarten services. To comply with these foreign ownership restrictions, the Company operates substantially all of its education services through VIEs and the VIEs' subsidiaries and kindergartens in the PRC. The VIEs and their subsidiaries and kindergartens hold leases and other assets necessary to provide education services and generate revenues.

On July 3, 2008, RYB Technology, a wholly-owned subsidiary of the Group, entered into a series of contractual arrangements with Beijing RYB, and the shareholders of Beijing RYB, through which the Company obtained the power to direct the activities that most significantly affects the economic performance of Beijing RYB and receive the economic benefits that could be significant to Beijing RYB, and became the primary beneficiary of Beijing RYB. The contractual arrangements were modified on September 19, 2011 and November 4, 2015 when there were changes in the shareholders in Beijing RYB.

On June 15, 2018, TJ Qiyuan, a wholly-owned subsidiary of the Group, entered into a series of contractual arrangements with Beiyao, and the shareholders of Beiyao, through which the Company obtained the power to direct the activities that most significantly affects the economic performance of Beiyao and receive the economic benefits that could be significant to Beiyao, and became the primary beneficiary of Beiyao.

In September 2018, the Group acquired BJ Beilin and Bozhi through the acquisition of Digital Knowledge World Co., Ltd. On September 28, 2018, BJ Beilin, a wholly-owned subsidiary of the Group, entered into a series of contractual arrangements with Bozhi, and the shareholders of Bozhi, through which the Company obtained the power to direct the activities that most significantly affects the economic performance of Bozhi and receive the economic benefits that could be significant to Bozhi, and became the primary beneficiary of Bozhi. The terms of these contractual agreements of Beiyao and Bozhi are substantially similar to the agreements of Beijing RYB, except that the agreements of Bozhi will remain effective for twenty years, when contract duration is applicable.

- Agreements through which the Group receives economic benefits of VIE:

Exclusive Consultation and Service Agreement

Pursuant to the exclusive consultation and service agreement, Beijing RYB engages RYB Technology as its exclusive operational consultant, and RYB Technology agrees to provide necessary education related consulting services to assist Beijing RYB's operational activities and business development. Without the prior written consent of RYB Technology, Beijing RYB shall not accept any services subject to this agreement from any third parties. The fees for such consultation and service are determined at RYB Technology's discretion. Unless RYB Technology terminates this agreement in advance, this agreement will remain effective for ten years. Upon request by RYB Technology, contractual parties to this agreement shall extend the term of this agreement prior to its expiration. Other contractual parties to this agreement cannot terminate this agreement unilaterally.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(In thousands of U.S. dollars, except share and per share data, or otherwise noted)**

1. ORGANIZATION AND BASIS OF PRESENTATION - continued

The VIE arrangements - continued

- Agreements through which the Group receives economic benefits of VIE:

Exclusive Consultation and Service Agreement - continued

For the years ended December 31, 2019, 2020 and 2021, \$9,877, \$4,129 and \$4,310 service fees, respectively, were charged by RYB Technology, TJ Qiyuan and BJ Beilin.

- Agreements that provide the Company the power to direct the activities of VIEs:

Business Operation Agreement

Pursuant to the business operation agreement, Beijing RYB and its shareholders agreed to, (i) without prior written consent of RYB Technology, Beijing RYB will not conduct any transactions that may have substantial effects on its assets, businesses, personnel, obligations, rights, or business operations. (ii) Beijing RYB will accept and follow RYB Technology's instructions in relation to Beijing RYB's daily operational and financial management, election of directors, general manager, financial controller, kindergarten principals, and other senior management executives designated by RYB Technology. (iii) the shareholders will transfer any dividends, income, or interests received as the shareholders of Beijing RYB immediately and unconditionally to RYB Technology. Unless RYB Technology terminates this agreement in advance, this agreement will remain effective for ten years. Upon request by RYB Technology, contractual parties to this agreement shall extend the term of this agreement prior to its expiration. Other contractual parties to this agreement cannot terminate this agreement unilaterally.

Power of Attorney

Pursuant to the power of attorney, each of Beijing RYB's shareholders irrevocably authorized RYB Technology, or any person(s) designated by RYB Technology, as the attorney-in-fact to act on his or her behalf on all matters pertaining to Beijing RYB and to exercise all of his or her rights as a shareholder of Beijing RYB, including but not limited to convene shareholders' meeting, vote and sign any resolution as a shareholder, appoint directors, supervisors and officers, amend article of association, as well as the right to sell, transfer, pledge and dispose of all or a portion of the shares held by such shareholder. In addition, each such shareholders also undertakes that he or she will not engage in any activities in violation of this power of attorney or cause conflict of interest between RYB Technology and Beijing RYB or its subsidiaries and kindergartens. The power of attorney will remain in force and irrevocable as long as the applicable shareholder remains a shareholder of Beijing RYB, unless RYB Technology instructs to the contrary in writing.

Equity Pledge Agreement

Pursuant to the equity pledge agreement, Beijing RYB's shareholders pledged their respective equity interests in Beijing RYB to RYB Technology to guarantee Beijing RYB's performance, and shareholders' obligations under the contractual arrangements between the Beijing RYB, its shareholders and RYB Technology. If Beijing RYB or its shareholders breach their contractual obligations under these agreements, RYB Technology, as a pledgee, will have the right to dispose of the pledged equity interests in Beijing RYB and priority in receiving the proceeds from such disposal. Beijing RYB's shareholders also agree that, during the term of the equity pledge agreement, they will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(In thousands of U.S. dollars, except share and per share data, or otherwise noted)**

1. ORGANIZATION AND BASIS OF PRESENTATION - continued

The VIE arrangements - continued

- Agreements that provide the Company effective control over VIEs: - continued

Equity Disposal Agreement

Pursuant to the equity disposal agreement, Beijing RYB's shareholders irrevocably granted RYB Technology or any third parties designated by RYB Technology an exclusive option to purchase all or part of those shareholders' equity interests in Beijing RYB at any time that RYB Technology deems fit. The purchase price would be the minimum amount of consideration permitted under applicable PRC law at the time when the option is exercised. Those shareholders further undertake that they will not create any pledge or encumbrance on their equity interests in Beijing RYB, and transfer, gift or otherwise dispose of their equity interests in Beijing RYB to any person(s) other than RYB Technology or its designated third parties. This agreement will remain effective for ten years. Upon request by RYB Technology, contractual parties to this agreement shall extend the term of this agreement prior to its expiration.

As a result of these contractual arrangements, RYB Technology (1) has the power to direct the activities that most significantly affected the economic performance of Beijing RYB, and (2) received the economic benefits of Beijing RYB. In making the conclusion that the RYB Technology, a wholly owned subsidiary of the Company, is the primary beneficiary of Beijing RYB, the Company believes the Company's rights under the terms of the equity disposal agreement has provided it with a substantive kick out right. More specifically, the Company believes the terms of the equity disposal agreement are valid, binding and enforceable under PRC laws and regulations currently in effect. The Company also believes that the minimum amount of consideration permitted by the applicable PRC law to exercise the option has not represented a financial barrier or disincentive for the Company to currently exercise its rights under the equity disposal agreement. In addition, the articles of association of Beijing RYB provided that the shareholders of Beijing RYB have the power to, in a shareholders' meeting: (i) approve the operating strategy and investment plan; (ii) elect the members of board of directors and approve their compensation; and (iii) review and approve the annual budget and earnings distribution plan.

Consequently, the Company's rights under the business operation agreement and powers of attorney have reinforced the Company's abilities to direct the activities most significantly impacting Beijing RYB's economic performance. The Company also believes that this ability to exercise control ensured that Beijing RYB would continue to execute and renew service agreements and pay service fees to the Company. By charging service fees, and by ensuring that service agreements were executed and renewed indefinitely, the Company has the rights to receive substantially all of the economic benefits from Beijing RYB.

From 2019 to 2021, certain kindergartens of the Group, during the application or renewal process of registration, elected as not-for-profit kindergartens in the PRC and operated in compliance with PRC not-for-profit legal regimes. The Group believes such change does not impact that RYB Beijing is the primary beneficiary of these not-for-profit kindergartens because it has: (1) the power to direct the activities of these not-for-profit kindergartens that most significantly affect their educational and economic performance and (2) the right to receive economic benefits from contractual and other arrangements with these not-for-profit kindergartens that could potentially be significant to these not-for-profit kindergartens.

In 2021, at the request of the local education authorities, the Group de-registered a few of the private kindergartens directly operated by the Group and transferred them to public kindergartens which are sponsored by the local education authorities or their designated entities. The forementioned kindergartens has been deconsolidated from the consolidated financial statements since the dates of de-registration and transfer to public kindergartens.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(In thousands of U.S. dollars, except share and per share data, or otherwise noted)**

1. ORGANIZATION AND BASIS OF PRESENTATION - continued

The VIE arrangements – continued

- Agreements that provide the Company effective control over VIEs: - continued

Equity Disposal Agreement - continued

On March 1, 2022, the subsidiaries of the Company, RYB Technology and TJ Qiyuan have entered into termination agreements with certain variable interest entities, Beijing RYB and Beiyao. By entering into those termination agreements, the Company will no longer be the primary beneficiary of its directly operated kindergarten business in China (the “Divestiture”). See note 26.

- Risks in relation to VIE structure

The Company believes that the contractual arrangements with VIEs and their shareholders are in compliance with existing PRC laws and regulations and are legally enforceable. However, the contractual arrangements are subject to risks and uncertainties, including:

- VIEs and their shareholders may have or develop interests that conflict with the Group’s interests, which may lead them to pursue opportunities in violation of the aforementioned contractual agreements. If the Group cannot resolve any conflicts of interest or disputes between the Group and the shareholders of VIEs, the Group would have to rely on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.
- VIEs and their shareholders could fail to obtain the proper operating licenses or fail to comply with other regulatory requirements. As a result, the PRC government could impose fines, new requirements or other penalties on VIEs or the Group, mandate a change in ownership structure or operations for VIEs or the Group, restrict VIEs or the Group’s use of financing sources or otherwise restrict VIEs or the Group’s ability to conduct business.
- The PRC government may declare the aforementioned contractual arrangements invalid. They may modify the relevant regulations, have a different interpretation of such regulations, or otherwise determine that the Group or VIEs have failed to comply with the laws and regulations to effectuate such contractual arrangements.
- If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government may restrict or prohibit the Group’s business and operations in China.

The Group’s ability to conduct its business may be negatively affected if the PRC government were to carry out of any of the aforementioned actions. As a result, the Group may not be able to consolidate VIEs and their subsidiaries and kindergartens in the consolidated financial statements as the Group may lose the ability to obtain the power to direct the VIEs and their shareholders, and the Group may lose the ability to receive economic benefits from VIEs.

As of December 31, 2020 and 2021, the VIEs and their subsidiaries and kindergartens accounted for an aggregate of 62% and 61%, respectively, of the Group’s consolidated total assets, and 84% and 81% respectively of the Group’s consolidated total liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(In thousands of U.S. dollars, except share and per share data, or otherwise noted)

1. ORGANIZATION AND BASIS OF PRESENTATION - continued

The VIE arrangements – continued

- Agreements that provide the Company effective control over VIEs: - continued

The following financial information of the Company's VIEs and VIEs' subsidiaries and kindergartens after the elimination of inter-company transactions and balances as of December 31, 2020 and 2021, and for the three years ended December 31, 2021 was included in the accompanying consolidated financial statements:

	As of December 31,	
	2020	2021
Cash and cash equivalents	21,111	32,964
Prepaid expenses and other current assets	7,378	8,219
Total current assets	35,314	47,171
Total assets	186,948	171,872
Total current liabilities	106,357	98,706
Total liabilities	188,123	165,956

	For the years ended December 31,		
	2019	2020	2021
Net revenues	162,644	80,107	142,005
Net income (loss)	13,743	(34,938)	9,339
Net cash provided by (used in) operating activities	14,691	(12,007)	14,041
Net cash used in investing activities	(16,360)	(2,368)	(3,135)
Net cash (used in) provided by financing activities	(1,457)	460	(820)
Effects of exchange rate changes	(495)	(1,395)	1,632

There are no consolidated VIEs' assets that are collateral for the VIEs' obligations and which can only be used to settle the VIEs' obligations. No creditors (or beneficial interest holders) of the VIEs have recourse to the general credit of the Company or any of its consolidated subsidiaries. No terms in any arrangements, considering both explicit arrangements and implicit variable interests, require the Company or its subsidiaries to provide financial support to the VIEs. However, if the VIEs ever need financial support, the Company or its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to the VIEs through loans to the shareholders of the VIEs or entrustment loans to the VIEs.

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2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and use of estimates

The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions reflected in the Group's financial statements include, but are not limited to, consolidation of the VIEs, purchase price allocation relating to business acquisitions, valuation allowance for deferred tax assets, useful lives of property, plant and equipment and intangible assets, impairment of long-lived assets, goodwill and long term investments, and incremental borrowing rate for leases. Actual results could materially differ from those estimates.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, its VIEs and VIEs' subsidiaries and kindergartens. All profits, transactions and balances among the Company, its subsidiaries, its VIEs and VIEs' subsidiaries and kindergartens have been eliminated upon consolidation.

Foreign currency translation

The Company's functional currency is the United States dollar. The functional currency of the Company's subsidiaries, VIEs and VIEs' subsidiaries and kindergartens in the PRC is the Chinese Renminbi ("RMB"). The functional currency of the Company's subsidiaries in Singapore is the Singapore dollar ("SGD\$").

Assets and liabilities are translated from each entity's functional currency to the reporting currency at the exchange rate on the balance sheet date. Equity accounts are translated at historical exchange rates, and revenues and expenses are translated using the average rate of exchange in effect during the reporting period. Translation adjustments are reported and shown as a separate component of other comprehensive income in the consolidated statements of changes in shareholders' equity and consolidated statements of comprehensive loss (income).

Transactions in currencies other than the functional currencies during the year are converted into the applicable functional currencies at the applicable rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currencies are remeasured into the functional currency using the applicable exchange rate at the balance sheet date. Exchange gains and losses are recognized in the consolidated statements of operations.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Business Combinations

Business combinations are recorded using the acquisition method of accounting. The purchase price of the acquisition is allocated to the tangible assets, liabilities, identifiable intangible assets acquired and non-controlling interest, if any, based on their estimated fair values as of the acquisition date. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses are expensed as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, on hand, which have original maturities of three months or less when purchased and are readily convertible into known amounts of cash. The carrying value of cash equivalents approximates fair value.

Term deposits

Term deposits consist of deposits placed with financial institutions with an original maturity of greater than three months and less than one year.

Restricted cash

Restricted cash represents RMB deposits in restricted bank accounts for operating kindergartens as required by certain local regulations. The deposits in restricted bank accounts cannot be withdrawn until these kindergartens are closed. Restricted cash is classified as either current or non-current based on when the funds will be released in accordance with the terms of the respective agreement.

Inventories

Inventories, mainly consisting of educational toys, teaching aids, and textbooks, are stated at the lower of cost or net realized value. Cost is determined using the weighted average method. Inventory is written down for damaged and slow-moving goods, which is dependent upon factors such as historical and forecasted consumption of the inventories.

Fair value

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value - continued

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Financial instruments

The Group's financial instruments consist primarily of cash and cash equivalents, term deposits, restricted cash, available-for-sale securities, accounts receivable, other receivables, current and non-current loan receivables, amounts due from related parties, current portion of long-term debt, amount due to related parties and other payables. The carrying amounts of cash and cash equivalents, term deposits, restricted cash, accounts receivable, other receivable, current loan receivables, amounts due from related parties, current portion of long-term debt, amount due to related parties and other payable approximate their fair values due to the short-term maturities of these instruments. Available-for-sale securities are carried at fair value. The carrying amount of non-current loan receivables approximates fair value as its interest rates are at the same level of current market yield for comparable loans.

Allowance for doubtful accounts

Prior to January 1, 2020, an allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable based on an assessment of specific evidence indicating doubtful collection, historical experience, account balance aging and prevailing economic conditions. Allowance is reversed when the underlying balance of doubtful accounts are subsequently collected. Receivable balances are written off when the Group determines that the balance is uncollectible.

On January 1, 2020, the Group adopted ASC 326 *Financial Instruments – Credit Losses* (“ASC 326”) using the modified retrospective approach through a cumulative-effect adjustment to accumulated deficit. Upon adoption, the Group changed its impairment model to utilize a current expected credit losses model in place of the incurred loss methodology for financial instruments measured at amortized cost, including accounts receivable, loans receivables, government subsidy receivables, receivables from the disposal of subsidiaries, receivables from third party payment platform, deposit and other receivables. The Group recorded an increase to opening accumulated deficit of \$412 as of January 1, 2020 due to the cumulative impact of adopting ASC 326.

Management used an expected credit loss model for the impairment of financial instruments mentioned above as of period ends.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Allowance for doubtful accounts - continued

For the allowance of the accounts receivable, management believes the aging of accounts receivable is a reasonable parameter to estimate expected credit loss, and determines expected credit losses for accounts receivables using an aging schedule as of period ends. The expected credit loss rates under each aging schedule were developed on basis of the average historical loss rates from previous years, and adjusted to reflect the effects of those differences in current conditions and forecasted changes. Management measured the expected credit losses of accounts receivable on a collective basis. When an accounts receivable does not share risk characteristics with other accounts receivables, management will evaluate such accounts receivable for expected credit loss on an individual basis. Doubtful accounts balances are written off and deducted from allowance for credit loss, when receivables are deemed uncollectible, after all collection efforts have been exhausted and the potential for recovery is considered remote.

For the allowance of the financial instruments other than accounts receivable and loan receivables, the Group has identified the relevant risk characteristics which include size, type of the services the Group provides, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, the Group considers the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. When specific customers are identified as no longer sharing the same risk profile as their current pool, they are removed from the pool and evaluated separately.

Loan receivables

Loan receivables are recorded at unpaid principal balances, net of unearned interest income.

Prior to January 1, 2020, allowance is recorded to reflect the Group's best estimate of the amounts that may not be collected.

On January 1, 2020, upon adoption of ASC 326 starting from January 1, 2020, the Group establishes current expected credit losses model for loan receivables. The Group calculates the allowance on loan receivables by using a loss-rate approach whereby the loss-rate is determined based on the expectation of future economic conditions, historical collection experience and the possibility of default.

The Group determined that the cumulative effect from the adoption of ASC 326 as of January 1, 2020 is immaterial. The Group recorded \$nil, \$1,464 and \$1,441 allowance of loan receivables as of December 31, 2019, 2020 and 2021.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment, net

Property, plant and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Category	Estimated useful life
Buildings	35 years
Furniture, fixture and equipment	5 years
Motor vehicles	5 years
Leasehold improvement	Shorter of lease term or economic life

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterment that extends the useful lives of property, plant and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the assets and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of operations.

Leases

The Group adopted Topic 842 on January 1, 2019 using the modified retrospective transition approach.

The Group has lease contracts for offices, kindergartens, play-and-learn centers and student care centers in different cities in the PRC and Singapore under operating leases. The Group determines whether an arrangement constitutes a lease and records lease liabilities and right-of-use assets on its consolidated balance sheets at lease commencement. The Group measures its lease liabilities based on the present value of the total lease payments not yet paid discounted based on the more readily determinable of the rate implicit in the lease or its incremental borrowing rate, which is the estimated rate the Group would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease. The Group estimates its incremental borrowing rate based on an analysis of publicly traded debt securities of companies with credit and financial profiles similar to its own. The Group measures right-of-use assets based on the corresponding lease liability adjusted for payments made to the lessor at or before the commencement date, and initial direct costs it incurs under the lease. The Group begins recognizing lease expense when the lessor makes the underlying asset available to the Group.

For leases with lease term less than one year (short-term leases), the Group records operating lease expense in its consolidated statements of operations on a straight-line basis over the lease term and record variable lease payments as incurred.

In April 2020, the FASB issued guidance for lease concessions provided to lessees in response to the effects of COVID-19. Such guidance allows lessees to make an election not to evaluate whether a lease concession provided by a lessor should be accounted for as a lease modification, in the event the concession does not result in a substantial increase in the rights of the lessor or the obligations of the lessee. Such concessions would be recorded as negative lease expense in the period of relief. The Group has elected to apply the practical expedient. See Note 15.

Intangible assets, net

Intangible assets with definite lives are carried at cost less accumulated amortization and impairment. The amortization of such intangible assets is recognized over the expected useful lives of the assets.

Intangible assets with indefinite lives are not amortized, but tested for impairment annually or more frequently if event and circumstances indicate that it might be impaired.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of long-lived assets with definite lives

Long-lived assets, including property, plant and equipment, operating lease right-of-use assets, intangible assets with definite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. When these events occur, the Group measures impairment by comparing the carrying value of the long-lived assets or assets group to the estimated undiscounted future cash flows expected to result from the use of the assets or asset group and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets or assets group, the Group would recognize an impairment loss based on the fair value of the assets or assets group. The Group recorded impairment loss on property, plant, and equipment and operating lease right-of-use assets of \$nil, \$428 and \$nil during the years ended December 31, 2019, 2020 and 2021. The Group recorded impairment losses on intangible assets with definite lives of \$79, \$1,720 and \$nil during the years ended December 31, 2019, 2020 and 2021.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of goodwill and indefinite-lived intangible assets

Goodwill is not amortized, but tested for impairment annually or more frequently if event and circumstances indicate that it might be impaired. The guidance permits the Group to first assess qualitative factors to determine whether it is “more likely than not” that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment test. Absent from any impairment indicators, the Group performs its annual impairment test on the last day of each fiscal year

Prior to January 1, 2020, the Group performed its annual impairment test using a two-step approach. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit is greater than its carrying amount, goodwill is not considered impaired and the second step is not required. If the fair value of the reporting unit is less than its carrying amount, the second step of the impairment test measures the amount of the impairment loss, if any, by comparing the implied fair value of goodwill to its carrying amount. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized equal to that excess. The implied fair value of goodwill is calculated in the same manner that goodwill is calculated in a business combination, whereby the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit, with the excess purchase price over the amounts assigned to assets and liabilities representing the implied fair value of goodwill.

On January 1, 2020, the Group adopted ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. Instead, the Group performed its goodwill impairment tests by comparing the fair value of a reporting unit with its carrying amount, and recognized an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value but not to exceed the total amount of the goodwill of the reporting unit.

Goodwill is tested for impairment annually for each reporting units or more frequently if events or changes in circumstances indicate that it might be impaired. The Group performs its annual quantitative impairment assessment considering the weighting of both an income and a market approach. The income approach is based on estimated present value of future cash flows for each reporting unit carrying a goodwill balance. The market approach is based on assumptions about how market data relates to each reporting unit carrying a goodwill balance. The weighting of these two approaches is based on their individual correlation to the economics of each reporting unit carrying a goodwill balance.

When using discounted cash flow model to determine the fair value of a reporting unit, the discounted cash flow model includes a number of significant unobservable inputs. Key assumptions used to determine the estimated fair value include: (a) internal cash flows forecasts including expected revenue growth, operating margins and estimated capital needs, (b) an estimated terminal value using a terminal year long-term future growth rate determined based on the growth prospects of the reporting units; and (c) a discount rate that reflects the weighted-average cost of capital adjusted for the relevant risk associated with each reporting unit's operation and the uncertainty inherent in the Group's internally developed forecast.

The impairment test for intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The Group recorded impairment losses on goodwill of \$337, \$8,454 and \$4,559 during the years ended December 31, 2019, 2020 and 2021. No impairment loss was recorded for the indefinite-lived intangible assets.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Long-term investments

The Group's long-term investments consist of equity method investments and available-for-sale security.

(a) Equity method investments

For an investee company over which the Group has the ability to exercise significant influence, but does not have a controlling interest in common shares or in-substance common shares, the Group accounts for the investment under the equity method. Significant influence is generally considered to exist when the Group has an ownership interest in the voting stock of the investee between 20% and 50%. Other factors, such as representation on the investee's board of directors, voting rights and the impact of commercial arrangements, are also considered in determining whether the equity method of accounting is appropriate.

Under the equity method, the Group initially records its investments at cost and subsequently recognizes its proportionate share of each equity investee's net income or loss after the date of investment into earnings and accordingly adjusts the carrying amount of the investment.

An impairment charge is recorded if the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than-temporary. The Group estimates the fair value of the investee company using discounted cash flow approach which requires significant judgments, including the estimation of future cash flows, which is dependent on internal forecasts, the estimation of long-term growth rate of a company's business, the estimation of the useful life over which cash flows will occur, and the determination of the weighted average cost of capital. The Group recorded \$nil, \$1,819 and \$nil of impairment losses on its equity method investments during the years ended December 31, 2019, 2020 and 2021.

(a) Available-for-sale securities

For investment in preferred shares which is determined to be debt securities, the Group accounts for them as long-term available-for-sale securities when they are not classified as either trading or held-to-maturity investments. Available-for-sale securities are carried at their fair values and the unrealized gains or losses from the changes in fair values are included in accumulated other comprehensive income (loss).

The Group reviews its investment in available-for-sale securities, for other-than-temporary impairment based on the specific identification method. The Group considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. When assessing investments for other-than-temporary declines in value, the Group considers, among other factors, general market conditions, government economic plans, the duration and the extent to which the fair value of the investment is less than the cost, and the Group's intent and ability to hold the investment, in determining if impairment is needed. The Group recorded \$nil, \$613 and \$nil of impairment losses on its available-for-sale securities during the years ended December 31, 2019, 2020 and 2021.

Revenue recognition

On January 1, 2018, the Group adopted ASC 606 applying the modified retrospective method to all contracts that were not completed as of January 1, 2018. Results for reporting period beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

The Group follows five steps for its revenue recognition under ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Group generated its revenues from the following revenue sources:

- (i) Tuition fees generated from kindergarten services, play-and-learn center services and student care services

The Group provides private kindergarten services, play-and-learn centers services and students care centers services to students. Tuition fees are collected in advance and are initially recorded as deferred revenue.

Kindergarten services consist of a series of classes which are highly interdependent and interrelated in the context of the contract and each class is not distinct and not sold standalone. Therefore, the kindergarten services are accounted for as a single performance obligation.

Play-and-learn center services provide a different series of classes which are highly interdependent and interrelated in the context of the contract and each class is not distinct and not sold standalone. Therefore, play-and-learn center services are accounted for as a single performance obligation.

Student care services provide a separate series of classes which are highly interdependent and interrelated in the context of the contract and each class is not distinct and not sold standalone. Therefore, student care services are accounted for as a single performance obligation.

The transaction prices for kindergarten services, play-and-learn centers services and student care services are determined by the contract amount net of refund. For the kindergarten program, the students can claim certain amount of the tuition refund, upon withdrawal, if more than a certain number of classes are missed. For the play-and-learn program, students are entitled to refund, upon withdrawal, for unused portion of the prepaid course fees. For the student care services, the students can claim refund, upon withdrawal, if classes are missed due to illness. The refund amount is subject to the refund policy at each facility and the timing of the student's withdrawal.

Revenues for the kindergarten services and student care center services are recognized on a straight line basis over the service period. Revenues for the play-and-learn centers services are recognized ratably over the course of the programs.

- (ii) Franchising fees

The Group generates revenues by franchising kindergartens and play-and-learn centers under the brand name of RYB. The Group collects from franchisees the initial franchising fees and annual franchise fee. As the initial franchising service and annual franchising service are distinct from each other, the Group identifies two performance obligations accordingly. The transaction price is allocated to each performance obligation based on a relative stand-alone selling price.

Initial franchising fees represent provision of initial set-up services which are typically received upfront and recorded as prepayments from customers. The set-up period usually begins with the site renovation or training services, whichever is earlier, to the time point when kindergartens or play-and-learn centers commence operations, which is approximately 7 or 8 months. Initial franchising fees are recognized over time throughout the set-up period.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition – continued

(ii) Franchising fees – continued

Annual franchise fees represent supporting services provided by the Group to the franchised kindergartens or play-and-learn centers. The related annual franchise fees are received upfront and recorded as deferred revenue. Annual franchise fees are recognized over time throughout the contract terms.

(iii) Sales of educational merchandise

The Group's educational merchandise consists of educational toys, teaching aids, textbooks and other goods. The Group considers both franchisees and end-users as its customers. Prepayments for sales of educational merchandise is recognized as prepayments from customers. Sales of educational merchandise is accounted for as a single performance obligation, and recognized at the point of time when the control of promised goods is transferred to the customers.

(iv) Training services

The Group provides training services to the franchised kindergartens and play-and-learn centers. The Group identified the training services as a single performance obligation, and given the trainings are usually performed during a short period of time, revenues are recognized at the point of time when training services are delivered.

(v) Royalty fees

The Group authorizes its business partners the right to use its educational courses and relevant solutions. The royalty fees are received upfront and recorded as deferred revenue. The Group identified the royalty fees as a single performance obligation, and revenues are recognized over time throughout the contract terms.

Disaggregation of revenue

The following table presents the Group's revenues disaggregated by revenue sources.

	Years ended December 31,		
	2019	2020	2021
Net revenues:			
PRC kindergartens	131,427	68,319	128,402
PRC play-and-learn centers	24,901	12,215	13,254
Singapore kindergartens, student care centers and others	19,073	25,964	31,007
Others	6,882	3,217	7,650
Total net revenues	182,283	109,715	180,313

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2. **SIGNIFICANT ACCOUNTING POLICIES** - continued

Revenue recognition – continued

Disaggregation of revenue – continued

The following table presents the Group's revenues disaggregated by revenue types.

	<u>Years ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>Services:</u>			
Tuition fees from kindergartens, play-and-learn centers and student care centers	147,417	92,123	157,988
Franchise fees	12,269	9,065	10,140
Training and other services	6,156	1,632	4,096
Royalty fees	341	253	180
	<u>166,183</u>	<u>103,073</u>	<u>172,404</u>
<u>Products:</u>			
Sale of educational merchandise	16,100	6,642	7,909
Total net revenues	<u>182,283</u>	<u>109,715</u>	<u>180,313</u>

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Contract liabilities

The Group's contract liabilities consists of prepayments from customers and deferred revenue, primarily relate to the advance consideration received from customers, which include tuition fees received from customers, initial franchise fees and annual franchise fees received from franchisees, advance consideration of educational merchandise received from customers, and royalty fees received from other business partners. The amount from customers before provision of service is recognized as prepayments and when the service is provided, the advance received was recorded in deferred revenue. The prepayments from customers and deferred revenue are recognized as revenue once the criteria for revenue recognition are met.

The table below reflects the Group's contract liabilities:

	As of December 31,	
	2020	2021
Prepayments from customers, current portion	4,145	4,919
Prepayments from customers, non-current portion	4,024	1,461
Deferred revenue, current portion	34,351	27,019
Deferred revenue, non-current portion	1,726	999

The Group recognized \$31,000 and \$28,000 in revenue for the year ended December 31, 2021 and December 31, 2020, respectively, which related to contract liabilities that existed at December 31, 2020 and 2019, respectively. The balances as of December 31, 2020 and 2021 are expected to be recognized as revenue within one to two years.

There was no contract asset recorded as of December 31, 2020 and 2021.

Value added taxes

Pursuant to the PRC tax laws, in case of any product sales, generally the value added tax ("VAT") rate is 17% of the gross sales for general VAT payer before May 1, 2018. Some subsidiaries of the Group are deemed as general VAT payer for the sales of educational merchandise and the intercompany sales. The net VAT balance, after netting off the input VAT, is recorded as accrued expenses and other current liabilities in the Group's consolidated financial statements.

Since May 1, 2018, the VAT rate decreased to 16% of the gross sales for general VAT payer. Therefore, VAT is calculated at 16% on the sales of educational merchandise and paid after deducting input VAT on purchases for the period of May 1, 2018 to March 31, 2019.

Since April 1, 2019, the VAT rate decreased to 13% of the gross sales for general VAT payer. Therefore, VAT is calculated at 13% on the sales of educational merchandise and paid after deducting input VAT on purchases since April 1, 2019.

Tuition fees generated from kindergarten services in the PRC are qualified for VAT exemption pursuant to a circular jointly released by the Ministry of Finance and Finance and State Administration of Taxation. Revenue generated from other services in the PRC, namely play-and-learn center services, franchise fees, royalty fees, and training services, is reported net of VAT, at a rate of 6%, collected on behalf of PRC tax authorities, except for entities who are designated as a small scale VAT payers. Small scale VAT payer is subject to VAT at a rate of 3% on play-and-learn center services and training services, which was reduced to 1% from March 1, 2020 to December 31, 2021, due to the pandemic of COVID-19.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Value added taxes - continued

Goods and Services Tax (“GST”) is a broad-based value added tax in Singapore, which is imposed on all supplies of goods and services in Singapore made by a taxable person for business purposes. GST rate is 7% of the gross sales. Singapore’s entities whose taxable turnover for the past 12 months exceeds SGD\$1 million or the taxable turnover in the next 12 months to be more than SGD\$1 million should be registered as GST-registered companies. For GST-registered entities, their revenue generated from kindergarten services, student care services and others, is reported net of GST collected on behalf of Singapore tax authorities. For Non-GST registered entities, they are qualified for GST exemption for all kinds of revenue.

Income taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the financial statements. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that a portion of or all of the deferred tax assets will not be realized. The impact of an uncertain income tax position is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

Share-based compensation

Share-based compensation are measured based on the grant date fair value of the equity instrument. Share-based compensation expenses are recognized over the requisite service period based on the graded vesting attribution method with corresponding impact reflected in additional paid-in capital. When no future services are required to be performed by grantees in exchange for an award of equity instruments, the cost of the award is expensed on the grant date. The Group elects to recognize forfeitures when they occur.

Government subsidies

The Group receives government subsidies at the discretion of the local government based on certain criteria in relation to the Group’s kindergarten operations. Government subsidies are recognized as liabilities when the government subsidies are received, and released to consolidated statements of operations as government subsidy income when the Group is not subject to further obligation or future refunds. For government subsidies granted to specific kindergartens to subsidize their rental and teacher training costs are recorded by offset to the cost of revenues when the conditions are met.

For the years ended December 31, 2019, 2020 and 2021, \$499, \$4,591 and \$2,491 were recognized as government subsidy income, respectively; \$6,022, \$12,703 and \$20,898 were recognized as reduction of cost of revenues, respectively.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Net income/loss per share

Basic net income/loss per share is computed by dividing net income or loss attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period. The share options exercisable for little to no consideration are considered as issuable ordinary shares, and therefore included in basic shares outstanding. Diluted net income/loss per share reflects the potential dilution that could occur if securities to issue ordinary shares were exercised or converted into ordinary shares. The dilutive effect of outstanding share-based awards is reflected in the diluted net (loss) income per share by application of the treasury stock method.

Comprehensive income (loss)

Comprehensive income (loss) includes net income (loss) and foreign currency translation adjustments and is reported in the consolidated statements of comprehensive income (loss). The Group presents the components of net income (loss), the components of other comprehensive income (loss) and total comprehensive income (loss) in two separate but consecutive statements.

Contingency

The Group is subject to lawsuits, investigations and other claims related to the operation of its kindergartens, product, and other matters, and are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses and fees.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Significant risks and uncertainties

Foreign currency risk

RMB is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. The cash and cash equivalents, term deposit and restricted cash of the Group included aggregate amounts of \$23,263 and \$35,967 which were denominated in RMB, at December 31, 2020 and 2021, respectively, representing 43% and 54% of the cash and cash equivalents, term deposit and restricted cash at December 31, 2020 and 2021, respectively.

Concentration of credit risk

Financial instruments that potentially expose the Group to significant concentration of credit risk primarily consist of cash and cash equivalents, term deposits, accounts receivable, loan receivables, amounts due from related parties and prepaid expenses and other current assets. As of December 31, 2021, all of the Group's cash and cash equivalents and term deposits were deposited in financial institutions located in the PRC, the United States of America and Singapore. Accounts receivable are typically unsecured and are derived from revenue earned from customers in the PRC and Singapore. The risk with respect to accounts receivable is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Significant risks and uncertainties - continued

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There are no revenues or accounts receivable from customers which individually represent greater than 10% of the total net revenues in the three years ended December 31, 2021 or accounts receivable as of December 31, 2020 and 2021.

Recent accounting pronouncements

In December 2019, the FASB issued ASU 2019-12, Income taxes (Topic 740)-Simplifying the accounting for income taxes, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740, Income Taxes. The ASU will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Group adopted the ASU on January 1, 2021, which did not have a material impact on the consolidated financial statements.

In August 2020, the FASB issued ASU No.2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity(Subtopic 815-40):Accounting for Convertible Instruments and Contracts in an Entity's Own Equity(ASU 2020-06),which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The amendments are effective for fiscal years beginning after December 15 2021, including interim periods within those fiscal years, with early adoption permitted. The Group adopted ASU 2020-06 on January 1, 2022, and the adoption had no material impact on the Group's consolidated financial statements.

In May 2021 the FASB issued ASU No. 2021-04, Earnings Per Share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50), Compensation-Stock Compensation (Topic 718). and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)to clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity -classified written call options (for example warrants) that remain equity classified after modification or exchange. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. The Group is currently evaluating the impact of the new guidance on our consolidated financial statements.

In October 2021, the FASB issued ASU No.2021-08 Business Combinations (Tonic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU2021-08),which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606 Revenue from Contracts with Customers. The new amendments are effective for us are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments with early adoption permitted. The Group is currently evaluating the impact of the new guidance on our consolidated financial statements.

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3. BUSINESS ACQUISITIONS

Acquisition in Shenzhen Ranlo Education investment Co., Ltd. ("Shenzhen Ranlo")

On January 1, 2019, the Group acquired 100% equity interest in Shenzhen Ranlo for cash consideration of \$5,985. Shenzhen Ranlo owned and operated a kindergarten located in Shenzhen, PRC. The transaction was considered a business acquisition and recorded using the acquisition method of accounting. The acquired assets and liabilities assumed were recorded at their fair market value at the acquisition date.

The management performed a purchase price allocation with the assistance from an independent appraiser, as of the acquisition date:

		Depreciation or amortization period
Cash and cash equivalents	576	
Other current assets	789	
Property, plant and equipment, net	4,462	5-10 years
Operating lease right-of-use assets	2,612	
Intangible assets:		
Student base	145	4 years
Other current liabilities	(477)	
Deferred tax liabilities	(36)	
Deferred revenue	(245)	
Operating lease liabilities	(2,612)	
Goodwill	771	
Total	<u>5,985</u>	

The results of operations attributable to Shenzhen Ranlo are included in the consolidated statement of operations beginning on January 1, 2019, which included net revenue of \$1,716 and pre-tax net loss of \$661 for the year ended December 31, 2019.

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3. BUSINESS ACQUISITIONS - continued

Acquisition in Global Eduhub Holding Limited. ("GEH")

On April 1, 2019, the Group acquired 77% equity interest in GEH for cash consideration of \$21,414. GEH operates kindergartens and student care centers in Singapore which facilitate the Group to expand its services outside of the PRC. The transaction was considered a business acquisition and therefore was recorded using the acquisition method of accounting. The acquired assets and liabilities assumed were recorded at their fair market value at the acquisition date.

The management performed a purchase price allocation with the assistance from an independent appraiser, as of the acquisition date:

		Depreciation or amortization period
Cash and cash equivalents	663	
Other current assets	2,224	
Property, plant and equipment, net	2,920	5-10 years
Operating lease right-of-use assets	5,924	
Intangible assets:		
Student base	3,650	5.67 years
Trademark	7,766	Indefinite
Initial franchise	1,626	3.75 years
Other current liabilities	(6,266)	
Deferred tax liabilities	(2,217)	
Operating lease liabilities	(6,062)	
Non-controlling interest	(6,895)	
Goodwill	18,081	
Total	<u>21,414</u>	

The results of operations attributable to GEH are included in the consolidated statement of operations beginning on April 1, 2019, which included net revenue of \$19,193 and pre-tax net income of \$1,310 for the year ended December 31, 2019.

As part of this acquisition, the non-controlling shareholders also received a put option to sell their entire non-controlling interests of GEH to the Group based on multiple of GEH's earnings before interest, taxes, depreciation and amortization for the financial year preceding the date when option is exercised. The non-controlling interests have been recorded as redeemable non-controlling interests presented in the mezzanine equity section of the consolidated balance sheets at an initial amount of \$6,895 estimated by the management with the assistance from an independent appraiser. Subsequently, the non-controlling interests were carried at the higher of (1) the initial carrying amount, increased or decreased for the non-controlling interest's share of net income or loss or (2) the expected redemption value.

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3. **BUSINESS ACQUISITIONS** - continued

Acquisition in Shanghai Geleli Technology Development Co. (“Shanghai Geleli”)

On June 4, 2019 the Group acquired 51% equity interest in Shanghai Geleli for cash consideration of \$5,310. Shanghai Geleli is primarily engaged in sale of children toys and teaching aid tools. The acquisition would further enrich Group’s offering on educational merchandise and services to customers. The transaction was considered a business acquisition and therefore was recorded using the acquisition method of accounting. The acquired assets and liabilities assumed were recorded at their fair market value at the acquisition date.

The management performed a purchase price allocation with the assistance from an independent appraiser, as of the acquisition date:

		Depreciation or amortization period
Cash and cash equivalents	1,190	
Other current assets	611	
Operating lease right-of-use assets	64	
Intangible assets:		
Brand	1,129	5 years
Non-compete agreement	347	5 years
Customer relationship	87	9.5 years
Other current liabilities	(177)	
Deferred tax liabilities	(391)	
Operating lease liabilities	(64)	
Non-controlling interest	(4,050)	
Goodwill	6,564	
Total	<u>5,310</u>	

The results of operations attributable to Shanghai Geleli are included in the consolidated statement of operations beginning on June 4, 2019, which included net revenue of \$1,088 and pre-tax net loss of \$77 for the year ended December 31, 2019.

Acquisition in Beijing Xingqiba Network Technology Co., Ltd. (“Beijing Xingqiba”)

On May 1, 2019, the Group acquired 51% equity interest in Beijing Xingqiba for cash consideration of \$1,297. Beijing Xingqiba mainly engages in providing interactive learning software and child art courses, which would supplement well the Group’s online learning platform. This transaction was considered a business acquisition and therefore was recorded using the acquisition method of accounting. The acquired assets and liabilities assumed were recorded at their fair market value at the acquisition date. As of December 31, 2021, consideration payable of \$628 remained outstanding.

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3. BUSINESS ACQUISITIONS - continued

Acquisition in Beijing Xingqiba Network Technology Co., Ltd. ("Beijing Xingqiba") - continued

The management performed a purchase price allocation with the assistance from an independent appraiser, as of the acquisition date:

		Depreciation or amortization period
Cash and cash equivalents	2	
Other current assets	20	
Intangible assets:		
Software and courses	208	5 years
Non-compete agreement	297	6 years
Exclusive agent agreement	30	0.67 year
Other current liabilities	(26)	
Deferred tax liabilities	(134)	
Non-controlling interest	(1,130)	
Goodwill	2,030	
Total	1,297	

The results of operations attributable to Beijing Xingqiba are included in the consolidated statement of operations beginning on May 1, 2019, which included net revenue of \$230 and pre-tax net loss of \$343 for the year ended December 31, 2019.

Acquisition in Mulberry Learning Centre Alexandra Pte. Ltd. ("Mulberry Alexandra")

On November 1, 2019, the Group acquired 100% equity interest in Mulberry Learning Centre Alexandra Pte. Ltd., a kindergarten located in Singapore, for cash consideration of \$1,047. This transaction was considered a business acquisition and therefore was recorded using the acquisition method of accounting. The acquired assets and liabilities assumed were recorded at their fair market value at the acquisition date.

The management performed a purchase price allocation with the assistance from an independent appraiser, as of the acquisition date:

		Depreciation or amortization period
Cash and cash equivalents	283	
Other current assets	67	
Property and equipment, net	91	5-10 years
Operating lease right-of-use assets	557	
Intangible assets:		
Student base	190	5.17 years
Other current liabilities	(431)	
Deferred tax liabilities	(47)	
Operating lease liabilities	(557)	
Goodwill	894	
Total	1,047	

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3. BUSINESS ACQUISITIONS - continued

Acquisition in Mulberry Learning Centre Alexandra Pte. Ltd. (“Mulberry Alexandra”) - continued

The results of operations attributable to Mulberry Alexandra are included in the consolidated statement of operations beginning on November 1, 2019, which included net revenue of \$236 and pre-tax net income of \$70 for the year ended December 31, 2019.

Acquisition in Shanghai Xuanfeng Education Technology Co., Ltd. (“Xuanfeng”)

Xuanfeng is the parent of Shanghai Jinfeng Kindergarten Co., Ltd. (“Jinfeng Kindergarten”) located in Shanghai, PRC. Shanghai Peidi is one of the Group’s subsidiaries who operates JES Island Kindergarten. On November 1, 2021, the Group acquired 55% equity interest in Xuanfeng for a cash consideration of RMB 1 Yuan and the transfer of JES Island Kindergarten’s operational assets including student base, curriculum and management team to Jinfeng Kindergarten. This transaction was considered a business acquisition and the Group was identified as the acquirer. The acquired assets and liabilities assumed were recorded at their fair market value at the acquisition date. Since the Group controls Shanghai Peidi and JES Island Kindergarten before and after the acquisition, the Group recognized the assets and liabilities transferred from JES Island Kindergarten to Jinfeng Kindergarten at their carrying amounts. No gain or loss was recognized in earnings for the difference between the fair value and the carrying amounts of the assets and liabilities. The reduction in the Group’s equity interest in JES Island kindergarten’s transferred assets from 100% to 55% was recorded as an adjustment to APIC.

The following table summarized the fair value of the acquired assets and liabilities which were determined with the assistance from an independent appraiser as of the acquisition date:

	Depreciation or amortization period
Cash and cash equivalents	426
Other current assets	162
Operating lease right-of-use assets	4,326
Intangible assets:	
Student base	188 3.2 years
Other current liabilities	(456)
Deferred tax liabilities	(47)
Operating lease liabilities	(3,970)
Non-controlling interest	(480)
Goodwill	391
Additional paid in capital	(540)
Total	<u> —</u>

The non-controlling interest of \$480 was recorded as of the acquisition date based on 45% of the fair value of the acquired net assets plus 45% of the carrying amount of the net assets transferred from JES Island kindergarten to Jinfeng Kindergarten.

The results of operations attributable to Xuanfeng are included in the consolidated statement of operations beginning on November 1, 2021, which included net revenue of \$nil and pre-tax net loss of \$225 for the year ended December 31, 2021.

The pro forma result of operation for the subsidiary acquired in 2021 has not been presented because it is not material to the consolidated results of operations.

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4. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

A reconciliation of cash and cash equivalents, and restricted cash in the consolidated balance sheets to the amounts in the consolidated statement of cash flows is as follows:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
Cash and cash equivalents	53,454	65,263
Restricted cash	1,127	993
Cash and cash equivalents, and restricted cash	<u>54,581</u>	<u>66,256</u>

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
Accounts receivable	2,311	1,773
Less: allowance for doubtful accounts	(467)	(473)
Accounts receivable, net	<u>1,844</u>	<u>1,300</u>

Movement of allowance for doubtful accounts was as follows:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
Balance at beginning of the year	92	467
Adoption of ASC326	343	—
Addition	15	30
Foreign currency adjustment	17	(24)
Balance at end of the year	<u>467</u>	<u>473</u>

6. INVENTORIES

Inventories consisted of the following:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
Educational merchandise	<u>5,773</u>	<u>6,130</u>

The Group recorded \$199 and \$166 write-downs of inventories from the carrying amount to their net realizable values for the years ended December 31, 2020 and 2021, respectively.

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7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As of December 31,	
	2020	2021
Prepaid service fees	2,196	1,781
Prepaid rental expenses (1)	637	935
Staff advances	528	662
Prepayment for inventories and others	368	283
Government subsidy receivables	2,856	3,192
Receivables from the disposal of subsidiaries and investment (2)	2,589	2,636
Receivables from third party payment platform	306	331
Others	2,325	2,411
	11,805	12,231
Less: allowance for doubtful accounts	(2,878)	(2,887)
	8,927	9,344

(1) The Group adopted Topic 842 on January 1, 2019 using the modified retrospective transition approach allowed under ASU 2018-11 as described in Note 2. The balance as of December 31, 2020 and 2021 represented prepaid rental expenses for short-term leases which the Group elected not to record on balance sheets under Topic 842. The prepaid rental expenses for operating lease expenses over one year as of December 31, 2020 and 2021 were included in the Group's operating lease right-of-use assets on its consolidated balance sheet.

(2) The balance as of December 31, 2020 and 2021 included \$1,909 receivable from the principal shareholder of the Company's investee, Beijing Da Ai Pre-school Management Education Technology Co., Ltd. 100% valuation allowance for doubtful accounts was recorded for the total balance of the receivable as of December 31, 2020 and 2021, respectively (see Note 12).

The other balance as of December 31, 2021 represented the receivables from de-registration and transfer of the six kindergartens in 2021 (see Note 1).

8. LOAN RECEIVABLES

On May 21, 2018, the Group provided a loan of \$574 to a third party supplier, and the interest rate was set at the commercial bank deposit rate. The maturity date of the loan was December 30, 2019. In 2019, the maturity date was extended to December 31, 2020. The Group recorded \$574 credit loss for the year ended December 31, 2020. No credit loss was recorded for the years ended December 31, 2019. The third party supplier repaid \$155 during year ended December 31, 2021 and the Group reversed allowance of such amount for the year ended December 31, 2021.

In August 2018, the Group provided a loan of \$575 to Shanghai Peidi's non-controlling shareholder at interest rate of 7% per annum. The repayment of the loan was guaranteed by 20% equity shares of another company held by the borrower and the loan will be repaid on the second anniversary of the loan origination. The borrower repaid \$153 in December 2020 and the maturity date of remaining balance was extended to March 30, 2021 at the same time. The Group recorded \$354 credit loss for the year ended December 31, 2020. The borrower then repaid \$217 in September 2021 and the Group reversed loan allowance of \$109 accordingly for the year ended December 31, 2021.

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8. LOAN RECEIVABLES - continued

From July to December 2020, the Group provided interest-free loans of \$536 in total to Beijing Rui Le Further Education Technology Co., Ltd (“Beijing Rui Le”), an investee of the Group (See Note 10). The maturity date was 6 months from the loan origination. The Group recorded the total amount of loan receivables as credit loss for the year ended December 31, 2020. During year ended December 31, 2021, the Group provided an interest-free loan of \$168 to Beijing Ruile and the Group recorded credit loss of such amount.

On January 1, 2020, upon adoption of ASC 326, the Group establishes current expected credit losses model for loan receivables and determined that the cumulative effect from the adoption of ASC 326 is immaterial.

9. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

	As of December 31,	
	2020	2021
Buildings	956	978
Furniture, fixture and equipment	14,913	15,397
Leasehold improvement	80,464	79,469
Motor vehicles	1,130	971
Total	97,463	96,815
Less: Accumulated depreciation	(49,428)	(57,248)
Impairment	(397)	(188)
	47,638	39,379

Depreciation expenses were \$9,296, \$9,239 and \$10,555 for the years ended December 31, 2019 2020 and 2021, respectively.

The Group recorded impairment loss for the property, plant and equipment of \$nil, \$374 and \$nil for the years ended December 31, 2019, 2020 and 2021, respectively.

10. GOODWILL

The Group has ten reporting units where they carry goodwill resulting from acquisitions. The changes in carrying amount of goodwill for the years ended December 31, 2020 and 2021 were as follows.

	As of December 31,	
	2020	2021
Costs:		
Beginning balance	53,024	54,938
Addition	210	391
Disposal	—	(796)
Foreign currency adjustment	1,704	1,440
Ending balance	54,938	55,973
Goodwill impairment	(8,791)	(13,871)
Goodwill, net	46,147	42,102

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10. GOODWILL - continued

Goodwill was tested for impairment in the fourth quarter of 2021 for each reporting units. The Group performed its quantitative impairment assessment considering the weighting of both an income and a market approach. The income approach is based on estimated present value of future cash flows for each reporting unit carrying a goodwill balance. The market approach is based on assumptions about how market data relates to each reporting unit carrying a goodwill balance. The weighting of these two approaches is based on their individual correlation to the economics of each reporting unit carrying a goodwill balance.

The fair value of each reporting unit was estimated using a discounted cash flow methodology after considered and weighed the market approach. The discounted cash flow analysis requires significant estimates, including projections of future operating results and cash flows of each reporting unit that are based on internal budgets and strategic plans, expected long-term growth rates, terminal values, weighted average cost of capital and the effects of external factors and market conditions.

When using discounted cash flow model to determine the fair value of each reporting unit, the discounted cash flow model included a number of significant unobservable inputs. Key assumptions used to determine the estimated fair value include: (a) internal cash flows forecasts including expected revenue growth, operating margins and estimated capital needs, (b) an estimated terminal value using a terminal year long-term future growth rate determined based on the growth prospects of the reporting units; and (c) a discount rate that reflects the weighted-average cost of capital ("WACC") adjusted for the relevant risk associated with each reporting unit's operation and the uncertainty inherent in the Group's internally developed forecast.

The following key assumptions were made in the discounted cash flow model to determine the fair value of each reporting unit in the impairment test in the fourth quarter of 2021:

	Reporting Units in PRC	GEH
Revenue growth	2%-14%	8%-12%
WACC	18%	14%
Income Tax Rate	25%	17%
Terminal growth rate	2.3%	2%
Forecasted inflation rate	2.3%	2%

While management believes the assumptions used in our impairment test are reasonable, the fair value estimate is most sensitive to our discount rate and market multiple assumptions as these amounts are reflective of the market's perception of our ability to achieve our projected cash flows.

Based on the impairment analysis of December 31, 2021, the Group concluded that the goodwill of the reporting units of Shanghai Peidi of \$4,559 was fully impaired, while no goodwill impairment was noted for the other four reporting units as their fair value exceeded the carrying amount of these reporting units. As such, \$4,559 impairment loss of goodwill was recorded for the year ended December 31, 2021.

Based on the impairment analysis as of December 31, 2020, the Group considered that the goodwill and intangible assets of the reporting units of Shanghai Geleli and Beijing Xingqiba (See Note 3) were fully impaired. As such, \$8,454 impairment loss of goodwill and \$1,720 impairment loss of intangible assets was recorded for the year ended December 31, 2020.

The Group recorded \$337, \$8,454 and \$4,559 impairment of goodwill for the years ended December 31, 2019, 2020 and 2021, respectively.

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11. INTANGIBLE ASSETS, NET

Intangible assets, net, consisted of the following:

	As of December 31,	
	2020	2021
Intangible assets not subject to amortization:		
Trademark	7,766	7,766
Intangible assets subject to amortization:		
Trademark	1,551	2,298
Student base	7,939	8,213
Initial franchise	1,626	1,626
Brand	1,195	1,224
Non-compete agreement	674	690
Customer relationship	92	94
Software and courses	545	669
Contracts	31	31
Total costs	21,419	22,611
Less: accumulated amortization	(5,334)	(7,923)
impairment	(1,906)	(1,951)
Intangible assets, net	14,179	12,737

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11. INTANGIBLE ASSETS, NET - continued

Amortization expenses for intangible assets for the years ended December 31, 2019, 2020 and 2021 were \$2,224, \$2,431 and \$2,493, respectively. As of December 31, 2021, the estimated amortization expenses related to intangible assets for next five years is expected to be as follows:

Years ending December 31,	
2022	2,259
2023	1,213
2024	937
2025	112
2026	82
2027 and thereafter	368
Total expected amortization expense	<u>4,971</u>

The Group recorded impairment loss for the intangible assets of \$79, \$1,720 and \$nil for the years ended December 31, 2019, 2020 and 2021, respectively.

12. LONG-TERM INVESTMENTS

Equity method investments

In April 2016, the Group invested cash consideration of \$231 to set up a joint venture, Hainan RYB International Kindergarten Management Co., Ltd (“Hainan RYB”), with a third party, and obtained 51% equity interest in ownership. The Group holds three seats out of five of the board of directors of Hainan RYB. Subject to the articles of association of Hainan RYB, the adoption of any resolution of the board of directors shall require the affirmative vote of all directors of Hainan RYB. The Group used the equity method to account for the investment, because the Group had the ability to exercise significant influence but did not have control over the investee.

In September 2016, the Group invested cash consideration of \$301 to acquire 16% equity interest in Beijing Seven Children Education Technology Co., Ltd. (“Seven Children”). The Group holds one seat out of three of the board of directors of Seven Children. The Group used the equity method to account for the investment, because the Group had the ability to exercise significant influence but did not have control over the investee.

In November 2018, the Group invested cash consideration of \$4,400 for 19% equity interest in Beijing Da Ai Pre-school Management Education Technology Co., Ltd. (“Beijing Da Ai”). The Group holds one seat out of three of the board of directors of Beijing Da Ai. The Group accounts for the investment using equity method, because the Group has the ability to exercise significant influence but does not have control over the investee. In March 2020, the Company recorded an impairment loss of \$1,819 for this investment based on the fair value. In August 2020, pursuant to the investment agreement dated in November 2018, the Group sold the investment in Beijing Da Ai to the principal shareholder at a consideration of the original consideration the Group paid. The Group recorded the receivables of \$1,909 from the principal shareholder in the prepaid expenses and other current assets. As of December 31, 2020, full valuation allowance was recorded to the receivables as the Group believe the collectability is remote (see Note 7).

On May 19, 2021, the Group entered into a cooperative agreement with Shanghai Minban Golden Apple (“Golden Apple”), a company established in the PRC, principally engaged in providing education service. Under the agreement, Golden Apple and the Group founded a joint venture to set up Shanghai Golden Apple International JES Island Kindergarten (“Golden Apple Kindergarten”). Golden Apple contributed classroom, office, playroom and parking lot and owned 51% equity interest in the joint venture, while the Group contributed teachers, courses, advertising and kids admittance and had 49% equity interest in the joint venture. Golden Apple is responsible for the operation of Golden Apple Kindergarten. The Group used the equity method to account for the investment, because the Group had the ability to exercise significant influence but did not have control over the joint venture.

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12. LONG-TERM INVESTMENTS - continued

Equity method investments - continued

The Group shared loss of \$664, \$185 and \$15 from its equity method investments during the years ended December 31, 2019, 2020 and 2021, respectively.

Available-for-sale securities

On July 2, 2019, the Group entered into an investment agreement with the owners of Beijing Rui Le, a company established in the PRC, principally engaged in providing pre-school education training services. The Group purchased 16% equity ownership interest for cash consideration of \$575. The investment was classified as available-for-sale security and measured at fair value as the Group determined that investment was debt security due to the redemption option available to the investor. In 2020, the Group determined that the investment was impaired and the impairment was other-than-temporary. The Group recorded \$nil, \$613 and \$nil of impairment losses during the years ended December 31, 2019, 2020 and 2021.

13. OTHER NON-CURRENT ASSETS

Other non-current assets consisted of the following:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
Rental deposits ⁽¹⁾	5,964	5,428
Prepayment for investments ⁽²⁾	6,017	2,197
Prepayment for property, plant and equipment	1,943	927
Others	514	116
	<u>14,438</u>	<u>8,668</u>

(1) Rental deposits represent office and kindergartens rental deposits for the Group's operations, which will not be refunded within one year.

(2) On June 21, 2019, the Group entered into an agreement to additionally acquire 10% equity interest, from the non-controlling interest holder, of Shandong Buladun. As of December 31, 2019, the group paid consideration for this acquisition of \$1,362 in cash. The transaction has not yet been completed as of December 31, 2021.

On September 6, 2019, the Group entered into agreement to acquire 10% equity interest, from the non-controlling interest holder of Digital Knowledge World Co., Ltd. As of December 31, 2019, the group has paid consideration for this acquisition of \$4,636 in cash. The transaction has been completed in November 2021.

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14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The components of accrued expenses and other current liabilities are as follows:

	As of December 31,	
	2020	2021
Salary and welfare payable	29,862	31,539
Accrued expenses	9,534	9,511
Payables for purchase of property, plant and equipment	2,416	1,372
Payables for purchase of educational merchandise	4,351	4,841
Other tax payable	294	684
Acquisition consideration payable	613	628
Others	7,336	7,067
	<u>54,406</u>	<u>55,642</u>

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15. LEASES

Operating leases

The Group's leases consist of various operating lease contracts for offices, kindergartens, play-and-learn centers and student care centers in different cities in the PRC and in Singapore. The Group determines if an arrangement is a lease at inception. The Group's leases have remaining lease terms of up to seventeen years, none of them include options to extend or terminate the leases. Some lease agreements contain lease and non-lease components, which the Group chooses to account for as separate components. The allocation of the consideration between the lease and the non-lease components is based on the relative stand-alone prices included in the lease contracts. None of the amounts disclosed below for these leases contains variable payments, residual value guarantees or options that were recognized as part of the right-of-use assets and lease liabilities. As of December 31, 2020 and 2021, the Group had no leases that were classified as a financing lease. As of December 31, 2020 and 2021, the Group did not have additional operating leases that have not yet commenced but create significant rights and obligations for the Group.

Total operating lease expenses for the years ended December 31, 2020 and 2021 was \$15,634 and \$16,799, respectively, which was recorded in cost of revenues, and general and administrative expenses on the consolidated statements of operations.

The short term lease expenses for the years ended December 31, 2020 and 2021 was \$1,219 and \$1,234, respectively, which was recorded in cost of revenues, and general and administrative expenses on the consolidated statements of operations.

The Group recorded impairment loss for operating lease right-of-use assets of \$54 and \$nil for the years ended December 31, 2020 and 2021, respectively.

For the year ended December 31, 2021:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows used in operating leases	17,896
Right-of-use assets obtained in exchange for new lease obligations:	4,964

As of December 31, 2021:

Weighted average remaining lease term	7.82 year
Weighted average discount rate	7.66 %

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15. **LEASES** - continued

Operating leases - continued

The following is a maturity analysis of the annual undiscounted cash flows for the annual periods ended December 31:

Years ending December 31,	
2022	16,901
2023	17,822
2024	12,869
2025	11,140
2026	8,853
2027 and thereafter	37,811
Less: imputed interest	25,817
Total operating lease liabilities	79,579
Less: current operating lease liabilities	13,890
Non-current operating lease liabilities	65,689

16. **FAIR VALUE MEASUREMENT**

Measured or disclosed at fair value on a recurring basis

The Group's financial assets and liabilities primarily include cash and cash equivalents, term deposits, available-for-sale securities, restricted cash, accounts receivable, loan receivables, amounts due from related parties, other receivables, long-term debt, amount due to related parties and other payables.

The carrying amounts of cash and cash equivalents, term deposits, restricted cash, accounts receivables, loan receivables, amounts due from related parties, other receivables, amount due to related parties and other payables approximate their fair values. The carrying amount of long-term debt approximates fair value as its interest rates are at the same level of current market yield for comparable loans.

The Group measured available-for-sale securities based on a valuation which utilizes income approach to determine the equity value and the options-pricing method to determine the allocated values between preferred shares and common shares. The available-for-sale securities are classified within Level 3 of the fair value hierarchy because the Group used unobservable inputs to value the investments. The significant unobservable inputs include the forecast financial performance of the investee business and discount rate to determine the fair value of the business.

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16. FAIR VALUE MEASUREMENT - continued

Measured or disclosed at fair value on a non-recurring basis - continued

The Group's goodwill and intangible assets are primarily acquired through business acquisitions. Purchase price allocation are measured at fair value on a nonrecurring basis as of the acquisition dates. The Group measures its goodwill and intangible assets at fair value on a nonrecurring basis annually or whenever events or changes in circumstances indicate that carrying amount of a reporting unit exceeds its fair value. Intangible assets are measured using the income approach - discounted cash flow method when events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. For goodwill impairment testing, refer to Note 10 for details. The Group recognized impairment loss of \$337, \$8,454 and \$4,559 related to goodwill and \$79, \$1,720 and \$nil related to intangible assets acquired for the years ended December 31, 2019, 2020 and 2021.

The Group measures property, plant and equipment and operating lease right-of-use assets at fair value on a non-recurring basis when events or changes in circumstances indicate that the carrying amount of these assets or asset group may not be recoverable. The fair value is determined using models with significant unobservable inputs (Level 3 inputs), primarily the management projection of discounted future cash flow and the discount rate. The Group recorded impairment loss on property, plant, and equipment and operating lease right-of-use assets of \$nil, \$428 and \$nil during the years ended December 31, 2019, 2020 and 2021.

The Group measures long-term equity method investment at fair value on a non-recurring basis whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. The fair value is determined using models with significant unobservable inputs (Level 3 inputs), primarily the management projection of discounted future cash flow and the discount rate. The Group recognized impairment loss of \$nil, \$1,819 and \$nil related to the long-term equity method investment for the years ended December 31, 2019, 2020 and 2021. The Group recognized impairment loss of \$nil, \$613 and \$nil related to the available-for-sale investment for the years ended December 31, 2019, 2020 and 2021.

17. ORDINARY SHARES

The Company's fifth amended and restated Memorandum and Article of Association authorized the Company to issue 990,000,000 ordinary shares with a par value of \$0.001 per share.

On November 5, 2015, the Company re-designated 10,115,854 ordinary shares as Class A ordinary shares.

On November 5, 2015, the Company issued 13,047,947 Class B ordinary shares to RYB Education Limited (a company established by Ms. Yanlai Shi, the director and Chief Executive Officer of the Company), with total proceeds of \$50,224. RYB Education Limited shall be entitled to receive special dividend and any dividend declared in relation to the future investor financing transaction, which shall not be declared in favor of or distributed to any Class A ordinary shareholders.

Pursuant to the 5th Amended and Restated Memorandum of Association of the Company dated August 30, 2017, upon the completion of IPO, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Except for voting and conversion rights, holder of Class A ordinary shares and Class B ordinary shares have the same rights.

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17. ORDINARY SHARES - continued

Upon the completion of the Company's IPO in September, 2017, (i) 3,253,870 of Class A ordinary shares were re-designated as Class B ordinary shares on a one-for-one basis, (ii) 9,352,676 of Class B ordinary shares were re-designated Class A ordinary shares on a one-for-one basis, (iii) the golden share was redeemed by the Company, and (iv) the Company offered and issued 5,500,000 Class A ordinary shares with a par value \$0.001 per share at the total proceeds of \$94,627 through IPO. IPO related expense is \$4,492, out of which \$3,073 was paid in 2017 and the remaining was paid in 2018.

As of December 31, 2021, there were 22,264,660 and 6,949,141 shares issued for Class A and Class B ordinary shares, respectively; and there were 21,086,793 and 6,949,141 shares outstanding for Class A and Class B ordinary shares, respectively.

Share repurchase program

On November 24, 2017, the Company announced that the board of directors of the Company has approved a share repurchase program whereby the Company is authorized to repurchase its own ordinary shares in the form of American depositary shares with an aggregate value of up to \$50,000 during the next 12 months. As of December 31, 2021, the Company did not repurchase any shares under this program.

On December 18, 2018, the Company announced that the board of directors of the Company approved another share repurchase program whereby the Company is authorized to repurchase its own ordinary shares in the form of American depositary shares with an aggregate value of up to \$12,000 during the next 12 months. Pursuant to this share repurchase plan, the Company repurchased 1,627,455 shares in 2019, with a total consideration of approximately \$12,000 at a price range of \$6.50 to \$8.00 per share, including brokerage commissions. The shares repurchased by the Company were accounted for at cost as treasury stock. The Company has re-issued 226,408 and 449,588 repurchased shares for settlement of restricted shares vested as of December 31, 2020 and 2021, respectively.

18. SHARE INCENTIVE PLAN

The Company adopted the 2009 and 2017 Share Incentive Plans for the grant of share options to employees, directors and non-employees to provide incentive for their services.

The maximum number of ordinary shares that may be delivered pursuant to compensatory awards granted to the employees, directors and non-employees under the 2009 Share Incentive Plan should not exceed 2,573,756 ordinary shares of par value \$0.001 per share.

The maximum aggregate number of ordinary shares that may be issued pursuant to all awards is initially 2,059,005, plus an annual increase on the first day of each of the Company's fiscal years the term of the 2017 Share Incentive Plan, commencing with the fiscal year beginning January 1, 2018, by an amount equal to 2.0% of the total number of ordinary shares issued and outstanding on the last day of the immediately preceding fiscal year.

On June 22, 2017, the Company granted a total of 1,286,878 share options to directors at an exercise price of \$11.66 per option. The options will vest in accordance with the vesting schedules set out in the respective share option agreements.

If the Company completes a qualified IPO before June 22, 2018, the vesting and expiration terms are:

- (i) 25% of the share options will be vested and exercisable on June 22, 2018, and will expire on June 21, 2027;
- (ii) 75% of the share options will be vested quarterly in twelve quarters with equal quarterly installments after June 22, 2018, and will expire on June 21, 2027.

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18. SHARE INCENTIVE PLAN - continued

If the Company does not complete a qualified IPO before June 22, 2018, the vesting and expiration terms are:

- (i) 25% of the share options will be vested and exercisable on the date of 1st trading date of the IPO, and will expire on June 21, 2027;
- (ii) 75% of the share options will be vested quarterly in twelve quarters with equal quarterly installments after the 1st trading date of the IPO, and will expire on June 21, 2027.

As the Company completed the qualified IPO on September 27, 2017, the first vesting schedule applied.

On June 22, 2017, the Company granted a total of 772,127 share options to employees at an exercise price of \$11.66 per option. The options will vest in accordance with the vesting schedules set out in the respective share option agreements. The vesting and expiration terms are:

- (i) 25% of the share options will be vested and exercisable on June 22, 2018, and will expire on June 21, 2027;
- (ii) 75% of the share options will be vested quarterly in twelve quarters with equal quarterly installments after June 22, 2018, and will expire on June 21, 2027.

On July 1, 2017, the Company granted a total of 50,300 share options to a director and a consultant at weighted average exercise price of \$1.48 per option. The options were fully vested on the grant date and will expire on June 30, 2027.

On April 2, 2018, the Company granted 20,000 share options to an employee at an exercise price of \$0.01 per option. The options will vest in accordance with the vesting schedules set out in the respective share option agreements. The vesting and expiration terms are:

- (i) 25% of the share options will be vested and exercisable on April 1, 2019, and will expire on April 1, 2028;
- (ii) 75% of the share options will be vested quarterly in twelve quarters with equal quarterly installments after April 1, 2019, and will expire on April 1, 2028.

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18. SHARE INCENTIVE PLAN - continued

In 2020, the Company granted 554,000 share options to employees at an exercise price of \$0.001 per option. 25% of the share options will be vested and exercisable upon 1st anniversary year following the grant date, and the remaining 75% of the share options will be vested quarterly in twelve quarters with equal quarterly installments from the vesting date of the first installment, and the contract term is 10 years from grant date.

A summary of the share option activities is as follows:

	Number of options outstanding	Weighted average exercise price	Weighted average grant-date fair value per option	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Options outstanding at January 1, 2021	4,556,458	6.16	3.43	5.36	2,175
Granted	—	—	—	—	—
Forfeited	(26,300)	7.20	4.04	—	—
Options outstanding at December 31, 2021	4,530,158	6.15	3.43	4.29	2,846
Options expected to vest at December 31, 2021	4,530,158	6.15	3.43	4.29	2,846
Vested and exercisable at December 31, 2021	4,114,658	6.77	3.51	3.83	1,730

The weighted average grant date fair value of options granted during the years ended December 31, 2019, 2020 and 2021 were \$ nil, \$2.69 and \$nil, respectively. The total fair value of options vested during the year ended December 31, 2019, 2020 and 2021 were \$3,320, \$2,990 and \$1,910, respectively. The total intrinsic value of options exercised during the year ended December 31, 2019, 2020 and 2021 were \$nil, \$nil and \$nil, respectively.

For share options that vest on grant date, the cost of award is expensed on the grant date. For the graded vesting share options, the Company recognizes the compensation cost over the requisite service period for each separately vesting portion of the award as if the award is, in substance, multiple awards. The Company recorded share-based compensation expenses relating to share options of \$2,069, \$1,198 and \$924 for the years ended December 31, 2019, 2020 and 2021, respectively.

As of December 31, 2021, total unrecognized compensation expenses relating to share options were \$544, which is expected to be recognized over a weighted average period of 1.77 years.

The fair value of the options granted is estimated on the dates of grant using the binomial option pricing model with the following assumptions used.

Grant date	As of December 31, 2020
Risk-free interest rate	0.86%-0.93 %
Expected volatility	40 %
Expected dividend yield	—
Exercise multiples	2.2
Fair value of underlying ordinary share	2.38~2.7

(1) Risk-free interest rate

Risk-free interest rate was estimated based on the treasury long term rate of U.S. Treasury Department with a maturity period close to the expected term of the options.

(2) Expected volatility

Expected volatility of the underlying ordinary shares during the lives of the options was estimated based on the historical stock price volatility of comparable listed companies over a period comparable to the expected term of the options.

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18. SHARE INCENTIVE PLAN - continued

(3) Expected dividend yield

Expected dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

(4) Exercise multiples

Exercise multiple represents the value of the underlying share as a multiple of exercise price of the option which, if achieved, results in exercise of the option.

(5) Fair value of underlying ordinary shares

The estimated fair value of the ordinary shares underlying the options as of the respective grant dates was determined based on the Company's share price.

Nonvested shares

On March 14, 2018, the Company granted 200,000 nonvested shares to three directors and executive officers. 25% of the nonvested shares will be vested on March 14, 2019. 75% of the nonvested will be vested quarterly in twelve quarters with equal quarterly installments after March 14, 2019. The grant date fair value of the nonvested shares was \$20.43 per share, which was the closing price of the Company's ordinary share on New York Stock Exchange ("NYSE") on March 14, 2018. This grant resulted in a total share-based compensation of \$4,086, to be recognized ratably over the requisite service period of 4 years.

On October 24, 2018, the Company granted 18,000 nonvested shares to a non-employee. 25% of the nonvested will be vested on October 23, 2019. 75% of the nonvested will be vested quarterly in twelve quarters with equal quarterly installments after October 23, 2019. The grant date fair value of the nonvested shares was \$17.11 per share, which was the closing price of the Company's ordinary share on NYSE on October 24, 2018. This grant resulted in a total share-based compensation of \$308, to be recognized ratably over the requisite service period of 4 years.

On July 29, 2019, the Company granted 8,388 nonvested shares to an employee. 25% of the nonvested will be vested on July 29, 2020. 75% of the nonvested will be vested quarterly in twelve quarters with equal quarterly installments after July 29, 2020. The grant date fair value of the nonvested shares was \$6.06 per share, which was the closing price of the Company's ordinary share on NYSE on July 29, 2019. This grant resulted in a total share-based compensation of \$51, to be recognized ratably over the requisite service period of 4 years.

On August 20, 2019, the Company granted 240,000 nonvested shares to two directors and executive officers. 25% of the nonvested will be vested on August 20, 2020. 75% of the nonvested will be vested quarterly in twelve quarters with equal quarterly installments after August 20, 2020. The grant date fair value of the nonvested shares was \$6.69 per share, which was the closing price of the Company's ordinary share on NYSE on August 20, 2019. This grant resulted in a total share-based compensation of \$1,606, to be recognized ratably over the requisite service period of 4 years.

On December 4, 2019, the Company granted 9,146 nonvested shares to an employee. 25% of the nonvested will be vested on December 4, 2020. 75% of the nonvested will be vested quarterly in twelve quarters with equal quarterly installments after December 4, 2020. The grant date fair value of the nonvested shares was \$5.55 per share, which was the closing price of the Company's ordinary share on NYSE on December 4, 2019. This grant resulted in a total share-based compensation of \$51, to be recognized ratably over the requisite service period of 4 years.

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18. SHARE INCENTIVE PLAN - continued

Nonvested shares - continued

On August 27, 2020, the Company granted 333,750 nonvested shares to three directors and executive officers. 25% of the nonvested will be vested on August 27, 2021. 75% of the nonvested will be vested quarterly in twelve quarters with equal quarterly installments after August 27, 2020. The grant date fair value of the nonvested shares was \$3.03 per share, which was the closing price of the Company's ordinary share on NYSE on August 27, 2020. This grant resulted in a total share-based compensation of \$1,011, to be recognized ratably over the requisite service period of 4 years.

A summary of the nonvested shares activities is as follows:

	<u>Number of nonvested shares outstanding</u>	<u>Weighted average grant date fair value</u>	<u>Aggregate intrinsic value</u>
Nonvested shares outstanding at January 1, 2021	582,876	6.21	1,381
Granted	—	—	—
Vested	(223,180)	8.25	—
Nonvested shares outstanding at December 31, 2021	359,696	4.94	712

The weighted average grant date fair value of nonvested shares granted during the years ended December 31, 2019, 2020 and 2021 were \$6.63, \$3.03 and \$nil, respectively. The total fair value of nonvested shares vested during the years ended December 31, 2019, 2020 and 2021 were \$669, \$403, and \$656 respectively.

The Group recognized compensation expense over the requisite service period for each separately vesting portion of the award as if the award is in substance, multiple awards. The Company recorded share-based compensation expenses relating to nonvested shares of \$1,893, \$1,732 and \$1,097 for the years ended December 31, 2019, 2020 and 2021, respectively. As of December 31, 2021, total unrecognized compensation expenses relating to nonvested shares were \$513, which is expected to be recognized over a weighted average period of 1.45 years.

19. INCOME TAXES

Cayman Islands

The Company is a tax-exempt entity incorporated in Cayman Islands.

Hong Kong

The Company's subsidiaries located in Hong Kong and are subject to a profits tax rate of 8.25% on assessable profits on the first Hong Kong Dollars ("HK\$") 2 million and 16.5% for any assessable profits in excess of HK\$2 million starting from the financial commencing on April 1, 2018.

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19. INCOME TAXES - continued

Singapore

The Company's subsidiaries located in Singapore are generally subject to Singapore corporate income tax at a rate of 17% in 2021. Under the group relief system, subject to meeting the requisite conditions, the companies may deduct unused capital allowances, trade losses, and donations for the current year against the assessable income of another company in the same group. The Company's subsidiaries located in Singapore should also benefit from the partial tax exemption scheme, which provides 75% exemption from tax for the first SGD\$10 thousand chargeable income and 50% exemption from tax for the next SGD\$190 thousand chargeable income for the year ended December 31, 2021.

China

The Company's subsidiaries, the VIEs and the VIEs' subsidiaries and kindergartens, which were entities established in the PRC (the "PRC entities") are subject to PRC Enterprise Income Tax (EIT), on the taxable income in accordance with the relevant PRC income tax laws, which have adopted a unified income tax rate of 25% since January 1, 2008.

The current and deferred components of the income tax expense appearing in the consolidated statements of operations are as follows:

	Years ended December 31,		
	2019	2020	2021
Current tax expense	6,010	3,438	4,726
Deferred tax benefit	(2,469)	(3,223)	(1,286)
	<u>3,541</u>	<u>215</u>	<u>3,440</u>

The principal components of deferred tax assets and deferred tax liabilities are as follows:

	Years ended December 31,	
	2020	2021
Deferred tax assets		
Accrued expenses	3,407	4,803
Net operating loss carry-forwards	24,223	22,788
Operating lease liabilities	22,397	19,209
Inventory write-down	50	42
Allowance for doubtful accounts receivables and other receivables	758	1,003
Allowance for loan receivables	366	360
Impairment of long-term investments	153	157
Impairment of long-lived assets other than intangible assets	113	61
Total deferred tax assets	<u>51,467</u>	<u>48,423</u>
Less: valuation allowance	(9,646)	(8,428)
Total deferred tax assets, net	<u>41,821</u>	<u>39,995</u>
Deferred tax liabilities		
Acquired intangible assets, net	2,499	2,092
Operating lease right-of-use assets	20,044	16,848
Total deferred tax liabilities	<u>22,543</u>	<u>18,940</u>
Deferred income tax assets, net	<u>21,168</u>	<u>22,803</u>
Deferred tax liabilities, net	<u>1,890</u>	<u>1,768</u>

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19. INCOME TAXES - continued

The roll forward of valuation allowances of deferred tax assets were as follows:

	Years ended December 31	
	2020	2021
Balance as of beginning of year	(2,859)	(9,646)
Additions of valuation allowance	(6,234)	1,534
Foreign currency translation adjustments	(553)	(316)
Balance as of end of year	<u>(9,646)</u>	<u>(8,428)</u>

As of December 31, 2021, the Group had net operating loss carried forward from the PRC entities of \$90,123. The carry forward loss of \$9,829, \$15,654, \$11,650, \$37,883 and \$15,107 will expire by 2022, 2023, 2024, 2025 and 2026, respectively, if not utilized.

The reconciliation of the effective tax rate and the statutory income tax rate applicable to PRC operations is as follows:

	Years ended December 31,		
	2019	2020	2021
Income (loss) before income taxes	2,015	(40,783)	6,984
Income tax expense computed at an applicable tax rate of 25%	504	(10,196)	1,746
Permanent differences	108	2,975	2,169
Effect of income tax rate difference in other jurisdictions	2,092	1,202	1,059
Change in valuation allowance	837	6,234	(1,534)
	<u>3,541</u>	<u>215</u>	<u>3,440</u>

In addition, uncertainties exist with respect to how the current income tax law in the PRC applies to the Group's overall operations, and more specifically, with regard to tax residency status. The New EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for Chinese Income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the New EIT Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting and properties, occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that the legal entities organized outside of the PRC within the Group should be treated as residents for EIT law purposes. If the PRC tax authorities subsequently determine that the Company should be deemed resident enterprises, the Company will be subject to the PRC income taxes, at a rate of 25%.

If any entity within the Group that is outside the PRC were to be a non-resident for PRC tax purposes dividends paid to it out of profits earned by PRC subsidiaries after January 1, 2008 would be subject to a withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with the PRC. As of December 31, 2021, the Company's subsidiaries, the VIEs, and VIEs' subsidiaries and kindergartens located in the PRC recorded aggregate accumulated deficits. Accordingly, no deferred tax liabilities has been accrued for the Chinese dividend withholding taxes.

The Group did not identify significant unrecognized tax benefits for the years ended December 31, 2019, 2020 and 2021. The Group did not incur any interest and penalties related to potential underpaid income tax expenses and also does not anticipate any significant increases or decreases in unrecognized tax benefits in the next 12 months from December 31, 2021.

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20. EMPLOYEE DEFINED CONTRIBUTION PLAN

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund, unemployment insurance and other welfare benefits are provided to employees. Chinese labor regulations require that the Group's PRC entities make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were \$13,041, \$9,136 and \$11,698 for the years ended December 31, 2019, 2020 and 2021, respectively. As a result of COVID-19, the PRC government exempted or reduced certain enterprises' contributions to basic pension insurance, unemployment insurance, and work injury insurance ("certain social insurance"). The Company's PRC subsidiaries and VIEs were exempted from contributions to certain social insurance between February 2020 and December 2020. The exemption was recognized as a reduction of cost of revenues and operating expenses in the amount of \$3,491 for the year ended December 31, 2020.

21. NET INCOME/LOSS PER SHARE

Basic and diluted net (loss) income per share for each of the periods presented were calculated as follows. Shares issuable for little consideration have been included in the number of outstanding shares used for basic and diluted loss per ordinary share.

	Years ended December 31,		
	2019	2020	2021
Numerator:			
Net (loss) income attributable to ordinary shareholders of RYB Education, Inc. for computing basic and diluted net (loss) income per ordinary share	(2,434)	(37,280)	6,790
Denominator:			
Weighted average ordinary shares outstanding used in computing basic net (loss) income per ordinary share	28,074,624	28,122,851	28,208,734
Effects of dilutive securities			
Options	—	—	700,715
Nonvested shares	—	—	53,031
Weighted average ordinary shares outstanding used in computing diluted net income per ordinary share	28,074,624	28,122,851	28,962,480
Net (loss) income per ordinary share-basic	(0.09)	(1.33)	0.24
Net (loss) income per ordinary share-diluted	(0.09)	(1.33)	0.23

For the years ended December 31, 2019, 2020 and 2021, the following shares outstanding were excluded from the calculation of diluted net (loss) income per ordinary share, as their inclusion would have been anti-dilutive for the periods presented.

	Years ended December 31,		
	2019	2020	2021
Share options	4,008,558	4,556,458	3,315,748
Nonvested shares	383,534	582,876	17,000
	4,392,092	5,139,334	3,332,748

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22. RELATED PARTY TRANSACTION

(1) Related parties

Name of related parties	Relationship with the Group
Ms. Zhiying Li	Spouse of Mr. Chimin Cao, who is Chairman of the Board of Directors of the Company

(2) The related party transactions are as follows:

	Years ended December 31,		
	2019	2020	2021
Rental expense recorded:			
Ms. Zhiying Li ⁽ⁱ⁾	492	586	627
	<u>492</u>	<u>586</u>	<u>627</u>

(i) The transactions with the related party shown above represent the office rental expenses recorded in each year.

23. COMMITMENTS AND CONTINGENCIES***Purchase commitments***

Future minimum purchase obligations payments under non-cancelable purchase agreements related to curriculum collaboration with international institutions consisted of the following at December 31, 2021:

Years ending December 31,	
2022	475
2023	340
2024	342
2025	122
2026	142
2027 and thereafter	2,562
	<u>3,983</u>

Contingencies

In order to operate kindergartens, the Group is required to obtain and maintain various approvals, licenses, and permits and to fulfill registration and filing requirements pursuant to applicable laws and regulations. For instance, to establish a kindergarten, a private school operation permit from the local education bureau and registration certificate for private non-enterprise entities with the local civil affairs bureau will be required, and the Group is required to periodically renew the private school operation permit and pass annual inspections conducted by the relevant government authorities.

Given the significant amount of discretion the local PRC authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond control of the Group, while the Group intends to obtain all requisite permits and complete necessary filings and registrations on a timely basis for the Group's operations, the Group cannot assure to obtain all required permits in time.

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23. COMMITMENTS AND CONTINGENCIES - continued

Contingencies - continued

If the Group fails to receive required permits or certificates in a timely manner, or at all, the Group may be subject to fines, confiscation of the gains derived from the non-compliant operations, suspension of the non-compliant teaching facilities or liability to indemnify economic loss suffered by the Group's students, which may materially and adversely affect the Group's business, financial conditions and results of operations.

Currently, the Group has not received private school operation permits or registration certificates for private non-enterprise entities for certain directly operated kindergartens, and the Group is in the process of obtaining the permits or certificates for these kindergartens. During the years ended December 31, 2019, 2020, 2021, net revenues generated from these kindergartens were \$9,559, \$6,110, and \$6,321 respectively.

On November 7, 2016, the Standing Committee of the National People's Congress promulgated the Decision on Amending the Law on the Promotion of Private Education of the PRC (the "Amended Private Education Law"), which became effective on September 1, 2017. On December 29, 2018, the Decision of the Standing Committee of the National Peoples Congress on Amending the Seven Laws of the Labor Law of the PRC was promulgated by Order No. 24 of the President of the PRC and took into effect on the same date, which made two minor adjusts to Article 26 and Article 64 of the Amended Private Education Promotion Law. On November 7, 2018, the Central Committee of the Communist Party of China and the State Council promulgated the Opinions of the CPC Central Committee and State Council on Deepening Reform in Preschool Education. On March 5, 2004, the PRC State Council promulgated the Implementation Rules for the Law for Promoting Private Education, or the PE Implementation Rules, which became effective on April 1, 2004. PE Implementation Rules was amended on April 7, 2021, and took effective on September 1, 2021. Due to lack of authoritative interpretation and implementation guidance, the potential impact related to the Group not fully complying with the Amended Private Education Law or any relevant regulations cannot be reasonably estimated at the issuance of this report.

The Company, three of its directors and officers, and certain underwriters for the Company's initial public offering were named as defendants in a putative class action filed in the Superior Court of the State of California for the County of San Mateo. The complaint alleges that the Company's registration statements contained misstatements or omissions regarding its business, operations and prospects in violation of the U.S. securities laws. On November 2, 2020, the class action was voluntarily dismissed without prejudice.

The Company and certain of its directors and officers were named as defendants in a putative class action filed, on November 21, 2018, in the Supreme Court of the State of New York County of Queens. The complaint alleges that the Company's registration statements contained misstatements or omissions regarding the Company's business and operations in violation of the U.S. securities laws. The complaint states that the plaintiffs seek to represent a class of persons who allegedly suffered damages as a result of their purchase of the Company's securities issued pursuant to and traceable to the Company's initial public offering on or about September 27, 2017, and alleges violations of the U.S. securities laws. On October 19, 2020, the class action was voluntarily discontinued.

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24. SEGMENT INFORMATION

The Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer of the Company, who reviews financial information of operating segments when making decisions about allocating resources and assessing performance of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur costs, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group's CODM.

The Group has four operating segments, including PRC kindergartens, PRC play-and-learn centers, Singapore kindergartens, student care centers and others, and others.

The Group's CODM evaluates performance based on each reporting segment's revenue, costs of revenues and gross profit (loss). Revenues, cost of revenues and gross profits (loss) by segment are presented below. Separate financial information of operating income by segment is not available.

	Years ended December 31,		
	2019	2020	2021
Net revenues:			
PRC kindergartens	131,427	68,319	128,402
PRC play-and-learn centers	24,901	12,215	13,254
Singapore kindergartens, student care centers and others	19,073	25,964	31,007
Others	6,882	3,217	7,650
Total net revenues	182,283	109,715	180,313
Cost of revenues:			
PRC kindergartens	113,315	78,901	106,566
PRC play-and-learn centers	14,269	8,610	8,634
Singapore kindergartens, student care centers and others	16,200	21,513	25,362
Others	11,750	7,877	8,580
Total cost of revenues	155,534	116,901	149,142
Gross profit (loss)			
PRC kindergartens	18,112	(10,582)	21,836
PRC play-and-learn centers	10,632	3,605	4,620
Singapore kindergartens, student care centers and others	2,873	4,451	5,645
Others	(4,868)	(4,660)	(930)
Total gross profit (loss)	26,749	(7,186)	31,171

The Group's CODM does not review the financial position by operating segments, thus total assets by operating segment are not presented.

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24. SEGMENT INFORMATION - continued

Geographical information

The Company's operations are located in the PRC and Singapore. The Company's revenues and long lived assets by geographic areas (based on location of customers) are detailed below:

	<u>Years ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
Net Revenues:			
PRC	163,210	83,751	149,306
Singapore	19,073	25,964	31,007
	<u>182,283</u>	<u>109,715</u>	<u>180,313</u>
		<u>As of December 31,</u>	
		<u>2020</u>	<u>2021</u>
Long-lived assets:			
PRC		128,206	102,769
Singapore		15,600	13,992
		<u>143,806</u>	<u>116,761</u>

25. RESTRICTED NET ASSETS

Relevant PRC statutory laws and regulations permit payments of dividends by the Group's PRC entities only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company's entities.

Prior to payment of dividends, pursuant to the PRC laws and regulations, enterprises incorporated in the PRC must make appropriations from after-tax profit to non-distributable reserve funds as determined by the Board of Directors of each company. These reserves include (i) general reserve, and (ii) other reserves at the discretion of the Board of Director.

Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the PRC entity registered capital; the other reserve appropriations are at the Company's discretion. These reserves can only be used for specific purposes of enterprise expansion and are not distributable as cash dividends. The Company's subsidiaries, the VIEs, and VIEs' subsidiaries, contributed \$nil and \$nil the general reserve during the years ended December 31, 2020 and 2021, respectively.

PRC laws and regulations require kindergartens that require reasonable returns to contribute 25% of after-tax income before payments of dividend to a fund to be used for the construction or maintenance of the kindergarten or procurement or upgrading of educational facility. For kindergartens that do not require reasonable returns, this amount should be equivalent to no less than 25% of the annual increase of its net assets as determined in accordance with generally accepted accounting principles in the PRC. For the Group's kindergartens, amounts contributed to the reserve of \$592 and \$512 the years ended December 31, 2020 and 2021, respectively.

These reserves are included as statutory reserves in the consolidated statements of changes in equity. The statutory reserves cannot be transferred to the Company in the form of loans or advances and are not distributable as cash dividends except in the event of liquidation.

Because the Group's PRC entities can only be paid out of distributable profits reported in accordance with PRC accounting standards, the Group's PRC entities are restricted from transferring their net assets to the Company. The restricted amounts include the paid-in capital and statutory reserves of the Group's PRC entities. The Group's restricted net assets was \$13,356 as of December 31, 2021.

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26. SUBSEQUENT EVENT

To better adapt to the evolving trends of the education sector in China, management of the Group has been considering the plan to sell the directly operated kindergarten business in China as a group and has initiated the action to locate buyers since January 2022. On March 1, 2022, the subsidiaries of the Company, RYB Technology and TJ Qiyuan have entered into termination agreements with certain variable interest entities, Beijing RYB and Beiyao. By entering into those termination agreements, the Company will no longer be the primary beneficiary of its directly operated kindergarten business in China beginning on April 30, 2022, when the Divestiture will become effective (“the date of the Divestiture”). The Divestiture aims to fully address compliance requirements with regard to relevant laws and regulations (including the Opinions of the State Council on Deepening Reform and Standardized Development of Preschool Education as well as the Regulations on the Implementation of the Law on the Promotion of Private Education).

This Divestiture includes the termination of agreements by and among RYB Technology, TJ Qiyuan, Beijing RYB, Beiyao and their shareholders. As a result, 90 directly operated kindergartens in China will be divested. As the consideration for the termination of VIE agreements, an aggregate amount of RMB158.5 million will be paid in installments to RYB Technology and TJ Qiyuan. At the same time, to ensure ongoing stability and sustained provision of quality kindergarten education, the subsidiaries of the Company have entered into a series of service agreements to provide brand royalty, training, management IT system, recruitment, and curriculum design services to the previous VIEs and/or their subsidiaries.

As part of the Divestiture, RYB Technology has entered into a loan agreement with Beijing RYB and Beiyao to reflect the net balance of historical inter-company lending and borrowing as of the date of the Divestiture, the exact amount of which is subject to the further audit procedure completion.

The following tables summarize the unaudited pro forma statements of financial position and pro forma unaudited statements of operations of all the entities as a group (“Divestiture part”) that would be deconsolidated through the Divestiture, as well as those of all entities that remain in the Group (“Non Divestiture part”) as of and for the year ended December 31, 2021, as if the Divestiture had become effective on January 1, 2021. Service fees which would be collected by the Non Divestiture part from the Divestiture part starting from April 30, 2022, and the income tax impact of the Divestiture are not reflected in the unaudited pro forma financial statements. The Divestiture journal entry reflects the balance of receivable and gain from the Divestiture by the Non Divestiture part.

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26. SUBSEQUENT EVENT - continued

UNAUDITED PRO FORMA STATEMENTS OF FINANCIAL POSITION

	As of December 31, 2021			
	Consolidated	Divestiture	Pro Forma Adjustment	Non Divestiture
ASSETS				
Current assets				
Cash and cash equivalents	65,263	31,892	—	33,371
Term deposits	215	215	—	—
Accounts receivable	1,300	27	—	1,273
Inventories	6,130	—	—	6,130
Prepaid expenses and other current assets	9,344	6,409	—	2,935
Total current assets	82,252	38,543	—	43,709
Non-current assets				
Restricted cash	993	993	—	—
Property, plant and equipment, net	39,379	32,967	—	6,412
Goodwill	42,102	22,925	—	19,177
Intangible assets, net	12,737	1,638	—	11,099
Long-term investments	169	—	—	169
Deferred tax assets	22,803	13,969	—	8,834
Other non-current assets	8,668	3,194	—	5,474
Operating lease right-of-use assets	73,973	49,581	—	24,392
Amounts due from related parties (for Divestiture)	—	—	22,576	22,576
Amounts due from related parties	—	—	44,664	44,664
TOTAL ASSETS	283,076	163,810	67,240	186,506
LIABILITIES				
Current liabilities				
Prepayments from customers, current portion	4,919	183	—	4,736
Accrued expenses and other current liabilities	55,642	32,337	—	23,305
Income tax payable	20,888	20,020	—	868
Operating lease liabilities, current portion	13,890	8,503	—	5,387
Deferred revenue, current portion	27,019	18,865	—	8,154
Long-term debt, current portion	—	—	—	—
Amounts due to related parties	—	44,664	44,664	—
Total current liabilities	122,358	124,572	44,664	42,450
Non-current liabilities				
Prepayments from customers, non-current portion	1,461	540	—	921
Deferred revenue, non-current portion	999	—	—	999
Other non-current liabilities	11,645	2,071	—	9,574
Deferred income tax liabilities	1,768	14	—	1,754
Operating lease liabilities, non-current portion	65,689	47,239	—	18,450
TOTAL LIABILITIES	203,920	174,436	44,664	74,148
NET ASSETS (LIABILITIES)	79,156	(10,626)	22,576	112,358

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26. **SUBSEQUENT EVENT** - continued

UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS

	For the year ended December 31, 2021			
	Consolidated	Divestiture	Divestiture Adjustment	Non Divestiture
Net revenues	180,313	102,966	—	77,347
Cost of revenues	149,142	94,590	—	54,552
Gross profit	31,171	8,376	—	22,795
Selling expenses	2,491	1,291	—	1,200
General and administrative expenses	20,286	2,181	—	18,105
Impairment loss on goodwill	4,559	4,559	—	—
Total operating expenses	27,336	8,031	—	19,305
Operating income	3,835	345	—	3,490
Interest income	219	144	—	75
Government subsidy income	2,491	1,053	—	1,438
Gain (loss) on disposal of subsidiaries	439	459	—	(20)
Gain on divestiture	—	—	34,068	34,068
Income before income taxes	6,984	2,001	34,068	39,051
Less: Income tax expenses	3,440	1,126	—	2,314
Income before loss from equity method investments	3,544	875	—	36,737
Loss from equity method investments	(15)	(8)	—	(7)
Net income	3,529	867	34,068	36,730

On April 30, 2022, Zhudou Investment (Beijing) Co., Ltd. (“Zhudou Investment”), together with its shareholders and its subsidiaries, entered into the exclusive consultation and service agreement, business operation agreement, exclusive option agreement and equity pledge agreement with one of the Company’s subsidiaries. In addition, Zhudou Investment and the shareholders of Zhudou Investment have signed the power of attorney and spouses of the shareholders of Zhudou Investment have signed the spousal consent respectively. Two of Zhudou Investment’s subsidiaries both hold valid Internet Content Provider license, which, pursuant to PRC laws and regulations, can only be held by companies with an ultimate capital contribution percentage by foreign investor(s) not exceed 50%, other than certain exceptions, and the main foreign investor must satisfy a number of stringent performance and operational experience requirements.

TERMINATION AGREEMENT

THIS TERMINATION AGREEMENT (the “**Agreement**”) is entered into on the _____ day of March 1, 2022 (the “**Signing Date**”) in Beijing, People’s Republic of China (“**China**”), by and between

Party A: Beijing RYB Technology Development Co., Ltd.

Legal representative: SHI Yanlai

Address: Suite 268, No. 1 Building, No. 8 Hangfeng Road, Science City, Fengtai, District, Beijing

Party B: Beijing RYB Children Education Technology Development Co., Ltd.

Legal representative: HAN Yuzheng

Address: F1-1, 4/F., No. 29 Building, Zone 1, Fangguyuan, Fangzhuang, Fengtai District, Beijing

Party C: See Appendix 1 hereto for a detailed list

The parties to this Agreement are collectively referred to as the “Parties” and mutually referred to as a “Party”.

WHEREAS

A. the following agreements (hereinafter collectively referred to as the “Contractual Arrangement Documents”) have been entered into between the Parties, including.

- a) the Amended and Restated Exclusive Consulting and Services Agreement dated 4 November 2015 (the “**Exclusive Consulting and Services Agreement**”);
- b) the Amended and Restated Business Operation Agreement dated 4 November 2015 (the “**Business Operation Agreement**”) as well as the Power of Attorney respectively issued by Party C members to Party A as Annex I to the Business Operation Agreement (See Appendix II hereto for the list);
- c) the Amended and Restated Equity Disposal Agreement dated 4 November 2015 (the “**Equity Disposal Agreement**”);
- d) the Equity Pledge Agreement dated 4 November 2015, signed by Party A, Party B and Party C (See Appendix III for the list); and
- e) the Confirmation Letter issued by each Party C member (other than JIANG Jianchuan) and the Spouse’s Commitment Letter issued by each Party C member’s spouse (if any) respectively in June 2017. (See Appendix V for the detailed list).

B. The Parties intend to terminate all of the above contractual arrangement documents in accordance with the terms and conditions hereof.

On the basis of the foregoing and after friendly discussion, the Parties have now reached an agreement as follows.

ARTICLE I TERMINATION OF CONTRACTUAL ARRANGEMENT DOCUMENTS

1.1 April 30, 2022 shall be referred to herein as the “**Contractual Arrangement Termination Date**”. The Parties have discussed and agreed that, unless otherwise agreed herein, all Contractual Arrangement Documents shall be released and terminated in full on the Contractual Arrangement Termination Date.

1.2 The Parties have agreed to terminate the Exclusive Consultancy and Services Agreement on the Contractual Arrangement Termination Date. The rights and obligations under the said Exclusive Consultancy and Services Agreement shall cease on the Contractual Arrangement Termination Date. Each party shall no longer enjoy any rights under the Exclusive Consultancy and Services Agreement or have any duties or obligations under the Exclusive Consultancy and Services Agreement.

1.3 The Parties have agreed to terminate, on the Contractual Arrangement Termination Date, the Business Operation Agreement and the Power of Attorney respectively issued by Party C members to Party A as Annex I to the Business Operation Agreement (See Appendix II hereto for the list). With effect from the Contractual Arrangement Termination Date, the rights and obligations under the above Business Operation Agreement and the Power of Attorney shall cease accordingly; each party shall no longer enjoy any rights under the Business Operation Agreement and the Power of Attorney, or have any duties or obligations under the Business Operation Agreement and the Power of Attorney.

1.4 The Parties have agreed to terminate the Equity Disposal Agreement on the Contractual Arrangement Termination Date. With effect from the Contractual Arrangement Termination Date, the rights and obligations under the Equity Disposal Agreement shall cease accordingly; each party shall no longer enjoy any rights under the Equity Disposal Agreement or have any duties or obligations under the Equity Disposal Agreement.

1.5 The Parties have agreed that the Equity Pledge Agreement signed by Party A, Party B and Party C respectively shall be terminated with effect from the Contractual Arrangement Termination Date (See Appendix III for the list); the Parties shall immediately cooperate with Party C in taking all necessary measures to register the cancellation of the Equity Pledge under the said Equity Pledge Agreement, including but not limited to signing a written document and agreeing to the release and cancellation of the equity pledge (See Appendix IV for the template of Equity Pledge Release Agreement), and do everything possible to complete the process within 7 days after the Contractual Arrangement Termination Date.

1.6 The Parties have agreed that, with effect from the Contractual Arrangement Termination Date, the Confirmation Letter issued by each Party C member (other than JIANG Jianchuan) and the Spouse’s Commitment Letter issued by each Party C member’s spouse (if any) respectively (See Appendix V for the detailed list) shall be terminated. Party C and/or any Party C member’s spouse shall no longer enjoy any rights under the Confirmation Letter or the Spouse’s Commitment Letter or have any duties or obligations under the under the Confirmation Letter or the Spouse’s Commitment Letter.

1.7 The Parties have confirmed that with effect from the Contractual Arrangement Termination Date, Party C shall hold the Equity Interests of Party B and enjoy all shareholders' rights under the Equity Pledge Agreement in full, free from defects and encumbrances in accordance with the relevant laws and Party B's Articles of Association, except for the equity pledged under the Equity Pledge Agreement which have been registered according to the Equity Pledge Agreement yet the registration cancellation has not completed hereunder.

1.8 The Parties have confirmed that, between the Parties, there is no any other agreements or documents that create or may create a controlling relationship or similar binding on Party B other than all of the contractual arrangement documents set out herein. In the case that such an agreement or document exists, the Parties have agreed unconditionally that, with effect from the Contractual Arrangement Termination Date, such agreement or document shall be terminated automatically and all Parties shall give up or waive any of their rights or obligations under such agreement or document.

ARTICLE II TERMINATION COMPENSATION

2.1 In consideration of the fact that after the termination of the Contractual Arrangement Document, Party A will no longer be able to continue conducting business with Party B on an ongoing basis and derive revenue therefrom, the Parties have agreed that, as compensation payable to Party A in respect of the termination of the entire Contractual Arrangement Document, Party B will pay to Party A a total termination compensation of RMB139,475,000 in cash to Party A's designated bank account (hereinafter referred to as the "**Termination Compensation**"). The arrangements for the payment of the Termination Compensation are as follows.

2.1.1 On or before 30 April 2023, Party B shall credit RMB50,211,000 to the bank account designated by Party A.

2.1.2 On or before 30 April 2024, Party B shall credit RMB44,632,000 to Party A's designated bank account.

2.1.3 On or before 30 April 2025, Party B shall credit RMB44,632,000 to Party A's designated bank account.

2.2 The Parties confirms that in the event of Party B failing to perform its obligation to pay the Termination Compensation on time and in full in accordance with Article 2.1 hereof, Party B shall pay to Party A the late payment liquidated damages calculated at the rate of three ten thousandths of the unpaid amount of the Termination Compensation payable by Party B to Party A for each day of overdue payment.

2.3 The Parties confirm that, in order to ensure the fulfillment of Party A's claim under Article 2.1 hereof, Beijing Beiyao Technology Development Co., Ltd. (hereinafter referred to as "**Beiyao Technology**") has agreed to provide joint and several guarantee for Party B's obligation of paying the Termination Compensation under Article II hereof. Party A shall enter into a separate guarantee contract with Beiyao Technology.

2.4 The Parties confirm that, after the Contractual Arrangement Termination Date, no party shall propose any recourse, recovery or claim against any other party based on the content or terms of the terminated Contractual Arrangement Documents, or based on the execution, performance and termination of the said documents, other than the Termination Compensation payable by Party B to Party A in accordance with Article II hereof.

ARTICLE III PRESENTATIONS AND WARRANTIES

On the signing date hereof, each party makes representations and warranties to the other Parties as follows.

3.1 the Party is entitled to sign this Agreement, exercise its rights and perform and comply with its obligations hereunder; the person signing this Agreement on behalf of the Party is a duly authorized legal and valid representative of the Party; and the Party has completed all internal decision-making, deliberation or authorization procedures required to sign this Agreement.

3.2 the execution and performance hereof has not violated and will not violate

3.2.1 any law, regulation or regulatory document or the requirements of any governmental authority, judicial body or other regulatory body with which the Party is required to comply;

3.2.2 the Party's Articles of Association any other organizational documents of the Party (if applicable);

3.2.3 any contract, agreement or similar legal document to which the Party is legally bound.

3.3 This Agreement, upon signing, shall constitute a legal and valid binding and binding obligation on such Party and shall be enforceable against it in accordance with the terms and conditions hereof.

ARTICLE IV DEFAULT

4.1 A breach of, or failure to perform, any of the representations, warranties, obligations or liabilities of any party hereto shall constitute a default hereof.

4.2 In the event that one Party is in default, any Observant Party may issue a notice to the Defaulting Party stating the event of default and requiring the Defaulting Party to correct the default immediately within a reasonable period of time as required by the Observant Party or to take remedy measures to the satisfaction of the Observant Party. Furthermore, any Observant Party shall be entitled to claim full compensation for all losses, damages and costs and expenses incurred by the Defaulting Party in connection with any proceedings, claims, etc.

ARTICLE V ENTRY INTO FORCE AND TERMINATION

5.1 This Agreement shall enter into force upon the date of signature as set out at the beginning of the text.

5.2 This Agreement may be terminated under any of the following circumstances.

5.2.1 The Parties agree in writing to terminate this Agreement after friendly discussion.

5.2.2 In the event that one Party is in default of its obligations hereunder, after an Observant Party has given written notice to the Defaulting Party requiring rectification or remedy in accordance with this Agreement, the Defaulting Party does not rectify the default or take remedial measures to the satisfaction of the Observant Party within a reasonable period of time as required by the Observant Party, the Observant Party shall have the right to terminate this Agreement unilaterally.

5.2.3 Any party shall have to right to terminate this Agreement unilaterally in the event that continued performance hereof is rendered impossible due to any change or amendment to laws or regulations.

5.2.4 Any party shall have to right to terminate this Agreement unilaterally in the event of impossibility of performing this Agreement due to a force majeure event that lasts for more than six (6) months.

In the case that the parties terminate this Agreement by consensus in accordance with Article 5.2.1 above, this Agreement shall be terminated on the date of the written document duly signed by the Parties agreeing on the termination; if any Party terminates this Agreement in accordance with Articles 5.2.2, 5.2.3 or 5.2.4 above, this Agreement shall be terminated on the date when the Party entitled to terminate issues written notice to the other parties of its decision on terminating this Agreement.

ARTICLE VI MISCELLANEOUS

This Agreement shall be governed by the laws of China, and such laws shall also be applicable to the establishment, validity, interpretation and performance of the Agreement as well as the resolution of dispute arising therefrom.

6.1 In the event of a dispute between the Parties concerning the interpretation or performance hereof, the Parties shall first endeavour to resolve the dispute by friendly discussion and negotiation. If such discussion and negotiation fails, any dispute or claim arising from this Agreement shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration in Beijing in accordance with the then effective rules of the Commission. The language of arbitration shall be Chinese. The arbitration rules shall be deemed to be part of this Article and the arbitral award shall be final and binding upon all the parties.

6.2 Any amendment to this Agreement shall be made in writing by the Parties hereto and signed by each Party before it enters into force.

6.3 Where any provision hereof or its application becomes or is declared illegal, invalid or unenforceable, all the other provisions hereof Agreement shall continue to be in full force and effect. The parties shall further agree that they will replace such invalid or unenforceable provision with a legal and enforceable one and that such replacement provision shall, to the extent possible, achieve the economic, commercial or other purposes of which that invalid or unenforceable provision was meant for.

6.4 None of the Parties shall be deemed to have waived any provision hereof unless such waiver is made in writing by a Party. Any Party's not exercising any of its rights hereunder shall not be deemed to be a waiver of any such rights or a waiver of the future exercise of any such rights.

6.5 This Agreement is made and entered into in the Chinese language.

(End of text)

IN WITNESS WHEREOF, the Parties have executed this Termination Agreement on the date set out on the front page hereof.

Party A: Beijing RYB Technology Development Co., Ltd. (Seal)

Legal representative (Signature): /s/ SHI Yanlai

IN WITNESS WHEREOF, the Parties have executed this Termination Agreement on the date set out on the front page hereof.

Party B: Beijing RYB Children Education Technology Development Co., Ltd. (Seal)

Legal representative (Signature): /s/ HAN Yuzheng

IN WITNESS WHEREOF, the Parties have executed this Termination Agreement on the date set out on the front page hereof.

Party C:

/s/ ZHOU Haiying
/s/ CAO Chimin
/s/ SHI Yanlai
/s/ HU Wen
/s/ HAN Xia
/s/ YANG Meng
/s/ ZHONG Manwei
/s/ MA Ling
/s/ JIANG Jianchuan
/s/ YUAN Junzhi
/s/ LI Shixin
/s/ LIN Yuhua
/s/ GAO Shouyan
/s/ TANG Ning
/s/ HAN Yuzheng
/s/ SI Yujiu
/s/ SHI Xiaodan
/s/ CAO Hongmei
/s/ CHEN Yongchun
/s/ LI Yunjie
/s/ ZHANG Yunli
/s/ CAO Anya
/s/ XUE Chunman
/s/ YAO Lan
/s/ SUN Yanbing
/s/ ZHANG Miao
/s/ CAI Weijuan
/s/ CAO Anyu
/s/ JIA Chunhong

BRAND LICENSE AGREEMENT

(Applicable to direct business)

Party A: Beijing RYB Technology Development Co., Ltd.

Unified Social Credit Code: 911101066699005887

Address: Suite 268, No. 1 Building, No. 8 Hangfeng Road, Science City, Fengtai, District, Beijing

Telephone No.: 010-87675611

Contact Person and email: FANG Xin

Party B: Beijing RYB Children Education Technology Development Co., Ltd.

Unified Social Credit Code : 91110106103016080K

Address: F1-1, 4/F., No. 29 Building, Zone 1, Fangguyuan, Fangzhuang, Fengtai District, Beijing

Telephone No.: 010-67638809

Contact Person and email: Han Yunzheng

WHEREAS:

- A. Party A is a limited liability company duly incorporated and validly existing in the People's Republic of China (hereinafter referred to as "**China**"); at the same time, Party A has the ownership or right to use of brand resources such as RYB, Yihang and IvyGreen, etc. (including the trademarks associated, hereinafter referred to as the "**RYB and Associated Brands**").
- B. Party B is a limited liability company duly incorporated and validly existing in China; Party B and/or its subsidiaries is/are the organizing or managing party/Parties of kindergartens.
- C. Now Party A has agreed to grant license of RYB and Associated Brands to Party B, while Party B has agreed to accept the such granting of license.

NOW THEREFORE, both Parties have agreed to enter into this Brand License Agreement (hereinafter referred to as "**the Agreement**") in accordance with the *Civil Code of the People's Republic of China* and relevant laws and administrative rules under the principle of friendliness, equality and mutual benefit.

ARTICLE I THE CONTENT

1.1 Party A has agreed to grant to Party B the license to use the RYB and Associated Brands hereunder (including the trademarks associated with such brands) in China as set out in Appendix I hereto, and Party B has agreed to accept the foregoing license-granting. Party B shall use the RYB and Associated Brands to the extent and in the manner set out in Appendix I hereto.

1.2 In relation to the contents of the license hereunder, Party A agrees that Party B has the right to sub-license to kindergartens in which Party B and/or its subsidiaries acts/act as the organizing or managing party (including current and future kindergartens in which Party B and/or its subsidiaries acts/act as the organizing or managing party, hereinafter referred to as “**Party B’s kindergartens**”). See Appendix II for the detailed list of current Party B’s Kindergartens in China).

Party B shall, within the first 5 working days of each billing cycle (as defined below), provide an updated list of Party B’s kindergartens as of the end date of the previous billing cycle (as defined below) to Party A, and undertake not to terminate any organizing or managing relationship with any Party B’s kindergartens without prior consent from Party A’s (for the avoidance of doubt, termination due to government’s policy or regulation adjustments, requirements from competent government authorities or non-Party B-related reasons shall be excepted).

Without Party A’s written permission, Party B shall not sub-license or transfer the licensed content to other third party except for Party B and Party B’s Kindergartens during the licensing period, and Party B shall undertake to ensure that no Party B’s Kindergarten shall sub-license or transfer the licensed content to any other third party.

1.3 Party B has the responsibility to safeguard Party A’s legitimate rights and interests on the licensed content. Where any infringement of the RYB and Associated Brands is found, Party B shall immediately inform Party A in writing and actively provide assistance (including but not limited to providing specific factual proofs as well as accepting Party A’s commission and handling related matters, etc.).

ARTICLE II THE TERM

2.1 The term of license under this Contract shall be 15 years from the effective date of the Agreement. Prior to the expiration of the term, both Parties shall negotiate no later than 30 days in advance on the extension of the license period in good faith. It is also agreed by both Parties that priority is given to the other Party under equal conditions to reach consensus on the licensing matters in the principle of fair market pricing.

2.2 In the course of the term, Party B shall not terminate the Agreement in advance. In the event of early termination on the part of Party B, Party B shall pay Party A a liquidated damage calculated by the standard set forth as below: either Party B’s total payable amount of licence fees for the past 12 months as agreed upon hereunder (average monthly license fee during the performance of the Agreement x 12 months, where the Agreement has been performed less than 12 months by early termination); or RMB 29 million (whichever is higher).

2.3 Where the Parties do not renew this Agreement in accordance with Article 2.1 at the expiration of the licensing term, this Agreement shall terminate and shall be deemed to be the termination of the licensing hereunder by Party A. Party B shall immediately urge Party B Kindergartens to stop any activities related to the licensed content and stop using the licensed content, otherwise it shall be deemed as infringement and shall bear the corresponding legal responsibility.

ARTICLE III LICENSE FEE AND PAYMENT

3.1 **License fee:** Both Parties agree that from the effective date of the Agreement, Party B shall pay the license fee to Party A every three calendar months as a billing cycle (hereinafter referred to as the “**Billing Cycle**”). The license fee for each Billing Cycle hereunder shall be charged at 5.0% of the operating revenue of each Party B’s Kindergarten of that Billing Cycle, subject to the determination by the Parties by consensus in writing after the effective date of the Agreement (but no less than 5.0%). The operating revenue of each Party B’s Kindergarten during such Billing Cycle shall be based on the data entered in such kindergarten’s own ledger, and Party B shall ensure that the data recorded in such ledger is true, accurate and complete.

3.2 **Payment:** The license fees hereof shall be settled and paid once within each Billing Cycle. Within 30 days after the end of a Billing Cycle, Party B shall send to Party A, in writing, a payment notice, while Party A shall confirm, in writing, within 5 days after receiving such written notice. Within 10 working days after both Parties have reached consensus on the aforesaid payment notice as well as Party B has received an invoice issued by Party A agreed upon hereunder, Party B shall pay in full the license fees for the previous Billing Cycle in a lump sum. Where Party B delays payment due to Party A’s failure to issue an invoice in time, Party B shall not be held liable for any breach of agreement.

3.3 Details of Party A’s bank account designated for receiving license fees hereunder are specified as follows:

Beneficiary Name: [*****]

Beneficiary Bank Name: [*****]

Beneficiary Account Number: [*****]

Within the license term agreed upon hereunder, Party A shall notify Party B in writing of any changes in the designated bank account in advance.

3.4 After reaching an agreement on the payment notice of license fees for the said Billing Cycle, Party A shall issue a legally valid VAT Special Invoice in full amount in a timely manner. Party B’s detailed invoice issuance information is as follows:

Name: [*****]

Taxpayer Identification Number: [*****]

Address: [*****]

Telephone No.: [*****]

Bank name: [*****]

Bank account No.: [*****]

Within the term agreed upon hereunder, Party B shall notify Party A in writing in advance of any change in relation to the invoice issuance information.

ARTICLE IV INTELLECTUAL PROPERTY

4.1 The Ownership of Intellectual Property

In relation to the contents of the license hereunder, Party A shall enjoy the ownership of the RYB and Associated Brands (See Appendix I for the list of corresponding trademarks 1-18) or the right to use (See Appendix I for the list of corresponding trademarks No. 19- No.20); besides, (1) Party A's such ownership is protected by the *Trademark Law of the People's Republic of China* and other relevant laws and regulations; (2) the trademarks No. 19- No. 20 listed in Appendix I are owned by Party A's affiliates and are protected by the *Trademark Law of the People's Republic of China* and other relevant laws and regulations. Party A has obtained authorization from its affiliates and has the right to provide sub-license to Party B in accordance with this Agreement.

4.2 Undertakings of Intellectual Property

4.2.1 In the event that, as a result of Party B's use of the Licensed Content as agreed here, a third party brings a lawsuit or suit against Party B alleging infringement of the third party's trademark or other legal rights, Party B shall immediately notify Party A in writing of any such claim. Party B shall not, without Party A's prior written consent, make any undertaking against or may prejudice Party A in connection with such claim. Party B agrees to provide reasonable assistance to Party A in this regard.

4.2.2 Party B shall and Party B shall urge Party B's Kindergartens to comply with the relevant laws and regulations strictly in day-to-day business activities, and safeguard Party A's rights and interests fully. When Party B uses any resource of RYB and Associated Brands, it shall keep the format and content of such resource the same as that of the resources provided by Party A.

ARTICAL V REPRESENTATIONS AND WARRANTIES

5.1 Party A warrants that it has full rights or full authorization to sign and perform the Agreement, and that its performance of obligations hereunder will not violate Party A's obligations under any other agreement.

5.2 Party B warrants that it has full rights or full authorization to sign and perform the Agreement, and that its performance of obligations hereunder will not violate Party B's obligations under any other agreement.

5.3 In view of the licensed content provided by Party A and the sound cooperation between both Parties, Party B further warrants that within the term of license agreed upon hereunder, except with Party A's prior written consent, Party B shall neither accept from any third party the same or similar licensed content as or to that hereunder, nor enter into any similar cooperation with any third party on the matters covered hereunder. At the same time, Party B confirms that within the term of license, Party B and/or its subsidiaries have no intention to independently develop any other brand. Where any new development is needed, Party B undertakes to communicate with Party A in advance, and after an agreement being reached between the two Parties, Party A will own the newly-developed brand (including any trademark associated) and license it to Party B with reference to the terms and conditions as agreed herein. In the event that Party A's brand licensing strategy or licensing plan changes, Party A shall inform Party B in a timely manner, and both Parties will agree on the new brand licensing plan after the above changes by following the principles and cooperation modes agreed herein, subject to the specific agreement to be reached by both Parties.

ARTICLE VI LIMITATION OF LIABILITY AND LIABILITY FOR BREACH OF CONTRACT

6.1 Both Parties shall perform their respective contractual obligations hereunder in a friendly and cooperative manner, and neither Party shall unilaterally terminate this Agreement unless otherwise provided by law.

6.2 In the event that one Party is in default (the "Defaulting Party"), the Observant Party shall be entitled to compensation from the Defaulting Party for the Observant Party's direct or indirect losses, while the Defaulting Party shall compensate the Observant Party for all losses, damages, liabilities, costs or expenses thus incurred. Such losses include but are not limited to indemnity payments, court costs, attorneys' service fees, deposition costs, etc.

6.3 Where Party B fails to pay the license fees pursuant to this Contract, Party B must pay Party A a penalty of 3‰ (three thousandths) of the overdue payment on a daily basis.

6.4 Both Parties confirm that Beijing Boshi Yingjia Technology Co., Ltd. and Shanghai Peidi Culture Communication Co., Ltd. (hereinafter collectively referred to as the "**Guarantor**") agree to assume joint and several liability for the performance of Party B's obligations to pay the license fees under Article III of the Contract, so as to ensure the realization of Party A's creditor's rights under Article III of this Contract. Party A shall sign a separate guarantee contract with the Guarantors.

ARTICLE VII CONFIDENTIALITY

Both Party A and Party B acknowledge that confidential information constitutes valuable trade secrets, and therefore have agreed to use each other's confidential information only in strict compliance with the provisions set forth under this Contract. Both Parties has agreed as follows:

7.1 Both Parties shall maintain confidentiality of all confidential information and take all necessary precautions (including but not limited to measures taken by both Parties to protect their own confidential information) to prevent unauthorized use or disclosure of such confidential information.

7.2 Neither Party shall provide any third party with the confidential information or any information derived therefrom. The confidentiality obligations stipulated hereunder for both Parties shall not be ended by any alteration or termination of this Contract, and shall only be released under the condition that such confidential information becomes public knowledge. Should either Party be required by laws, regulations, regulatory documents, government administrations, regulators or stock exchanges to disclose the confidential information of the other Party or to make any opinions, judgments or recommendations based on such confidential information, the other Party shall agree to relieve the disclosing Party from its confidentiality obligations hereunder to the extent of the aforesaid stipulations or requirements.

7.3 Upon termination of this Contract for any reason, the Receiving Party shall either return immediately to the Disclosing Party all the confidential information thereof, or destroy all confidential information and confirm in writing to the Disclosing Party that such destruction has been completed.

ARTICLE VIII FORCE MAJEURE

8.1 Where the performance the Agreement is affected by either Party due to unpredictable and unavoidable natural disasters or social events, including but not limited to war, port blockade, civil unrest, as well as severe flood, earthquake, plague and other incident of force majeure as deemed by the laws or court decisions of China, both Parties shall extend the performance of this Contract to the extent of the delay caused by such event of force majeure.

8.2 Where either Party hereto fails to perform the Contract due to force majeure, it shall notify the other Party in writing without delay. In the presence of certification from relevant authorities and understanding rendered by the other Party, both Parties may, through consultation and consensus, postpone the performance of this Agreement or alter some terms and conditions hereunder.

ARTICLE IX NOTIFICATION

Any written notice issued by either Party to the other Party pursuant to the Contract shall be addressed to the contact person and at the address agreed upon in the first part of the Contract. Either Party shall notify the other Party of any change in relation to the above information in time. Otherwise the adverse consequences arising therefrom shall be borne by the changing party. Both Parties have agreed that written notices under the Contract may be sent in the form of e-mail.

ARTICLE X ASSIGNMENT OF AGREEMENT

Unless otherwise specified herein regarding sub-licensing or subject to Party A's prior written consent, Party B shall not assign its rights or obligations hereunder to any third party. In the course of the performance of the Agreement, Party A shall have the right to assign its rights and obligations hereunder to a designated third party upon written notice to Party B.

ARTICLE XI SEVERABILITY OF CONTRACT

Should any provision hereunder become invalid or unenforceable by reason of its inconsistency with relevant laws, such provision shall remain invalid or unenforceable only to the extent that the said laws apply, while the validity of other provisions hereunder shall not be affected. Both Parties shall endeavor, through negotiation in good faith, to revise such provisions to the extent permitted by laws and as close as possible to the original intent to make such provisions legal, valid and enforceable, and the economic effects of such revised and valid provisions shall be as close as possible to that of the said invalid, illegal or unenforceable provisions.

ARTICLE XII ALTERATION AND TERMINATION

12.1 Both Parties may, through discussion and upon agreement, alter the terms and conditions of the Agreement, with relevant written document signed by and between both Parties accordingly. The signed amendment to this Agreement or the signed supplementary agreement constitutes an integral part of the Contract, and shall be equally carry the same legal effect as this Contract.

12.2 Unless otherwise provided by the law, neither Party A nor Party B shall have the right to unilaterally terminate or end the Agreement.

12.3 Where either Party hereto commits a material breach of its obligations stipulated hereunder, the Observant Party may issue to the Defaulting Party a written notice and require it to correct its default behavior within a reasonable period of time.

ARTICLE XIII APPLICABLE LAW AND DISPUTE RESOLUTION

13.1 The Agreement shall be governed by Chinese laws, which are applicable to the establishment, validity, interpretation and performance in respect of the Agreement as well as the settlement of disputes thereof.

13.2 Any dispute arising from the agreement or relating to the interpretation or execution of the Agreement shall be resolved through friendly discussion or mediation between both Parties. If both Parties fail reaching an agreement, the dispute shall then be submitted to the China International Economic and Trade Arbitration Commission for arbitration in Beijing. The then effective rules of the Committee shall be applied in the arbitration, and the arbitrator's decision on the dispute shall be final and binding upon both Parties.

ARTICLE XIV MISCELLANEOUS

The Agreement shall establish upon signature by and between both Parties and enter into force on the date of April 30, 2022. The Agreement is made in duplicate, one for each party, and both copies have equal legal effect.

(End of text)

Party A (Seal) : Beijing RYB Technology Development Co., Ltd.

Authorized Representative (Signature): /s/ SHI Yanlai

Telephone No.: 010-87675611

Signed on March 1, 2022

Party B (Seal) : Beijing RYB Children Education Technology Development Co., Ltd.

Authorized Representative (Signature): /s/ HAN Yunzheng

Telephone No.: 010-67638809

Signed on March 1, 2022

BRAND LICENSE AGREEMENT

(Applicable to Franchising Business)

Party A: Beijing RYB Technology Development Co., Ltd.

Unified Social Credit Code: 911101066699005887

Address: Suite 268, No.1 Building, No.8 Hangfeng Road, Science City, Fengtai District, Beijing

Telephone No.: 010-87675611

Contact Person and email: FANG Xin

Party B: Beijing RYB Children Education Technology Development Co., Ltd.

Unified Social Credit Code: 91110106103016080K

Address: F1-1, 4/F, No. 29 Building, Zone 1, Fangguyuan, Fangzhuang, Fengtai District, Beijing

Telephone No.: 010-67638809

Contact Person and email: Han Yunzheng

WHEREAS:

- A. Party A is a limited liability company duly incorporated and validly existing in the People's Republic of China (hereinafter referred to as "**China**"); Party A has the ownership of or right to use the brand resources of "RYB Kindergarten" (including the trademarks and copyrights associated with such brands, hereinafter referred to as "**RYB and Associated Brands**");
- B. Party B is a limited liability company duly incorporated and validly existing in China; Party B intends to develop the franchising business of RYB and Associated Brands, wherein Party B will contractually license third parties (hereinafter referred to as "**the Franchisees**") to use RYB and Associated Brands while the Franchisees will operate under the unified business model and pay Party B the franchise fees as agreed upon in the franchise contract signed by and between Party B and the Franchisees (hereinafter referred to as "**the franchise activities**");
- C. Party A has agreed to grant Party B the license to use RYB and Associated Brands in the franchise activities, while Party B has agreed to accept such granting of license;

NOW THEREFORE, both Parties have agreed to enter into this *Brand License Agreement (Applicable to Franchising Business)* (hereinafter referred to as "**the Agreement**") in accordance with the *Civil Code of the People's Republic of China* and relevant laws and administrative rules in the principle of friendliness, equality and mutual benefit.

ARTICLE I THE CONTENT

1.1 Hereunder Party A agrees to grant to Party B the license to use the RYB and Associated Brands (including the trademarks and copyrights associated with such brands) for the franchise activities in China as set out in Appendix I hereto, and Party B agrees to accept the foregoing license-granting.

1.2 In respect of the licensed content hereunder, Party A agrees that Party B is entitled to contractually license the Franchisees in the franchise activities (including franchisees in the current and future franchise activities) to use RYB and Associated Brands. Without Party A's written consent, Party B shall not sub-license or transfer the licensed content to any other third party except Party B and the Franchisees during the licensing period, and Party B shall ensure that the Franchisees do not sub-license or transfer the licensed content to any other third party.

1.3 Party B has the responsibility to safeguard Party A's legitimate rights and interests in the licensed content. Where any infringement of the RYB and Associated Brands is found, Party B shall immediately notify Party A in writing and actively provide assistance (including but not limited to providing specific factual proofs as well as accepting Party A's commission and handling related matters, etc.) upon Party A's request. Should any Franchisee fail to uphold Party A's legitimate rights and interests in RYB and Associated Brands, including but not limited to Party A's benefits being damaged by such Franchisee's behavior, Party A shall be entitled to request that Party B terminate the license granted to such Franchisee.

ARTICLE II THE TERM

2.1 The term of license hereunder shall be 15 years from the effective date of the Agreement. Prior to the expiration of the term, both Parties shall negotiate no later than 30 days in advance on the extension of the term in good faith. It is also agreed by both Parties that priority is given to the other Party under equal conditions to reach consensus on the licensing matters in the principle of fair market pricing.

2.2 In the course of the term, Party B shall not terminate the Agreement in advance. In the event of early termination by Party B, Party B shall pay Party A a liquidated damage calculated by the standard set forth as below: either Party B's total payable amount of license fees for the past 12 months as agreed upon hereunder (average monthly license fee during the performance of the Agreement * 12 months, where the Agreement has been performed less than 12 months by early termination); or RMB 5 million (whichever is higher).

2.3 Where both parties fail to renew the Agreement upon expiration pursuant to this clause, the Agreement shall expire, and Party A shall be deemed to have terminated the license hereunder. Party B shall then immediately urge the Franchisees to stop any activities related to the licensed content and stop using the licensed content, otherwise it shall be deemed to have committed an infringement and be held liable.

ARTICLE III LICENSE FEE AND PAYMENT

3.1 License fee: Both Parties agree that the annual license fee hereunder shall be based on the accrual revenue of the annual supervision fee. See Appendix II hereto for details.

3.2 Payment: From the effective date of the Agreement, Party B shall pay the license fee to Party A every three calendar months as a billing cycle (hereinafter referred to as the "**Billing Cycle**"). The license fees hereunder shall be settled and paid once within each Billing Cycle (Party B's payable license fee for each Billing Cycle equals to Party B's average monthly revenue of the annual supervision fee on the accrual basis * 3 months). Within 30 days after the end of a Billing Cycle, Party B shall send to Party A, in writing, a payment notice, while Party A shall confirm, in writing, within 5 days after receiving such written notice. Within 10 working days after both Parties have reached consensus on the aforesaid payment notice as well as Party B has received an invoice issued by Party A agreed upon hereunder, Party B shall pay in full the license fee for the previous Billing Cycle in a lump sum. Where Party B delays payment due to Party A's failure to issue an invoice in time, Party B shall not be held liable for any breach of agreement.

3.3 Details of Party A's bank account designated for receiving license fees hereunder are specified as follows:

Beneficiary Name: Beijing Red Yellow Blue Technology Development Co., Ltd.

Beneficiary Bank Name: Beijing Fangzhuang Sub-branch of China Merchants Bank Co., Ltd.

Beneficiary Account Number: 8666 8013 7810 001

Within the license term agreed upon hereunder, Party A shall notify Party B in writing of any changes in the designated bank account in advance.

3.4 After reaching an agreement on the payment notice of license fees for the said Billing Cycle, Party A shall issue a legally valid VAT Special Invoice in full amount in a timely manner. Party B's detailed invoice issuance information is as follows:

Name: [*****]

Taxpayer Identification Number: [*****]

Address: [*****]

Telephone No.: [*****]

Bank name: [*****]

Bank account No.: [*****]

Within the term agreed upon hereunder, Party B shall notify Party A in writing in advance of any change in relation to the invoice issuance information.

ARTICLE IV INTELLECTUAL PROPERTY

4.1 The Ownership of Intellectual Property

4.1.1 In respect of the licensed content hereunder, Party A owns the trademarks of the licensed content hereunder (see Appendix I for details), and such ownership is protected by the *Trademark Law of the People's Republic of China* and other laws and regulations.

4.1.2 In respect of the licensed content hereunder, the copyrights licensed by Party A to Party B pursuant to the Agreement are owned by Party A's affiliates and protected by the *Copyright Law of the People's Republic of China* and other relevant laws and regulations. Party A has obtained the license from its affiliates, and is therefore entitled to sublicense Party B as agreed upon hereunder.

4.2 Undertakings of Intellectual Property

4.2.1 Where Party B is sued for or accused of infringement of any third party's copyright, trademark or any other legal right as a result of using the licensed content hereunder, Party B shall notify Party A of the case in writing immediately. Without Party A's prior written consent in writing, Party B shall not make any undertaking in respect of such claim to the prejudice of Party A. Party B agrees to provide to Party A appropriate assistance in this regard.

4.2.2 Party B shall abide by relevant laws and regulations strictly in the franchise activities and safeguard Party A's rights and interests fully, and shall urge the Franchisees to do so as well. Party B shall use RYB and Associated Brands in consistency with the content and format provided by Party A.

ARTICAL V REPRESENTATIONS AND WARRANTIES

5.1 Party A warrants that it has full rights or full authorization to sign and perform the Agreement, and that its performance of obligations hereunder will not violate Party A's obligations under any other agreement.

5.2 Party B warrants that it has full rights or full authorization to sign and perform the Agreement, and that its performance of obligations hereunder will not violate Party B's obligations under any other agreement.

5.3 In view of the licensed content provided by Party A and the sound cooperation between both parties, Party B further warrants that within the term of license agreed upon hereunder, except with Party A's prior written consent, Party B shall neither accept from any third party the same or similar licensed content as or to that hereunder, nor enter into any similar cooperation with any third party on the matters covered herein. Meanwhile, Party B confirms that within the term of license, Party B and/or its subsidiaries has/have no intention to develop franchise business of any other brand. Where any new development is needed, Party B undertakes that the newly developed brand (including the trademarks and copyrights associated therewith) shall be owned by Party A after prior discussion and agreement between both Parties, and that Party A shall refer to the terms and conditions agreed herein for brand licensing. In the event of any changes in Party A's brand licensing strategies or schemes, Party A shall notify Party B of such changes in a timely manner. Based on the principles and mode of cooperation specified hereunder, both Parties agree to enter into a new brand licensing scheme corresponding to the aforesaid changes through friendly discussion, subject to the specific agreement to be reached by both Parties.

ARTICLE VI LIMITATION OF LIABILITY AND LIABILITY FOR BREACH OF CONTRACT

6.1 Both parties shall perform their respective contractual obligations hereunder in a friendly and cooperative manner, and neither Party shall unilaterally terminate this Agreement unless otherwise provided by law.

6.2 In the event that one Party is in default (the "Defaulting Party"), the Observant Party shall be entitled to compensation from the Defaulting Party for the Observant Party's direct or indirect losses, while the Defaulting Party shall compensate the Observant Party for all losses, damages, liabilities, costs or expenses thus incurred. Such losses include but are not limited to indemnity payments, court costs, attorneys' service fees, deposition costs, etc.

6.3 Where Party B fails to pay the license fees pursuant to the Agreement, Party B must pay Party A a penalty of 3‰ (three thousandths) of the overdue payment on a daily basis.

6.4 Both Parties confirm that Beijing Boshi Yingjia Technology Co., Ltd. and Shanghai Peidi Culture Communication Co., Ltd. (hereinafter collectively referred to as "**the Guarantor**") agree to assume joint and several liability for the performance of Party B's obligations to pay the license fees under Article III of the Agreement, so as to ensure the realization of Party A's creditor's rights under Article III of this Agreement. Party A shall sign a separate guarantee contract with the Guarantor.

ARTICLE VII CONFIDENTIALITY

Both Party A and Party B acknowledge that confidential information constitutes valuable trade secrets, and therefore have agreed to use each other's confidential information only in strict compliance with the provisions set forth hereunder. Both Parties have agreed as follows:

7.1 Both Parties shall maintain confidentiality of all confidential information and take all necessary precautions (including but not limited to measures taken by both Parties to protect their own confidential information) to prevent unauthorized use or disclosure of such confidential information.

7.2 Neither Party shall provide any third party with the confidential information or any information derived therefrom. The confidentiality obligations stipulated hereunder for both Parties shall not be ended by any alteration or termination of this Agreement, and shall only be released under the condition that such confidential information becomes public knowledge. Should either Party be required by laws, regulations, regulatory documents, government administrations, regulators or stock exchanges to disclose the confidential information of the other Party or to make any opinions, judgments or recommendations based on such confidential information, the other Party shall agree to relieve the disclosing Party from its confidentiality obligations hereunder to the extent of the aforesaid stipulations or requirements.

7.3 Upon termination of this Agreement for any reason, the Receiving Party shall either return immediately to the Disclosing Party all the confidential information thereof, or destroy all confidential information and confirm in writing to the Disclosing Party that such destruction has been completed.

ARTICLE VIII FORCE MAJEURE

8.1 Where the performance the Agreement is affected by either Party due to unpredictable and unavoidable natural disasters or social events, including but not limited to war, port blockade, civil unrest, as well as severe flood, earthquake, plague and other incident of force majeure as deemed by the laws or court decisions of China, both Parties shall extend the performance of this Agreement to the extent of the delay caused by such event of force majeure.

8.2 Where either Party hereto fails to perform the Agreement due to force majeure, it shall notify the other Party in writing without delay. In the presence of certification from relevant authorities and understanding rendered by the other Party, both Parties may, through discussion and upon agreement, postpone the performance of this Agreement or alter part of the terms and conditions hereunder as appropriate.

ARTICLE IX NOTIFICATION

Any written notice issued by either Party to the other Party pursuant to the Agreement shall be addressed to the contact person and at the address agreed upon in the first part of the Agreement. Either Party shall notify the other Party of any change in relation to the above information in time. Otherwise the adverse consequences arising therefrom shall be borne by the changing party. Both Parties have agreed that written notices hereunder may be sent in the form of e-mail.

ARTICLE X ASSIGNMENT OF AGREEMENT

Unless otherwise specified herein regarding sub-licensing or subject to Party A's prior written consent, Party B shall not assign its rights or obligations hereunder to any third party. In the course of the performance of the Agreement, Party A shall have the right to assign its rights and obligations hereunder to a designated third party upon written notice to Party B.

ARTICLE XI SEVERABILITY OF AGREEMENT

Should any provision hereunder become invalid or unenforceable by reason of its inconsistency with relevant laws, such provision shall remain invalid or unenforceable only to the extent that the said laws apply, while the validity of other provisions hereunder shall not be affected. Both Parties shall endeavor, through negotiation in good faith, to revise such provisions to the extent permitted by laws and as close as possible to the original intent to make such provisions legal, valid and enforceable, and the economic effects of such revised and valid provisions shall be as close as possible to that of the said invalid, illegal or unenforceable provisions.

ARTICLE XII ALTERATION AND TERMINATION

12.1 Both parties may, through discussion and upon agreement, alter the terms and conditions of the Agreement with relevant written document signed by and between both parties accordingly. The signed amendment to this Agreement or the signed supplementary agreement constitutes an integral part of the Agreement, and shall be equally carry the same legal effect as this Agreement.

12.2 Unless otherwise provided by law, neither Party A nor Party B shall have the right to unilaterally terminate or end the Agreement.

12.3 Where either Party hereto commits a material breach of its obligations stipulated hereunder, the Observant Party may issue to the Defaulting Party a written notice and require it to correct its default behavior within a reasonable period of time.

ARTICLE XIII APPLICABLE LAW AND DISPUTE RESOLUTION

13.1 The Agreement shall be governed by Chinese laws, which are applicable to the establishment, validity, interpretation and performance in respect of the Agreement as well as the settlement of disputes thereof.

13.2 Any dispute arising from the Agreement or relating to the interpretation or execution of the Agreement shall be resolved through friendly discussion or mediation between both Parties. Where both Parties fail to reach an agreement, the dispute shall then be submitted to the China International Economic and Trade Arbitration Commission for arbitration in Beijing. The then effective rules of the Committee shall be applied in the arbitration, and the arbitrator's decision on the dispute shall be final and binding upon both Parties.

ARTICLE XIV MISCELLANEOUS

The Agreement shall establish upon signature by and between both Parties and enter into force on the date of April 30, 2022. The Agreement is made in duplicate, one for each party, and both copies have equal legal effect.

(End of text)

Party A (Seal) : Beijing RYB Technology Development Co., Ltd.

Party B (Seal) : Beijing RYB Children Education Technology Development Co., Ltd.

Authorized Representative (Signature): /s/ SHI Yanlai

Authorized Representative (Signature): /s/ Han Yunzheng

Telephone No.: 010-87675611

Telephone No.: 010-67638809

Signed on March 1, 2022

Signed on March 1, 2022

MANAGEMENT SYSTEM AND SOFTWARE LICENSE CONTRACT

Party A: Beijing RYB Technology Development Co., Ltd.

Unified Social Credit Code: 911101066699005887

Address: Suite 268, No. 1 Building, No. 8 Hangfeng Road, Science City, Fengtai District, Beijing

Telephone No.: 010-87675611

Contact Person and email: FANG Xin

Party B: Beijing RYB Children Education Technology Development Co., Ltd.

Unified Social Credit Code : 91110106103016080K

Address: F1-1, 4/F., No. 29 Building, Zone 1, Fangguyuan, Fangzhuang, Fengtai District, Beijing

Telephone No.: 010-67638809

Contact Person and email: Han Yunzheng

WHEREAS:

- A. Party A is a limited liability company duly incorporated and validly existing in the People's Republic of China (hereinafter referred to as "**China**"); Party A has the ownership of the management system and software of both OTMS and the MicroServices Platform;
- B. Party B is a limited liability company duly incorporated and validly existing in China; Party B and/or its subsidiaries is/are the organizing or managing party/Parties of relevant kindergartens in China; and
- C. Party A has agreed to grant Party B a license to use the management system and software of both OTMS and MicroServices Platform, while Party B has agreed to accept the license;

NOW THEREFORE, in the principle of mutual trust, cooperation with good faith, and mutual development, both Parties have agreed to enter into this "Management System and Software License Contract" (hereinafter referred to as "**the Contract**") on the license of the management system and software of both OTMS and MicroServices Platform in accordance with the *Civil Code of the People's Republic of China* and relevant laws and administrative rules after friendly discussion.

ARTICLE I CONTENT OF LICENSING

Party A agrees to grant Party B an end-user license to use the management system and software of both OTMS and the MicroServices Platform in China, and Party B agrees to accept the aforementioned license. See Appendix I and Appendix II for detailed schedule of the end-user license of the management system and software hereunder, as well as the functions of the said management system and software. Party B's use of the license is restricted to daily management of kindergarten and home-school communication.

In respect of the license hereunder, Party A agrees that Party B shall be entitled to sub-license the kindergartens in which Party B or its subsidiaries acts/act as the organizing or managing party in China (including current and future kindergartens in which Party B or its subsidiaries acts/act as the organizing or managing party in China, hereinafter referred to as "**Party B's Kindergartens**"; see Appendix III for the detailed list of current kindergartens in which Party B or its subsidiaries acts/act as the organizing or managing party in China). Party B shall, within the first 5 working days of each billing cycle (as defined below), provide an updated list of Party B's Kindergartens as of the end date of the previous billing cycle (as defined below) to Party A, and undertake not to terminate any organizing or managing relationship with any of Party B's Kindergartens without Party A's prior consent in writing (for the avoidance of doubt, termination due to government's policy or regulation adjustments, requirements from competent government authorities or non-Party B-related reasons shall be excepted). During the license period, Party B shall not sub-license or transfer the licensed content to any third-party without Party A's consent in writing, and Party B shall ensure that Party B's Kindergartens do not sub-license or transfer the licensed content to any third-party.

ARTICLE II RIGHT TO USE

2.1 Right to use

Pursuant to the terms and conditions set forth herein, Party A agrees to grant and Party B agrees to accept the license to use the licensed content provided hereunder, including:

- 2.1.1 installation and use of the licensed content within the scope and in the computer system specified herein;
- 2.1.2 configuration of the licensed content in line with the license instructions;
- 2.1.3 sub-license of the licensed content as agreed upon hereunder; and
- 2.1.4 that Party B shall, when no longer enjoying the right of use of the aforesaid licensed content, take all reasonable measures to ensure recognition and protection of Party A's intellectual property rights. Within the period of time specified by Party A, Party B shall return or destroy (under the guidance of Party A) the licensed content, copies of the licensed content, any licensed materials, technical materials and confidential information with all duplicates provided by Party A to Party B.

2.2 Scope of license

2.2.1 Party B may use the licensed content in a network or multi-user environment, including providing remote terminals, sharing through the network and all local servers, clients, online terminals, standalone nodes or workstations, while the number of licenses for using the licensed content shall not exceed that specified herein.

2.2.2 Where Party B wishes to either use the licensed content beyond the scope of use hereunder or have more number of licenses than specified herein, Party B shall submit a written application to Party A. A separate license contract shall be signed and entered into by and between both Parties and associated license fee shall be paid accordingly. After that, Party B will have the right to use the licensed content within the new scope of use or use the new licenses, subject to the terms and conditions of the new license contract.

2.2.3 The term of license hereunder shall be 15 years from the effective date of the Contract. Prior to the expiration of the term, both Parties shall negotiate no later than 30 days in advance on the extension of the term of license in good faith. It is also agreed by both Parties that priority is given to the other Party under equal conditions to reach consensus on the license in the principle of fair market pricing. If that both Parties fail to renew the Contract upon expiration pursuant to this clause, the Contract shall be terminated. Party A shall then be deemed to have terminated the license hereunder, whereby Party B shall immediately stop any activities related to the licensed content and stop using the licensed content. Otherwise, Party B shall be deemed to have committed an infringement and be held liable. In the course of the term, Party B shall not terminate the Contract in advance. In the event of early termination by Party B, Party B shall pay Party A a liquidated damage calculated by the standard set forth as below: either Party B's total payable amount of license fees for the past 12 months as agreed upon hereunder (average monthly fee during Contract performance * 12 months, where the Contract has been performed less than 12 months by early termination); or RMB 4 million (whichever is higher).

2.2.4 Restrictions of use: Without Party A's prior consent in writing, Party B shall not:

2.2.4.1 provide, sell, lease, lend, transfer or sub-license the licensed content to any third-party, distribute through the information networks or otherwise make it available to any other person in violation of this Contract;

2.2.4.2 translate, decompose, reverse trans-edit, decompile, reverse engineer the licensed content in whole or in part or otherwise attempt to derive program source code from any of the licensed content, or write or develop derivative software, derivative products or other software based on the licensed content;

2.2.4.3 restrict, destroy or bypass any encrypted attachments to the licensed content or any other restrictive measures provided by Party A to ensure the proper use of the licensed content;

2.2.4.4 use the licensed content for purposes other than the internal use of Party B and Party B's Kindergartens, including but not limited to providing to any third-party data processing services, application services, commercial sharing or other software sharing arrangements;

2.2.4.5 remove, cover, or alter any signs on the licensed content regarding its copyright or trademark; or

2.2.4.6 crack or circumvent Party A's technical protective measures to the licensed content.

ARTICLE III LICENSE FEE AND PAYMENT

3.1 License fee: Both Parties have agreed that the service fee for the first year hereunder (i.e. from the effective date of the Contract to April 30, 2023) shall be as per the standard set forth as below:

3.1.1 RMB 48,000 yuan/year for each of Party B's Kindergartens;

3.1.2 for non-RYB kindergartens developed by Party B in the future, both Parties will negotiate a fee standard based on actual situation by then, but it is suggested, in principle, the fee level be no less than RMB 48,000/year for each of those kindergartens.

3.1.3 The license fee hereunder shall have an incremental increase of 3% based on the previous year level from the second year (from 1 May 2023 to 30 April 2024 and so on) till the fourth year, and 2% incremental increase from the fifth year to the fifteenth year.

3.2 Payment: From the effective date of the Contract, Party B shall pay the license fee to Party A every three calendar months as a billing cycle (hereinafter referred to as the "**billing cycle**"). The license fees hereunder shall be settled and paid once within each billing cycle. (Party B's payable license fee for each billing cycle equals to Party B's average monthly license fee of the year x 3 months x the number of Party B's kindergartens.) Within 30 days after the end of a billing cycle, Party B shall send to Party A, in writing, a payment notice, while Party A shall confirm, in writing, within 5 days after receiving such written notice. Within 10 working days after both Parties have reached consensus on the aforesaid payment notice as well as Party B has received an invoice issued by Party A agreed upon hereunder, Party B shall pay in full the license fee for the previous billing cycle in a lump sum. If Party B delays payment due to Party A's failure to issue an invoice in time, Party B shall not be held liable for any breach of contract.

3.3 Details of Party A's bank account designated for receiving license fees hereunder are specified as follows:

Beneficiary Name: [*****]

Beneficiary Bank Name: [*****]

Beneficiary Account Number: [*****]

Within the term of license agreed upon hereunder, Party A shall notify Party B in writing of any changes in the designated bank account in advance.

3.4 After reaching an agreement on the payment notice of license fees for the said billing cycle, Party A shall issue a legally valid VAT Special Invoice in full amount in a timely manner. Party B's detailed invoice issuance information is as follows:

Name: [*****]

Taxpayer Identification Number: [*****]

Address & Telephone No: [*****]

Bank name: [*****]

Bank account No.: [*****]

Within the term of license agreed upon hereunder, Party B shall notify Party A in writing of any change in relation to the invoice issuance information in advance.

ARTICLE IV DELIVERY OF LICENSED CONTENT

4.1 Term of delivery: Within ____ working days after the effective date of the Contract, Party A shall deliver to Party B the licensed content hereunder.

4.2 Delivery method: delivered in electronic form. Party A shall email either the installation package or the client login address, user name and password of the management system and software hereunder to Party B's designated email address as: [*****]. Party B shall complete the acceptance inspection within 5 working days after receiving the email, and shall submit its written objection, if any, to Party A prior to completion of the acceptance inspection. Where Party B fails to complete the acceptance or raise an objection within the time limit specified hereunder, the deliverables shall be deemed to have passed the acceptance inspection.

4.3 Relevant materials of the licensed content delivered by Party A to Party B include: the licensing documents with the user manual and the electronic files of the management system and software.

ARTICLE V INTELLECTUAL PROPERTY RIGHT

5.1 Ownership of intellectual property

5.1.1 Party B acknowledges that the copyright of the licensed content and the source code, object code and documentation contained in or relating to the licensed content hereunder is owned by Party A and protected by the *Copyright Law of the People's Republic of China* and other relevant laws and regulations. Any rights, ownership, interests and intellectual property right (including but not limited to copyright, patent, technical secret, trade secret and others) arising from the performance of the Contract, whether developed solely by Party A, developed by Party B based on Party A's intellectual property rights, or developed by Party A based on Party B's intellectual property rights, shall remain in the exclusive rights and interests of Party A, and Party B shall not claim any right, ownership, interest or intellectual property right against Party A.

5.2 Undertaking of intellectual property

5.2.1 If Party B is sued for or accused of infringement of any third-party's copyright, patent, trademark, trade secret or any other legal right as a result of using the licensed content hereunder, Party B shall notify Party A of such claim in writing immediately. Without Party A's prior written consent in writing, Party B shall not make any undertaking in respect of such claim to the prejudice of Party A. that is or may be harmful to Party A. Party B agrees to provide to Party A appropriate assistance in this regard.

5.2.2 If the aforesaid infringement is caused by Party B's unauthorized modification, alteration or addition to the licensed content, Party A shall not be held liable.

ARTICLE VI REPRESENTATIONS AND WARRANTIES

6.1 Representations

6.1.1 Party A warrants that it has the full rights or full authorization to sign and perform the Contract, and that its performance of obligations hereunder will not violate Party A's obligations under other contracts.

6.1.2 Party B warrants that it has full rights or full authorization to sign and perform the Contract, and that its performance of obligations hereunder will not violate Party B's obligations under other contracts.

6.1.3 In view of the value of the license provided by Party A and the sound cooperation between both Parties, Party B further warrants that within the term of license agreed upon hereunder, except with Party A's prior written consent, Party B shall neither accept from any third-party the same or similar licensed content covered hereunder, nor enter into any similar partnership with any third-party on the matters covered hereunder. Meanwhile, Party B confirms that within the term of license, Party B and/or its subsidiaries has/have no intention to develop the same or similar licensed content covered hereunder. If Party B finds such development necessary, Party B undertakes that such development shall be conducted by Party A through prior discussion and agreement between both Parties, and that provisions on the license hereunder shall apply. In the event of any changes in Party A's licensing scheme of the management system and software, Party A shall notify Party B of such changes in a timely manner. Based on the principles and mode of cooperation specified hereunder, both Parties agree to enter into a new licensing scheme of the management system and software corresponding to the aforesaid changes through friendly discussion, and the new licensing scheme shall be subject to the agreement reached by and between both Parties.

6.2 Warranties

6.2.1 Quality assurance: Party A warrants that the licensed content delivered conforms to the functions described in the corresponding user manual of the management system and product module purchased by Party B. In respect of the software functions, Party B has confirmed no objection prior to signing the Contract.

However, this warranty does not apply in any of the circumstances as follows:

6.2.1.1 Any form of modification is made to the licensed content by any person other than Party A;

6.2.1.2 Party B fails to use the licensed content in compliance with the licensing documents attached to the licensed content; or

6.2.1.3 The licensed content does not function properly due to Party B's reasons or the failure of any third-party product, computer equipment or the network.

6.3 The acceptance criteria for the licensed content hereunder shall be subject to the functional descriptions contained in relevant materials delivered together with the management system and software.

ARTICLE VII LIMITATION OF LIABILITY AND LIABILITY FOR BREACH OF CONTRACT

7.1 Both Parties shall perform their respective contractual obligations in a friendly and cooperative manner, and neither Party shall unilaterally terminate the Contract unless otherwise provided by law.

7.2 In the event of a breach of contract caused by either Party (the “Breaching Party”), the Observant Party shall be entitled to indemnities from the Breaching Party for its direct or indirect losses, while the Breaching Party shall indemnify the Observant Party for all losses, damages, liabilities, costs or expenses thus incurred, including but not limited to reasonable expenses such as compensations, litigation fees, attorney’s fees and deposition costs.

7.3 Where Party B fails to pay the license fees pursuant to this Contract, Party B shall pay Party A a penalty of 3‰ (three thousandths) of the overdue payment on a daily basis.

7.4 The third-party product hereunder refers to any product produced and sold by a third-party. Unless otherwise agreed upon by Party A and the said third-party separately, Party A shall not be held liable for such product, software or service.

7.5 Both Parties confirm that Beijing Boshi Yingjia Technology Co., Ltd. and Shanghai Peidi Culture Communication Co., Ltd. (hereinafter collectively referred to as the “**Guarantors**”) agree to assume joint and several liability for the performance of Party B’s obligations to pay the license fees under Article III hereunder, so as to ensure the realization of Party A’s creditor’s rights under Article III hereunder. Party A shall sign a separate guarantee contract with the Guarantors.

ARTICLE VIII CONFIDENTIALITY

Both Party A and Party B acknowledge that confidential information constitutes valuable trade secrets, and therefore have agreed to use each other’s confidential information only in strict compliance with the provisions set forth hereunder. Both Parties have agreed as follows:

8.1 Both Parties shall maintain confidentiality of all confidential information and take all necessary precautions (including but not limited to measures taken by both Parties to protect their own confidential information) to prevent unauthorized use or disclosure of such confidential information.

8.2 Neither Party shall provide any third-party with the confidential information or any information derived therefrom. The confidentiality obligations stipulated hereunder for both Parties shall not be terminated by any alteration to or termination of the Contract, and shall only be released under the condition that such confidential information becomes public knowledge. Should either Party be required by laws, regulations, regulatory documents, government administrations, regulators or stock exchanges to disclose the confidential information of the other Party or to make any opinions, judgments or recommendations based on such confidential information, the other Party agrees to relieve the disclosing Party from its confidentiality obligations hereunder to the extent of the aforesaid stipulations or requirements.

8.3 Upon termination of this Contract for any reason, the Receiving Party shall either return immediately to the Disclosing Party all the confidential information thereof, or destroy all confidential information and confirm in writing to the Disclosing Party that such destruction has been completed.

ARTICLE IX FORCE MAJEURE

9.1 Where the performance the Contract is affected by either Party due to unpredictable and unavoidable natural disasters or social events, including but not limited to war, port blockade, civil unrest, as well as severe flood, earthquake, plague and other incident of force majeure as deemed by the laws or court decisions of China, both Parties shall extend the performance of this Contract to the extent of the delay caused by such event of force majeure.

9.2 Where either Party fails to perform the Contract due to force majeure, it shall notify the other Party in writing without delay. In the presence of certification from relevant authorities and understanding rendered by the other party, both Parties may, through discussion and upon agreement, postpone the performance of this Contract or alter part of the terms and conditions hereunder as appropriate.

ARTICLE X NOTIFICATION

Any written notice issued by either Party to the other Party pursuant to the Contract shall be addressed to the contact person and at the address agreed upon in the first part hereof. Either Party shall timely notify the other Party in writing of any change in relation to the above information. Otherwise the adverse consequences arising therefrom shall be borne by the changing Party. Both Parties have agreed that written notices hereunder may be sent in the form of e-mail.

ARTICLE XI ASSIGNMENT OF CONTRACT

Except for the sub-license agreed upon hereunder, or subject to Party A's prior consent in writing, Party B shall not assign its rights or obligations hereunder to any third-party. In the course of the performance of the Contract, Party A shall have the right to assign its rights and obligations hereunder to a designated third-party upon written notice to Party B.

ARTICLE XII SEVERABILITY OF CONTRACT

Should any provision hereunder become invalid or unenforceable by reason of its inconsistency with relevant laws, such provision shall remain invalid or unenforceable only to the extent that the said laws apply, while the validity of other provisions hereunder shall not be affected. Both Parties shall endeavor, through negotiation in good faith, to revise such provisions to the extent permitted by laws and as close as possible to the original intent to make such provisions legal, valid and enforceable, and the economic effects of such revised and valid provisions shall be as close as possible to that of the said invalid, illegal or unenforceable provisions.

ARTICLE XIII ALTERATION AND TERMINATION

13.1 Both Parties may, through discussion and upon agreement, alter the terms and conditions hereof, with relevant written documents signed by and between both Parties accordingly. The signed amendment to the Contract or the signed supplementary contract constitutes an integral part hereof, and shall carry the same legal effect as this Contract.

13.2 Unless otherwise provided by laws, neither Party A nor Party B shall have the right to unilaterally terminate or end the Contract.

13.3 Where either Party to the Contract commits a material breach of its obligations stipulated hereunder, the Observant Party may issue to the Breaching Party a written notice and require it to correct its breaching behavior within a reasonable period of time.

ARTICLE XIV APPLICABLE LAWS AND DISPUTE RESOLUTION

14.1 The Contract shall be governed by Chinese laws, which are applicable to the establishment, validity, interpretation and performance in respect of the Contract as well as the settlement of disputes thereof.

14.2 Any dispute arising from the Contract or relating to the interpretation or execution hereof shall be resolved through friendly discussion or mediation between both Parties. If both Parties fail to reach an agreement, the dispute shall then be submitted to the China International Economic and Trade Arbitration Commission for arbitration in Beijing. The then effective rules of the Committee shall be applied in the arbitration, and the arbitrator's decision on the dispute shall be final and binding upon both Parties.

ARTICLE XV MISCELLANEOUS

The Contract shall establish upon signature by and between both Parties and come into force on the date of April 30, 2022. The Contract is made in duplicate, one for each party, and both copies have equal legal effect.

(End of text)

Party A (Seal) : Beijing RYB Technology Development Co., Ltd. **Party B (Seal) :** Beijing RYB Children Education Technology Development Co., Ltd.

Authorized Representative (Signature): /s/ SHI Yanlai

Telephone No.: 010-87675611

Signed on March 1, 2022

Authorized Representative (Signature): /s/ HAN Yunzheng

Telephone No.: 010-67638809

Signed on March 1, 2022

TRAINING SERVICE CONTRACT

Party A: Beijing RYB Technology Development Co., Ltd.

Unified Social Credit Code: 911101066699005887

Address: Suite 268, No. 1 Building, No. 8 Hangfeng Road, Science City, Fengtai District, Beijing

Telephone No.: 010-87675611

Contact Person and email: FANG Xin

Party B: Beijing RYB Children Education Technology Development Co., Ltd.

Unified Social Credit Code : 91110106103016080K

Address: F1-1, 4/E., No. 29 Building, Zone 1, Fangguyuan, Fangzhuang, Fengtai District, Beijing

Telephone No.: 010-67638809

Contact Person and email: HAN Yunzheng

WHEREAS:

- A. Party A is a limited liability company duly incorporated and validly existing in the People's Republic of China (hereinafter referred to as "**China**"); Party A has professional trainers for the training services hereunder as well as relevant resources;
- B. Party B is a limited liability company duly incorporated and validly existing in China; Party B and/or its subsidiaries is/are the organizing or managing party/parties of kindergartens; and
- C. Party A has agreed to provide training services hereunder to Party B, while Party B has agreed to accept the services provided by Party A;

NOW THEREFORE, both parties have agreed to enter into this "Training Service Contract" (hereinafter referred to as "**the Contract**") on the matter of Party A providing training services to Party B in accordance with the *Civil Code of the People's Republic of China* and relevant laws and administrative rules after free-will-based, equal and friendly discussion.

ARTICLE I THE SERVICES

1.1 Training

Party A shall provide training on kindergarten operations as well as professional training to Party B. See Appendix 1 for detailed content of training.

1.2 Analysis of preschool education-related issues

In accordance to Party B's request, Party A will provide Party B with theoretical research, analysis and advice on complex issues in relation to preschool education, nevertheless, for Party B's reference only. Party A shall not guarantee that the analysis or advice provided by Party A meet or keep meeting the requirements of the regulatory department(s) from the government.

1.3 Party B shall be entitled to require that Party A provide services hereunder to parties designated by Party B, which are limited to the kindergartens in which Party B or its subsidiaries acts/act as the organizing or managing party (including current and future kindergartens in which Party B or its subsidiaries acts/act as the organizing or managing party, hereinafter referred to as "**Party B's kindergartens**"; see Appendix II for the detailed list of current Party B's kindergartens in China). Party B shall, within the first 5 working days of each billing cycle (as defined below), provide an updated list of Party B's kindergartens as of the end date of the previous billing cycle (as defined below) to Party A, and undertake not to terminate any organizing or managing relationship with any Party B's kindergartens without prior consent from Party A's (for the avoidance of doubt, termination due to government's policy or regulation adjustments, requirements from competent government authorities, or non-Party B-related reasons shall be excepted).

ARTICLE II THE TERM

The term of services hereunder shall be 15 years from the effective date of the Contract. Prior to the expiration of the term, both parties shall negotiate no later than 30 days in advance on the extension of the service period in good faith. It is also agreed by both parties that priority is given to the other Party under equal conditions to reach consensus on the services in the principle of fair market pricing.

In the course of the term, Party B shall not terminate the Contract in advance. In the event of early termination on the part of Party B, Party B shall pay Party A a liquidated damage calculated by the standard set forth as below: either Party B's total payable amount of service fees for the past 12 months as agreed upon hereunder (average monthly fee during contract performance x 12 months, where the contract has been performed less than 12 months by early termination); or RMB 5 million (whichever is higher).

ARTICLE III SERVICE FEE AND PAYMENT

3.1 Service fee: Both parties have agreed that the standard of the service fee for the first year hereunder (i.e. from the effective date of the Contract to 30 April 2023) shall be set forth as below:

3.1.1 for Party B's kindergartens, RMB 5,000/class/year;

3.1.2 for non-RYB kindergartens developed by Party B in the future, both parties have agreed that a service fee will be charged based on actual situation by then, but it is suggested, in principle, the fee level be no less than RMB 5,000/class/year for each of those kindergartens.

3.1.3 The service fee hereunder shall have an incremental increase of 3% based on the previous year level from the second year (from 1 May 2023 to 30 April 2024 and so on) till the fourth year; and from the fifth year to the fifteenth year, the service fee hereunder shall rise 2% incrementally based on the license fee level in the previous year.

3.2 Payment: From the effective date of the Contract, Party B shall pay the service fee to Party A every three calendar months as a billing cycle (hereinafter referred to as the “**billing cycle**”). The service fees hereunder shall be settled and paid once within each billing cycle (The amount of service fee payable by Party B hereunder for each billing cycle is calculated based on the average monthly amount in that year x 3 months x the number of class in that Party B’s kindergarten). Within 30 days after the end of a billing cycle, Party B shall send to Party A, in writing, a payment notice, while Party A shall confirm, in writing, within 5 days after receiving such written notice. Within 10 working days after both Parties have reached consensus on the aforesaid payment notice as well as Party B has received an invoice issued by Party A agreed upon hereunder, Party B shall pay in full the service fees for the previous billing cycle in a lump sum. If Party B delays payment due to Party A’s failure to issue an invoice in time, Party B shall not be held liable for any breach of contract.

3.3 Details of Party A’s bank account designated for receiving service fees hereunder are specified as follows:

Beneficiary Name: [*****]

Beneficiary Bank Name: [*****]

Beneficiary Account Number: [*****]

Within the service term agreed upon hereunder, Party A shall notify Party B in writing of any changes in the designated bank account in advance.

3.4 After reaching an agreement on the payment notice of service fees for the said billing cycle, Party A shall issue a legally valid VAT Special Invoice in full amount in a timely manner. Party B’s detailed invoice issuance information is as follows:

Name: [*****]

Taxpayer Identification Number: [*****]

Address & Telephone No: [*****]

Bank name: [*****]

Bank account No.: [*****]

Within the term agreed upon hereunder, Party B shall notify Party A in writing in advance of any change in relation to the invoice issuance information.

ARTICLE IV INTERLECTURAL PROPERTY RIGHTS

4.1 The intellectual property rights of the training course and the analysis reports of relevant issues provided by Party A shall be owned by Party A and be protected by the *Copyright Law of the People’s Republic of China* and other relevant laws and regulations.

4.2 Party A shall have sole and exclusive rights and interests in all rights, ownership rights, interests and intellectual property rights (including but not limited to copyrights, patents, technical secrets, trade secrets and others) arising from the performance of this contract, whether developed by Party A itself, developed by Party B based on Party A's intellectual property rights or developed by Party A based on Party B's intellectual property rights; Party B shall not claim any rights, ownership rights, interests and intellectual property rights against Party A.

4.3 Except as otherwise agreed in this Contract, Party B shall not use the course in any way or use it after adaptation or make it available for use by any third party in any form without written permission from Party A.

ARTICLE V REPRESENTATIONS AND WARRANTIES

5.1 Party A warrants that it has full rights or full authorization to sign and perform the Contract, and that its performance of obligations hereunder will not violate Party A's obligations under any other contract.

5.2 Party B warrants that it has full rights or full authorization to sign and perform the Contract, and that its performance of obligations hereunder will not violate Party B's obligations under any other contract.

5.3 In view of the value of the services provided by Party A and the sound cooperation between both parties, Party B further warrants that within the service term agreed upon hereunder, except with Party A's prior written consent, Party B shall neither accept from any third party the same or similar services as or to that hereunder, nor enter into any similar partnership with any third party on the matters covered hereunder. At the same time, Party B confirms that within the term of service, Party B and/or its subsidiaries have no intention to independently develop the same or similar early childhood education- related courses covered by the Contract. Where any new development is needed, Party B undertakes to communicate with Party A in advance, and after an agreement being reached between the two parties, Party A will carry out the relevant development activities and provide the relevant services with reference to the terms and conditions as agreed herein. In the event that Party A's training service plan changes, Party A shall inform Party B in a timely manner, and both parties will agree on the new training service plan after the above changes by following the principles and cooperation modes agreed herein, subject to the specific agreement to be reached by both parties.

ARTICLE VI LIMITATION OF LIABILITY AND LIABILITY FOR BREACH OF CONTRACT

6.1 Both Parties shall perform their respective contractual obligations in a friendly and cooperative manner, and neither Party shall unilaterally terminate this Contract unless otherwise provided by law.

6.2 In the event that either Party is in default (the "Defaulting Party"), the Observant Party shall be entitled to compensation from the Defaulting Party for the Observant Party's direct or indirect losses, while the Defaulting Party shall compensate the Observant Party for all losses, damages, liabilities, costs or expenses thus incurred.

6.3 Where Party B fails to pay the service fees pursuant to this Contract, Party B must pay Party A a penalty of 3‰ (three thousandths) of the overdue payment on a daily basis.

6.4 Both Parties confirm that Beijing Boshi Yingjia Technology Co., Ltd. and Shanghai Peidi Culture Communication Co., Ltd. (hereinafter collectively referred to as the “**Guarantor**”) agree to assume joint and several liability for the performance of Party B’s obligations to pay the service fees under Article III of the Contract, so as to ensure the realization of Party A’s creditor’s rights under Article III of this Contract. Party A shall sign a separate guarantee contract with the Guarantor.

ARTICLE VII CONFIDENTIALITY

Both Party A and Party B acknowledge that confidential information constitutes valuable trade secrets, and therefore have agreed to use each other’s confidential information only in strict compliance with the provisions set forth under this Contract. Both Parties have agreed:

7.1 Both Parties shall maintain confidentiality of all confidential information and take all necessary precautions (including but not limited to measures taken by both Parties to protect their own confidential information) to prevent unauthorized use or disclosure of such confidential information.

7.2 Neither Party shall provide any third party with the confidential information or any information derived therefrom. The confidentiality obligations stipulated hereunder for both Parties shall not be ended by any alteration or termination of this Contract, and shall only be released under the condition that such confidential information becomes public knowledge. Should either Party be required by laws, regulations, regulatory documents, government administrations, regulators or stock exchanges to disclose the confidential information of the other Party or to make any opinions, judgments or recommendations based on such confidential information, the other Party shall agree to relieve the disclosing Party from its confidentiality obligations hereunder to the extent of the aforesaid stipulations or requirements.

7.3 Upon termination of this Contract for any reason, the Receiving Party shall either return immediately to the Disclosing Party all the confidential information thereof, or destroy all confidential information and confirm in writing to the Disclosing Party that such destruction has been completed.

ARTICLE VIII FORCE MAJEURE

8.1 Where the performance the Contract is affected by either Party due to unpredictable and unavoidable natural disasters or social events, including but not limited to war, port blockade, civil unrest, as well as severe flood, earthquake, plague and other incident of force majeure as deemed by the laws or court decisions of China, both Parties shall extend the performance of this Contract to the extent of the delay caused by such event of force majeure.

8.2 Where either Party fails to perform the Contract due to force majeure, it shall notify the other Party in writing without delay. In the presence of certification from relevant authorities and understanding rendered by the other party, both Parties may, through consultation and consensus, postpone the performance of this Contract or alter some terms and conditions hereunder.

ARTICLE IX NOTIFICATION

Any written notice issued by either Party to the other Party pursuant to the Contract shall be addressed to the contact person and at the address agreed upon in the first part of the Contract. Either Party shall notify the other Party of any change in relation to the above information in time. Otherwise the adverse consequences arising therefrom shall be borne by the changing party. Both Parties have agreed that written notices hereunder may be sent in the form of e-mail.

ARTICLE X ASSIGNMENT OF CONTRACT

Unless otherwise specified herein or subject to Party A's prior written consent, Party B shall not assign its rights or obligations hereunder to any third party. In the course of the performance of the Contract, Party A shall have the right to assign its rights and obligations hereunder to a designated third party upon written notice to Party B.

ARTICLE XI SEVERABILITY OF CONTRACT

Should any provision hereunder become invalid or unenforceable by reason of its inconsistency with relevant laws, such provision shall remain invalid or unenforceable only to the extent that the said laws apply, while the validity of other provisions hereunder shall not be affected. Both parties shall endeavor, through negotiation in good faith, to revise such provisions to the extent permitted by laws and as close as possible to the original intent to make such provisions legal, valid and enforceable, and the economic effects of such revised and valid provisions shall be as close as possible to that of the said invalid, illegal or unenforceable provisions.

ARTICLE XII ALTERATION AND TERMINATION

12.1 Both parties may, through discussion and upon agreement, alter the terms and conditions of the Contract, with relevant written document signed by and between both parties accordingly. The signed amendment to this Contract or the signed supplementary contract constitutes an integral part of the Contract, and shall be carry equal legal effect to this Contract.

12.2 Unless otherwise provided by the law, neither Party A nor Party B shall have the right to unilaterally terminate or end the Contract.

12.3 Where either Party hereto commits a material breach of its obligations stipulated hereunder, the Observant Party may issue to the Defaulting Party a written notice and require it to correct its default behavior within a reasonable period of time.

ARTICLE XIII APPLICABLE LAW AND DISPUTE RESOLUTION

13.1 The Contract shall be governed by Chinese laws, which are applicable to the establishment, validity, interpretation and performance in respect of the Contract as well as the settlement of disputes thereof.

13.2 Any dispute arising from the Contract or relating to the interpretation or execution of the Contract shall be resolved through friendly discussion or mediation between both Parties. If both parties fail reaching an agreement, the dispute shall then be submitted to the China International Economic and Trade Arbitration Commission for arbitration in Beijing. The then effective rules of the Committee shall be applied in the arbitration, and the arbitrator's decision on the dispute shall be final and binding upon both Parties.

ARTICLE XIV MISCELLANEOUS

The Contract shall establish upon signature by and between both Parties and enter into force on the date of 30 April 2022. The Contract is made in duplicate, one for each party, and both copies have equal legal effect.

(End of text)

(No text in this page. For signature purpose only.)

Party A (Seal) : Beijing RYB Technology Development Co., Ltd.

Party B (Seal) : Beijing RYB Children Education Technology Development Co., Ltd.

Authorized Representative (Signature): /s/ SHI Yanlai

Authorized Representative (Signature): /s/ HAN Yunzheng

Telephone No.: 010-87675611

Telephone No.: 010-67638809

Signed on March 1, 2022

Signed on March 1, 2022

DESIGN SERVICE CONTRACT OF KINDERGARTEN-BASED CORE COURSE

Party A: Beijing RYB Technology Development Co., Ltd.

Unified Social Credit Code: 911101066699005887

Address: Suite 268, No. 1 Building, No. 8 Hangfeng Road, Science City, Fengtai District, Beijing

Telephone No.: 010-87675611

Contact Person and Email: FANG Xin

Party B: Beijing RYB Children Education Technology Development Co., Ltd.

Unified Social Credit Code: 91110106103016080K

Telephone No.: 010-67638809

Contact Person and Email: HAN Yunzheng

WHEREAS:

- A. Party A is a limited liability company duly incorporated and validly existing in the People's Republic of China (hereinafter referred to as "China"). At the same time, Party A has professionals and relevant resources to provide core site-based course design services under this Contract.
- B. Party B is a limited liability company duly incorporated and validly existing in China. At the same time, Party B and/or its subsidiaries is/are the organizing or managing party/parties of relevant kindergartens in China.
- C. Now Party A has agreed to provide the core site-based course design services to Party B under this Contract, while Party B has agreed to accept the services provided by Party A.

NOW THEREFORE, both Parties have agreed to enter into this Contract on the matter of Party A providing the core site-based course design service to Party B in accordance with the Civil Code of the People's Republic of China and relevant laws and administrative rules after free-will-based, equal and friendly discussion.

ARTICLE I THE SERVICES

1.1 The Design of Kindergarten-based Core Course

Both Party A and Party B recognize each other's educational philosophy and operational model and aim to, by way of cooperation, leverage each other's advantages better, utilize both Parties' resources fully, drive the preschool education reform and the sharing of high-quality preschool educational resources collaboratively, develop and design courses that both fit for preschool-aged children and are in line with the brand culture of Party B's preschool education, and eventually provide such courses to children/students in kindergartens in China in which Party B or its subsidiaries acts/act as the organizing or managing party (including current and future kindergartens in which Party B or its subsidiaries acts/act as the organizing or managing party, hereinafter referred to as "Party B's kindergartens"; see Appendix I for the detailed list of current Party B's Kindergartens in China). Party B shall, within the first 5 working days of each Billing Cycle (as defined below), provide an updated list of Party B's Kindergartens as of the end date of the previous Billing Cycle (as defined below) to Party A, and undertake not to terminate any organizing or managing relationship with any Party B's kindergartens without prior consent from Party A's (for the avoidance of doubt, termination due to government's policy or regulation adjustments, requirements from competent government authorities or non-Party B-related reasons shall be excepted).

1.2 Course optimization

During the term of service under of this Contract, Party A shall visit Party B's Kindergartens actively to understand Party B's new needs on courses, collect feedback on existing courses, and optimize the existing courses from time to time.

ARTICLE II THE TERM

The term of services under this Contract shall be 15 years from the effective date of the Contract. Prior to the expiration of the term, both parties shall negotiate no later than 30 days in advance on the extension of the service period in good faith. It is also agreed by both parties that priority is given to the other Party under equal conditions to reach consensus on the services in the principle of fair market pricing.

In the course of the term, Party B shall not terminate the Contract in advance. In the event of early termination on the part of Party B, Party B shall pay Party A a liquidated damage calculated by the standard set forth as below: either Party B's total payable amount of service fees for the past 12 months as agreed upon hereunder (average monthly fee during the performance of the Contract x12 months, where the contract has been performed less than 12 months by early termination); or RMB 4 million (whichever is higher) .

ARTICLE III SERVICE FEE AND PAYMENT

3.1 Service fee: Both parties have agreed that the service fee for the first year under the Contract (i.e. from the effective date of the Contract to April 30, 2023) shall be as per the standard set forth as below:

3.1.1 for Party B's kindergartens, RMB 50,000 yuan/year;

3.1.2 for non-RYB kindergartens developed by Party B in the future, both parties will negotiate a fee standard based on actual situation by then, but it is suggested, in principle, the fee level be no less than RMB 50,000/year for each of those kindergartens.

3.1.3 The service fee under the Contract shall have an incremental increase of 3% based on the previous year level from the second year (from May 1, 2023 to April 30 2024, and so on) till the fourth year, and 2% incremental increase from the fifth year to the fifteenth year.

3.2 Payment: From the effective date of the Contract, Party B shall pay the service fee to Party A every three calendar months as a billing cycle (hereinafter referred to as the “**Billing Cycle**”). The service fees under this Contract shall be settled and paid once within each Billing Cycle. Within 30 days after the end of a Billing Cycle, Party B shall send to Party A, in writing, a payment notice, while Party A shall confirm, in writing, within 5 days after receiving such written notice. Within 10 working days after both Parties have reached consensus on the aforesaid payment notice as well as Party B has received an invoice issued by Party A agreed upon hereunder, Party B shall pay in full the service fees for the previous Billing Cycle in a lump sum. If Party B delays payment due to Party A’s failure to issue an invoice in time, Party B shall not be held liable for any breach of contract.

3.3 Details of Party A’s bank account designated for receiving service fees hereunder are specified as follows:

Beneficiary Name: [*****]

Beneficiary Bank Name: [*****]

Beneficiary Account Number: [*****]

Within the service term agreed upon hereunder, Party A shall notify Party B in writing of any changes in the designated bank account in advance.

3.4 After reaching an agreement on the payment notice of service fees for the said billing cycle, Party A shall issue a legally valid VAT Special Invoice in full amount in a timely manner. Party B’s detailed invoice issuance information is as follows:

Name: [*****]

Taxpayer Identification Number: [*****]

Address & Telephone No: [*****]

Bank name: [*****]

Bank account No.: [*****]

Within the term agreed upon hereunder, Party B shall notify Party A in writing in advance of any change in relation to the invoice issuance information.

ARTICLE IV INTELLECTUAL PROPERTY

4.1 The intellectual property rights of the course material formed and developed based on the services hereunder shall be owned by Party A and be protected by the *Copyright Law of the People's Republic of China* and other relevant laws and regulations.

4.2 Party A shall have sole and exclusive rights and interests in all rights, ownership rights, interests and intellectual property rights (including but not limited to copyrights, patents, technical secrets, trade secrets and others) arising from the performance of this contract, whether developed by Party A itself, developed by Party B based on Party A's intellectual property rights or developed by Party A based on Party B's intellectual property rights; Party B shall not claim any rights, ownership rights, interests and intellectual property rights against Party A.

4.3 During the term of service hereunder, Party B shall be restricted to use the courses designed and developed by Party A hereunder in Party B's Kindergartens only. Party B shall not make it available for use by any third party in any form.

ARTICLE V REPRESENTATIONS AND WARRANTIES

5.1 Party A warrants that it has full rights or full authorization to sign and perform the Contract, and that its performance of obligations hereunder will not violate Party A's obligations under any other contract.

5.2 Party B warrants that it has full rights or full authorization to sign and perform the Contract, and that its performance of obligations hereunder will not violate Party B's obligations under any other contract.

5.3 In view of the value of the services provided by Party A and the sound cooperation between both parties, Party B further warrants that within the service term agreed upon hereunder, except with Party A's prior written consent, Party B shall neither accept from any third party the same or similar services as or to that hereunder, nor enter into any similar partnership with any third party on the matters covered hereunder.

ARTICLE VI LIMITATION OF LIABILITY AND LIABILITY FOR BREACH OF CONTRACT

6.1 Both Parties shall perform their respective contractual obligations in a friendly and cooperative manner, and neither Party shall unilaterally terminate this Contract unless otherwise provided by law.

6.2 In the event that either Party is in default (the "Defaulting Party"), the Observant Party shall be entitled to compensation from the Defaulting Party for the Observant Party's direct or indirect losses, while the Defaulting Party shall compensate the Observant Party for all losses, damages, liabilities, costs or expenses thus incurred.

6.3 Where Party B fails to pay the service fees pursuant to this Contract, Party B must pay Party A a penalty of 3‰ (three thousandths) of the overdue payment on a daily basis.

6.4 Both Parties confirm that Beijing Boshi Yingjia Technology Co., Ltd. and Shanghai Peidi Culture Communication Co., Ltd. (hereinafter collectively referred to as the “**Guarantor**”) agree to assume joint and several liability for the performance of Party B’s obligations to pay the service fees under Article III of the Contract, so as to ensure the realization of Party A’s creditor’s rights under Article III of this Contract. Party A shall sign a separate guarantee contract with the Guarantor.

ARTICLE VII CONFIDENTIALITY

Both Party A and Party B acknowledge that confidential information constitutes valuable trade secrets, and therefore have agreed to use each other’s confidential information only in strict compliance with the provisions set forth under this Contract. Both Parties have agreed:

7.1 Both Parties shall maintain confidentiality of all confidential information and take all necessary precautions (including but not limited to measures taken by both Parties to protect their own confidential information) to prevent unauthorized use or disclosure of such confidential information.

7.2 Neither Party shall provide any third party with the confidential information or any information derived therefrom. The confidentiality obligations stipulated hereunder for both Parties shall not be ended by any alteration or termination of this Contract, and shall only be released under the condition that such confidential information becomes public knowledge. Should either Party be required by laws, regulations, regulatory documents, government administrations, regulators or stock exchanges to disclose the confidential information of the other Party or to make any opinions, judgments or recommendations based on such confidential information, the other Party shall agree to relieve the disclosing Party from its confidentiality obligations hereunder to the extent of the aforesaid stipulations or requirements.

7.3 Upon termination of this Contract for any reason, the Receiving Party shall either return immediately to the Disclosing Party all the confidential information thereof, or destroy all confidential information and confirm in writing to the Disclosing Party that such destruction has been completed.

ARTICLE VIII FORCE MAJEURE

8.1 Where the performance the Contract is affected by either Party due to unpredictable and unavoidable natural disasters or social events, including but not limited to war, port blockade, civil unrest, as well as severe flood, earthquake, plague and other incident of force majeure as deemed by the laws or court decisions of China, both Parties shall extend the performance of this Contract to the extent of the delay caused by such event of force majeure.

8.2 Where either Party fails to perform the Contract due to force majeure, it shall notify the other Party in writing without delay. In the presence of certification from relevant authorities and understanding rendered by the other party, both Parties may, through consultation and consensus, postpone the performance of this Contract or alter some terms and conditions hereunder.

ARTICLE IX NOTIFICATION

Any written notice issued by either Party to the other Party pursuant to the Contract shall be addressed to the contact person and at the address agreed upon in the first part of the Contract. Either Party shall notify the other Party of any change in relation to the above information in time. Otherwise the adverse consequences arising therefrom shall be borne by the changing party. Both Parties have agreed that written notices hereunder may be sent in the form of e-mail.

ARTICLE X ASSIGNMENT OF CONTRACT

Unless otherwise specified herein or subject to Party A's prior written consent, Party B shall not assign its rights or obligations hereunder to any third party. In the course of the performance of the Contract, Party A shall have the right to assign its rights and obligations hereunder to a designated third party upon written notice to Party B.

ARTICLE XI SEVERABILITY OF CONTRACT

Should any provision hereunder become invalid or unenforceable by reason of its inconsistency with relevant laws, such provision shall remain invalid or unenforceable only to the extent that the said laws apply, while the validity of other provisions hereunder shall not be affected. Both parties shall endeavor, through negotiation in good faith, to revise such provisions to the extent permitted by laws and as close as possible to the original intent to make such provisions legal, valid and enforceable, and the economic effects of such revised and valid provisions shall be as close as possible to that of the said invalid, illegal or unenforceable provisions.

ARTICLE XII ALTERATION AND TERMINATION

12.1 Both parties may, through discussion and upon agreement, alter the terms and conditions of the Contract, with relevant written document signed by and between both parties accordingly. The signed amendment to this Contract or the signed supplementary contract constitutes an integral part of the Contract, and shall be carry equal legal effect to this Contract.

12.2 Unless otherwise provided by the law, neither Party A nor Party B shall have the right to unilaterally terminate or end the Contract.

12.3 Where either Party hereto commits a material breach of its obligations stipulated hereunder, the Observant Party may issue to the Defaulting Party a written notice and require it to correct its default behavior within a reasonable period of time.

ARTICLE XIII APPLICABLE LAW AND DISPUTE RESOLUTION

13.1 The Contract shall be governed by Chinese laws, which are applicable to the establishment, validity, interpretation and performance in respect of the Contract as well as the settlement of disputes thereof.

13.2 Any dispute arising from the Contract or relating to the interpretation or execution of the Contract shall be resolved through friendly discussion or mediation between both Parties. If both parties fail reaching an agreement, the dispute shall then be submitted to the China International Economic and Trade Arbitration Commission for arbitration in Beijing. The then effective rules of the Committee shall be applied in the arbitration, and the arbitrator's decision on the dispute shall be final and binding upon both Parties.

ARTICLE XIV MISCELLANEOUS

The Contract shall establish upon signature by and between both Parties and enter into force on the date of April 30, 2022. The Contract is made in duplicate, one for each party, and both copies have equal legal effect.

(End of text)

(No text in this page. For signature purpose only.)

Party A (Seal) : Beijing RYB Technology Development Co., Ltd.

Authorized Representative (Signature): /s/ SHI Yanlai

Telephone No.: 010-87675611

Signed on March 1, 2022

Party B (Seal) : Beijing RYB Children Education Technology Development Co., Ltd.

Authorized Representative (Signature): /s/ HAN Yunzheng

Telephone No.: 010-67638809

Signed on March 1, 2022

RECRUITMENT SERVICE CONTRACT

Party A: Beijing RYB Technology Development Co., Ltd.

Unified Social Credit Code: 911101066699005887

Address: Suite 268, No. 1 Building, No. 8 Hangfeng Road, Science City, Fengtai, District, Beijing

Telephone No.: 010-87675611

Contact Person and email: FANG Xin

Party B: Beijing RYB Children Education Technology Development Co., Ltd.

Unified Social Credit Code : 91110106103016080K

Address: F1-1, 4/F., No. 29 Building, Zone 1, Fangguyuan, Fangzhuang, Fengtai District, Beijing

Telephone No.: 010-67638809

Contact Person and email: HAN Yunzheng

WHEREAS:

- A. Party A is a limited liability company duly incorporated and validly existing in the People's Republic of China (hereinafter referred to as "**China**"); Party A has rich experience in recruiting teachers as well as relevant channels and resources for such recruitment;
- B. Party B is a limited liability company duly incorporated and validly existing in China; Party B and/or its subsidiaries is/are the organizing or managing party/parties of kindergartens, which have a large number of teaching positions to be filled in, in China; and
- C. Party A has agreed to provide recruitment services to Party B to fill in the teaching positions under this Contract, while Party B has agreed to accept the services provided by Party A;

NOW THEREFORE, both parties has agreed to enter into this Recruitment Service Contract (hereinafter referred to as "**the Contract**") on the matter of Party A recruiting teachers for Party B to fill in teaching positions in accordance with the *Civil Code of the People's Republic of China* and relevant laws and administrative rules after free-will-based, equal and friendly discussion.

ARTICLE I THE SERVICES

1.1 Recruitment

Party A shall, based on the recruitment needs from Party B, publish recruitment information through relevant channels, collect and screen resumes, recommend candidates, arrange interviews and assist the recruits with the onboarding.

1.2 Party B shall be entitled to require that Party A provide services hereunder to parties designated by Party B, which are limited to the kindergartens in which Party B or its subsidiaries acts/act as the organizing or managing party (including current and future kindergartens in which Party B or its subsidiaries acts/act as the organizing or managing party, hereinafter referred to as “**Party B’s kindergartens**”; see Appendix I for the detailed list of current Party B’s Kindergartens in China). Party B shall, within the first 5 working days of each Billing Cycle (as defined below), provide an updated list of Party B’s kindergartens as of the end date of the previous Billing Cycle (as defined below) to Party A, and undertake not to terminate any organizing or managing relationship with any Party B’s kindergartens without prior consent from Party A’s (unless otherwise, for the sake of avoiding any doubt, due to government’s policy or regulation adjustments, requirements from competent government authorities).

1.3 Flow of Service

1.3.1 Party B shall provide Party A, in writing, with a recruitment requirement for its kindergartens. Such a requirement should be clear, truthful, and objective. It should at least specify information relating to the job vacancy, No. of people needed, job description, qualification requirement, job location, compensation and expected onboarding date, etc.;

1.3.2 Party A shall publish recruitment information in different channels, collect and screen applicants’ resumes, and pass the information of qualified candidates to Party B;

1.3.3 Party B shall reply within 1 working day and confirm on the candidates it is interested in, and Party A shall then conduct preliminary interviews with the candidates and arrange for them to attend Party B’s final interviews; and

1.3.4 Party B shall determine the final recruit, and Party A shall assist him or her with onboarding.

ARTICLE II THE TERM

The term of services under this Contract shall be 15 years from the effective date of the Contract. Prior to the expiration of the term, both parties shall negotiate no later than 30 days in advance on the extension of the service period in good faith. It is also agreed by both parties that priority is given to the other Party under equal conditions to reach consensus on the services in the principle of fair market pricing.

In the course of the term, Party B shall not terminate the Contract in advance. In the event of early termination on the part of Party B, Party B shall pay Party A a liquidated damage calculated by the standard set forth as below: either Party B’s total payable amount of service fees for the past 12 months as agreed upon hereunder (average monthly fee during the performance of the Contract x12 months, where the contract has been performed less than 12 months by early termination); or RMB 6 million (whichever is higher) .

ARTICLE III SERVICE FEE AND PAYMENT

3.1 Service fee: Both parties have agreed that the service fee for the first year under the Contract (i.e. from the effective date of the Contract to April 30, 2023) shall be as per the standard set forth as below:

3.1.1 for Party B’s kindergartens, RMB 4,000 yuan/person;

3.1.2 for non-RYB kindergartens developed by Party B in the future, both parties will negotiate a fee standard based on actual situation by then, but it is suggested, in principle, the fee level be no less than RMB 4,000/person for each of those kindergartens.

3.1.3 The service fee under the Contract shall have an incremental increase of 3% based on the previous year level from the second year (from May 1, 2023 to April 30, on the previous year level from the second year (from 1 May 2023 to 30 April 2024 and so on) till the fourth year, and 2% incremental increase from the fifth year to the fifteenth year.

3.2 Payment: From the effective date of the Contract, Party B shall pay the service fee to Party A every three calendar months as a billing cycle (hereinafter referred to as the “**Billing Cycle**”). The service fees under this Contract shall be settled and paid once within each Billing Cycle. Within 30 days after the end of a Billing Cycle, Party B shall send to Party A, in writing, a payment notice, while Party A shall confirm, in writing, within 5 days after receiving such written notice. Within 10 working days after both Parties have reached consensus on the aforesaid payment notice as well as Party B has received an invoice issued by Party A agreed upon hereunder, Party B shall pay in full the service fees for the previous Billing Cycle in a lump sum. If Party B delays payment due to Party A's failure to issue an invoice in time, Party B shall not be held liable for any breach of contract.

3.3 Details of Party A's bank account designated for receiving service fees hereunder are specified as follows:

Beneficiary Name: [*****]

Beneficiary Bank Name: [*****]

Beneficiary Account Number: [*****]

Within the service term agreed upon hereunder, Party A shall notify Party B in writing of any changes in the designated bank account in advance.

3.4 After reaching an agreement on the payment notice of service fees for the said billing cycle, Party A shall issue a legally valid VAT Special Invoice in full amount in a timely manner. Party B's detailed invoice issuance information is as follows:

Name: [*****]

Taxpayer Identification Number: [*****]

Address & Telephone No: [*****]

Bank name: [*****]

Bank account No.: [*****]

Within the term agreed upon hereunder, Party B shall notify Party A in writing in advance of any change in relation to the invoice issuance information.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

4.1 Party A warrants that it has the full rights or full authorization to sign and perform the Contract, and that its performance of obligations hereunder will not violate Party A's obligations under other contracts.

4.2 Party B warrants that it has full rights or full authorization to sign and perform the Contract, and that its performance of obligations hereunder will not violate Party B's obligations under other contracts.

4.3 In view of the value of the services provided by Party A and the sound cooperation between both parties, Party B further warrants that within the service term agreed upon hereunder, except with Party A's prior written consent, Party B shall neither accept from any third party the same or similar services as or to that under this Contract, nor enter into any similar partnership with any third party on the matters covered hereunder.

ARTICLE V LIMITATION OF LIABILITY AND LIABILITY FOR BREACH OF CONTRACT

5.1 Both parties shall perform their respective contractual obligations in a friendly and cooperative manner, and neither Party shall unilaterally terminate this Contract unless otherwise provided by law.

5.2 In the event of a breach of contract caused by either Party (the "Defaulting Party"), the Observant Party shall be entitled to compensation from the Defaulting Party for its direct or indirect losses, while the Defaulting Party shall compensate the Observant Party for all losses, damages, liabilities, costs or expenses thus incurred.

5.3 Where Party B fails to pay the service fees pursuant to this Contract, Party B must pay Party A a penalty of 3‰ (three thousandths) of the overdue payment on a daily basis.

5.4 Both Parties confirm that Beijing Boshi Yingjia Technology Co., Ltd. and Shanghai Peidi Culture Communication Co., Ltd. (hereinafter collectively referred to as the "Guarantors") agree to assume joint and several liability for the performance of Party B's obligations to pay the service fees under Article III of the Contract, so as to ensure the realization of Party A's creditor's rights under Article III of this Contract. Party A shall sign a separate guarantee contract with the Guarantors.

ARTICLE VI CONFIDENTIALITY

Both Party A and Party B acknowledge that confidential information constitutes valuable trade secrets, and therefore have agreed to use each other's confidential information only in strict compliance with the provisions set forth under this Contract. Both Parties has agreed as follows:

6.1 Both Parties shall maintain confidentiality of all confidential information and take all necessary precautions (including but not limited to measures taken by both Parties to protect their own confidential information) to prevent unauthorized use or disclosure of such confidential information.

6.2 Neither Party shall provide any third party with the confidential information or any information derived therefrom. The confidentiality obligations stipulated hereunder for both Parties shall not be ended by any alteration or termination of this Contract, and shall only be released under the condition that such confidential information becomes public knowledge. Should either Party be required by laws, regulations, regulatory documents, government administrations, regulators or stock exchanges to disclose the confidential information of the other Party or to make any opinions, judgments or recommendations based on such confidential information, the other Party shall agree to relieve the disclosing Party from its confidentiality obligations hereunder to the extent of the aforesaid stipulations or requirements.

6.3 Upon termination of this Contract for any reason, the Receiving Party shall either return immediately to the Disclosing Party all the confidential information thereof, or destroy all confidential information and confirm in writing to the Disclosing Party that such destruction has been completed.

ARTICLE VII FORCE MAJEURE

7.1 Where the performance the Contract is affected by either Party due to unpredictable and unavoidable natural disasters or social events, including but not limited to war, port blockade, civil unrest, as well as severe flood, earthquake, plague and other incident of force majeure as deemed by the laws or court decisions of China, both Parties shall extend the performance of this Contract to the extent of the delay caused by such event of force majeure.

7.2 Where either Party fails to perform the Contract due to force majeure, it shall notify the other Party in writing without delay. In the presence of certification from relevant authorities and understanding rendered by the other party, both Parties may, through consultation and consensus, postpone the performance of this Contract or alter some terms and conditions hereunder.

ARTICLE VIII NOTIFICATION

Any written notice issued by either Party to the other Party pursuant to the Contract shall be addressed to the contact person and at the address agreed upon in the first part of the Contract. Either Party shall notify the other Party of any change in relation to the above information in time. Otherwise the adverse consequences arising therefrom shall be borne by the changing party. Both Parties have agreed that written notices under the Contract may be sent in the form of e-mail.

ARTICLE IX ASSIGNMENT OF CONTRACT

Unless otherwise specified herein or subject to Party A's prior written consent, Party B shall not assign its rights or obligations hereunder to any third party. In the course of the performance of the Contract, Party A shall have the right to assign its rights and obligations hereunder to a designated third party upon written notice to Party B.

ARTICLE X SEVERABILITY OF CONTRACT

Should any provision hereunder become invalid or unenforceable by reason of its inconsistency with relevant laws, such provision shall remain invalid or unenforceable only to the extent that the said laws apply, while the validity of other provisions hereunder shall not be affected. Both parties shall endeavor, through negotiation in good faith , to revise such provisions to the extent permitted by laws and as close as possible to the original intent to make such provisions legal, valid and enforceable, and the economic effects of such revised and valid provisions shall be as close as possible to that of the said invalid, illegal or unenforceable provisions.

ARTICLE XI ALTERATION AND TERMINATION

11.1 Both parties may, through discussion and upon agreement, alter the terms and conditions of the Contract, with relevant written document signed by and between both parties accordingly. The signed amendment to this Contract or the signed supplementary contract constitutes an integral part of the Contract, and shall be equally carry the same legal effect as this Contract.

11.2 Unless otherwise provided by the law, neither Party A nor Party B shall have the right to unilaterally terminate or end the Contract.

11.3 Where either Party to the Contract commits a material breach of its obligations stipulated hereunder, the Observant Party may issue to the Defaulting Party a written notice and require it to correct its default within a reasonable period of time.

ARTICLE XII APPLICABLE LAW AND DISPUTE RESOLUTION

12.1 The Contract shall be governed by Chinese laws, which are applicable to the establishment, validity, interpretation and performance in respect of the Contract as well as the settlement of disputes thereof.

12.2 Any dispute arising from the Contract or relating to the interpretation or execution of the Contract shall be resolved through friendly discussion or mediation between both Parties. If both parties fail reaching an agreement, the dispute shall then be submitted to the China International Economic and Trade Arbitration Commission for arbitration in Beijing. The then effective rules of the Commission shall be applied in the arbitration, and the arbitrator's decision on the dispute shall be final and binding upon both Parties.

ARTICLE XIII MISCELLANEOUS

The Contract shall establish upon signature by and between both Parties and come into force on the date of April 30, 2022. The Contract is made in duplicate, one for each party, and both copies have equal legal effect.

(End of text)

(No text in this page. For signature purpose only.)

Party A (Seal) : Beijing RYB Technology Development Co., Ltd.

Party B (Seal) : Beijing RYB Children Education Technology Development Co., Ltd.

Authorized Representative (Signature): /s/ SHI Yanlai

Authorized Representative (Signature): /s/ HAN Yunzheng

Telephone No.: 010-87675611

Telephone No.: 010-67638809

Signed on March 1, 2022

Signed on March 1, 2022

GUARANTEED LOAN CONTRACT

Lender: Beijing RYB Technology Development Co., Ltd.

Unified Social Credit Code: 911101066699005887

Address: Suite 268, No. 1 Building, No. 8 Hangfeng Road, Science City, Fengtai District, Beijing

Legal representative: FANG Xin

**Borrower 1: Beijing RYB Children Education Technology Development Co., Ltd.
(hereinafter referred to as “Guarantor 1”)**

Unified Social Credit Code: 91110106103016080K

Address: F1-1, 4/F, No. 29 Building, Fangguyuan Section 1, Fangzhuang, Fengtai District, Beijing

Legal representative: HAN Yuzheng

**Borrower 2: Beijing Beiyao Technology Development Co., Ltd.
(hereinafter referred to as “Guarantor 2”)**

Unified social credit code: 911101063552257193

Address: F1-1-6, 4/F, No. 29 Building, Fangguyuan Section 1, Fangzhuang, Fengtai District, Beijing

Legal representative: FANG Xin

Borrower 1 and Borrower 2 are collectively referred to as the “**Borrower**”, and Guarantor 1 and Guarantor 2 are collectively referred to as the “**Guarantor**”.

WHEREAS, the Lender has provided the Borrower with a loan in total of RMB240,540,000 and the Guarantor has agreed to provide joint and several liability guarantee in respect of the Borrower’s obligations hereunder. In order to clarify each party’s respective rights and obligations, the Parties have agreed to enter into this contract (hereinafter referred to as the “**Contract**”) in Beijing for mutual compliance and execution in accordance with the relevant provisions of the laws and regulations in force and on an equal and free-willed basis and after friendly discussion. The Contract includes the terms and conditions of the lending as well as that of the guarantee.

PART ONE - THE TERMS AND CONDITIONS OF LOAN

ARTICLE I The Amount

- 1.1 All Parties acknowledge that the Lender and its affiliate(s) have provided the Borrower with a loan in total of [*****]. Of the amount above, a total of [*****] has been provided to the Borrower 1, and twelve million and [*****] to the Borrower 2.
- 1.2 All Parties agree that in the event that the amount of loan provided by the Lender and its affiliate(s) to the Borrower as of April 30, 2022 as audited by a third-party agency is inconsistent with the above-mentioned amount of loan, the amount of loan confirmed by such a third-party auditor (the “**Audited Amount of Loan**”) shall prevail.

ARTICLE II THE TERM

All Parties acknowledge that the term of loan hereunder shall be from the date of actual provision of loan by the Lender and its affiliate(s) to the Borrower to 1 May 2032.

ARTICLE III REPAYMENT AND INTEREST RATE

- 3.1 The repayment of the loan hereunder will be in the form of equal annual repayment of principal and interest from 1 May 2022 onwards, subject to the repayment schedule as set out in Annex I: Repayment Schedule hereto. For the sake of avoiding any doubt, if all the Parties intend to base on the Audited Amount of Loan as agreed in Article 1, Paragraph 2 of hereunder, the Parties shall sign a repayment schedule, confirming that the Audited Amount of Loan shall be used as the basis for the repayment schedule, and comply with it.
- 3.2 The interest rate of the loan hereunder is 4% per annum, and the interest will be accrued as of 1 May 2022.
- 3.3 If the last repayment date of the loan principal is not on the interest payment date, the last repayment date of the loan principal shall be the interest payment date. The Borrower shall pay all the interest accrued. If the interest accrual period is not a complete year, the interest shall be calculated by the number of days of borrowing, and the corresponding daily interest rate = annual interest rate / 360.
- 3.4 All Parties agree that the Borrower and/or the Guarantor repay(s) the corresponding loan principal and interest hereunder to the Lender, which is deemed to have fulfilled the obligation of repaying the loan principal and interest hereunder. The Lender shall make sure that its affiliate(s) will not raise any objection in this regard.
- 3.5 All the Parties agree that the Borrower can repay earlier than schedule without undertaking any liability thereof.

ARTICLE IV WAY OF GUARANTEE

This Contract adopts the way of joint and several liability guarantee. The specific agreed content is subject to the terms of guarantee herein.

PART TWO - PROVISION OF GUARANTEE

ARTICLE V JOINT AND SEVERAL LIABILITY GUARANTEE

- 5.1 In order to ensure the performance of the Contract, the Guarantor voluntarily provide a joint and several liability guarantee for the Borrower. Among them, Guarantor 1 provides joint and several liability guarantee for Borrower 2's obligation of repaying the principal and interest accrued of the loan hereunder, and Guarantor 2 provides joint and several liability guarantee for Borrower 1's obligation of repaying the principal and interest accrued of the loan hereunder.
- 5.2 In the event that the Borrower fails to perform the repayment obligations as stipulated herein, the Guarantor undertakes to perform the joint and several liability obligation as required by the Lender.

ARTICLE VI SCOPE OF GUARANTEE

Guarantor 1's liability covers all Borrower 2's liabilities hereunder, including but not limited to all the principal, interest, default, indemnity, other sums payable by the Borrower to the Lender, and expenses incurred by the Lender in realizing the claims and guarantee rights (including litigation costs, attorney's service fees, etc.); Guarantor 2's liability covers all Borrower 1's liabilities hereunder, including but not limited to all the principal, interest, default, indemnity, other sums payable by the Borrower to the Lender, and expenses incurred by the Lender in realizing the claims and guarantee rights (including litigation costs, attorney's service fees, etc.)

ARTICLE VII TERM OF GUARANTEE

The term of guarantee shall be from the effective date of the Contract until two years after the date the term of the loan expires. In the event that the loan is extended, the expiry date shall be the date of the final performance of the Contract as determined after the extension. Where the Lender recovers the loan early by the Contract, the guarantor's liability will be fulfilled early accordingly.

ARTICLE VIII RIGHT OF RECOURSE

Where the Borrower fails to perform its obligation of repaying the principal and interest as stipulated in the terms and conditions of loan herein, the Lender will have the right to seek recourse directly to the Guarantor. The Guarantor shall guarantee to pay off the corresponding amount within 3 working days upon receiving a written dunning notice from the Lender.

ARTICLE IX INDEPENDENCE OF PROVISION OF GUARANTEE

The validity of the guarantee clauses herein will not be affected and the Guarantor will still remain liable as agreed hereunder in the event that the loan clauses herein are, for any reason, invalid in part or in whole.

PART THREE - OTHER TERMS

ARTICLE X REPRESENTATIONS AND WARRANTIES

10.1 The Borrower's Representations and Warranties

10.1.1 The Borrower is an independent civil entity established and legally subsisting under the law and has all the necessary capacity to perform its obligations and assume civil liability in its own name hereunder.

10.1.2 The Borrower is legally qualified to enter into this Contract, and the execution and performance of its obligations hereunder are in accordance with the relevant laws and regulations.

10.1.3 The Borrower undertakes to repay the principal and interest of the loan as agreed herein.

10.1.4 The Borrower shall notify the Lender in writing within 7 days of the occurrence or possible occurrence of the following events:

10.1.4.1 Change of industrial and commercial registration matters such as actual controller, shareholder, registered capital, legal representative, residence, mailing address or business scope;

10.1.4.2 The Borrower intends to file for bankruptcy or may be or has been filed for bankruptcy by creditors;

10.1.4.3 The Borrower is involved in major litigation or arbitration proceeding, or its major assets have been subject to compulsory measures such as property preservation;

10.1.4.4 The Borrower suspends production, suspends business, dissolves business, suspends business for rectification, is rescinded or has its business license revoked;

10.1.4.5 The Borrower, the Borrower's legal representative (person in charge) or key management personnel is/are involved in illegal activities;

10.1.4.6 The Borrower has incurred large amount of financing, external guarantee and liabilities and external investment in excess of RMB 10 million;

10.1.4.7 Serious operational difficulties, deterioration in financial condition, or other events that negatively affect the borrower's operation, financial position or solvency.

10.1.5 The Borrower agrees that the exercise of the Lender's rights in accordance with the terms and condition hereof shall not be interrupted or prejudiced by the Borrower or the Borrower's successor or assignee or any other person.

10.2 The Lender's representations and warranties

10.2.1 The Borrower is an independent civil entity established and legally subsisting under the law and has all the necessary capacity to perform its obligations and assume civil liability in its own name hereunder.

10.2.2 The Borrower and/or the Guarantor repay(s) the corresponding loan principal and interest hereunder to the Lender, which is deemed to have fulfilled the obligation of repaying the loan principal and interest hereunder. The Lender shall make sure that its affiliate(s) will not raise any objection in this regard.

10.3 The Guarantor's representations and warranties

- 10.3.1 The Guarantor guarantees that it has sufficient capacity to undertake the guaranty responsibility, and will not be exempted from its responsibilities due to any instructions received, changes in financial status, or any agreement signed with any organization or individual;
- 10.3.2 During the performance of the Contract, the Guarantor undertakes not to provide any third-party with a guarantee beyond its own capability, unless with prior written consent from the Lender;
- 10.3.3 The Guarantor shall notify the Lender in writing three (3) days in advance of any circumstance that may seriously affect its ability as a guarantee during the guarantee period. Where the Lender considers that the Guarantor no longer has full capacity to guarantee, the Guarantor will be obliged, together with the Borrower, to find a new guarantor acceptable to the Lender.

ARTICLE XI EARLY RECOVERY OF LOAN

The Lender shall be entitled, upon the occurrence of any one or more of the following events or factors arising from the terms hereof affecting the security of the loan, to require the Borrower to repay part or all of the payable principal and interest, where

- (1) the Borrower's actual controlling party changes;
- (2) the Borrower is going to be or has been involved in major litigation or arbitration proceedings or any other legal disputes which are sufficient to affect the Borrower's solvency;
- (3) the Borrower or the Guarantor enters into a contract or agreement, which seriously damages the rights and interests of the Lender, with another person;
- (4) the Borrower fails to make timely payment of the principal or interest due and payable on the loan as agreed in the contract, and such payment remains unpaid within the payment period stated in the written dunning notice issued by the Lender;
- (5) the Borrower is declared bankrupt or dissolved;
- (6) the Guarantor has breached the terms of guarantee or lost the ability to undertake any guarantee, while the Borrower has failed in providing new guarantee or warranty that meets the Lender's requirements;
- (7) the Borrower or the Guarantor has other behaviors that may affect the repayment of the principal and interest to the Lender or has endangered the security of the Lender's claim to the loan.

ARTICLE XII DEFAULT

12.1 Borrower's default:

- 12.1.1 Failure to repay the principal and interest of the loan on time or in full as agreed herein.

- 12.1.2 Deterioration of business or financial conditions, inability to pay off due debts, or being involved or about to be involved in major litigation or arbitration proceedings and other legal disputes, which the Lender believes may or has affected or prejudiced the Lender's rights and interests hereunder;
- 12.1.3 Change of the actual controlling party, implementation of contracting, leasing, merger (takeover), joint venture (cooperation), demerger, affiliation, shareholding reform and other acts that change the mode of operation or convert the operating mechanism during the term of the contract,, where the Lender believes that the Lender's rights and interests hereunder may be or have been affected or prejudiced ;
- 12.1.4 Other circumstances that the Lender considers to be sufficient to affect the realization of the creditor's rights;
- 12.1.5 Breach of other contractual obligations and representations and warranties herein.
- 12.2 The Borrower is deemed to be in default if the Guarantor fails to provide a new guarantee that meets the Lender's requirements in the following circumstances:
 - 12.2.1 where the Guarantor provides guarantee to a third-party in excess of its own capability;
 - 12.2.2 the Guarantor has lost or may lose its ability to guarantee.
- 12.3 The Borrower is deemed to be in default if a guarantee or other form of security is not in force, is invalid, has been revoked, or the Guarantor is in partial or complete incapacity or refuses to perform its guarantee obligations, or the Borrower fails to find a new guarantee as required by the Lender.

ARTICLE XIII DEFAULT REMEDY

In the event of a default by the Borrower hereunder, the Lender shall have the right to exercise default remedies including but not limited to:

- (1) unilaterally declare accelerated maturity of part or all of the loan principal amount hereunder and require the Borrower to immediately repay all the loan principal and interest that are due hereunder (including prematurely declared due);
- (2) require the Borrower to provide new guarantees, which will meet the Lender's requirements, for all its liabilities hereunder;
- (3) exercise the guarantee rights;
- (4) require the Borrower to pay late payment liquidated damages calculated at the rate of [*****]% of the outstanding loan amount for each day overdue to the Lender.

ARTICLE XIV ENTRY INTO FORCE, CHANGE, CANCELLATION AND TERMINATION

- 14.1 This Contract will enter into force upon signature by the Parties.

- 14.2 After this Contract takes effect, neither the borrower, no party shall be allowed to change or cancel the Contract arbitrarily. In the event that the Contract needs to be changed or terminated, all the Parties shall reach an agreement, in written, through discussion. Before a written agreement is reached, the terms and condition hereof shall remain valid.
- 14.3 Any change or cancellation of the Contract shall not affect the contracting party's right to claim compensation for damages. The cancellation of the Contract shall not affect the validity of any dispute resolution clause herein.

ARTICLES XV ASSIGNMENT OF CLAIMS AND LIABILITIES

- 15.1 Subject to the fulfillment of the obligation to inform the Borrower, the Lender shall have the right to assign the claims hereunder to another person without prior consent from the Borrower, and the Borrower shall continue performing its duties and obligations hereunder.
- 15.2 The Borrower shall not assign any responsibility or obligation of repayment and others, if any, under this Contract to a third-party without obtaining the Lender's written consent.

ARTICLE XVI APPLICABLE LAW AND DISPUTE RESOLUTION

- 16.1 This Contract shall be governed by the laws of China, and such laws shall also be applicable to the establishment, validity, interpretation and performance of the Contract as well as the resolution of dispute arising therefrom.
- 16.2 Any dispute arising in the course of the performance of the Contract shall be resolved by friendly discussion and negotiation; if such discussion and negotiation fails, the dispute shall then be submitted to the China International Economic and Trade Arbitration Commission ("the Commission") for arbitration in accordance with the then effective rules of the Commission. The arbitration shall be carried out in Beijing and the language of arbitration shall be Chinese. The arbitral award shall be final and binding upon all the Parties.
- 16.3 During the dispute resolution period, the Parties shall continue performing all other terms and conditions herein except for the matters in dispute.

ARTICLE XVII MISCELLANEOUS

- 17.1 Any appendix hereto shall be an integral part of the Contract.
- 17.2 The heading of each term hereof shall be for convenience purpose only and shall not affect the meaning of any term hereof.
- 17.3 This Contract is made in triplicate, one for each party, and all copies have equal legal effect.

(End of text)

(No text in this page. For signature purpose only.)

Lender (Seal): Beijing RYB Technology Development Co., Ltd.

Legal representative or authorized representative (Signature): /s/ SHI Yanlai

Date: March 1, 2022

Borrower 1 & Guarantor 1 (Seals): Beijing RYB Children Education Technology Development Co., Ltd.

Legal representatives or authorized representatives (Signatures): /s/ HAN Yuzheng

Date: March 1, 2022

Borrower 2 & Guarantor 2 (Seals): Beijing Beiyao Technology Development Co., Ltd.

Legal representatives or authorized representatives (Signatures): /s/ Fang Xin

Date: March 1, 2022

Exclusive Consulting and Services Agreement

This Exclusive Consulting and Services Agreement (hereinafter referred to as "**this Agreement**") is entered into by and among the following parties in Beijing, the People's Republic of China (hereinafter referred to as "**the PRC**") on April 30, 2022:

Party A: Qiyuan Education Technology (Tianjin) Co., Ltd.

Party B: Zhudou Investment (Beijing) Co, Ltd.

Party B's Subsidiaries: the companies or other entities invested in and controlled by Party B as listed in **Annex I** and to be updated from time to time as set out in this Agreement (including but not limited to the companies or other entities in which Party B directly or indirectly owns over 50% of the investment interests)

and

Party C: the natural persons as listed in **Annex II**, who, altogether, make up the full list of Party B's existing shareholders with their respective capital contributions and shares in Party B's registered capital shown in **Annex II**.

(Party A, Party B and Party's Subsidiaries and Party C shall each be referred to as a "**Party**" and collectively referred to as the "**Parties**").

WHEREAS,

- A. Party A is a wholly foreign-owned enterprise duly incorporated and validly existing under the laws of the PRC and has necessary resources for technical consultation and services;
- B. Party B is a limited liability company duly incorporated and validly existing under the laws of the PRC and holds 100% investment rights of Party B's Subsidiaries as listed in **Annex I**;
- C. Party C is a Party B's shareholder and collectively owns 100% of Party B's equity; and
- D. Party A agrees to provide, by utilizing its advantages in technology, personnel and information, Party B and Party B's Subsidiaries with exclusive services of technical and business support, corporate management consultation, intellectual property right licensing, etc. in accordance with the needs of Party B and Party B's Subsidiaries. All the Parties agree to accept such corporation.

NOW, THEREFORE, the Parties, after friendly negotiation, hereby agree as follows:

1. Service Providing

1.1 In accordance with the terms and conditions agreed hereunder, Party B and Party B's Subsidiaries hereby appoint Party A as the exclusive consultation and service provider for Party B and Party B's Subsidiaries within the term agreed herein, to provide Party B and Party B's Subsidiaries with comprehensive technical and business support, corporate management consultation, intellectual property right licensing and other services as set out in Annex III hereto. All parties understand that the actual services provided by Party A will be subject to Party A's approved scope of business. Where Party B and Party B's Subsidiaries require Party A to provide services beyond Party A's approved scope of business, Party A shall apply for expansion of its business scope to the maximum extent permitted by the law and to provide the required services exclusively after obtaining approval of such expansion of scope of business.

Party B and Party B's Subsidiaries shall, based on their actual business needs, determine the content of service within the scope of Annex III hereto together with Party A or the entity/entities designated by Party A.

1.2 Party B and Party B's Subsidiaries hereby irrevocably agree to accept the consultation and services provided by Party A pursuant hereto, and agree that Party A's consultation and services shall be sole and exclusive. Party B, Party B's Subsidiaries and Party C further agree not to accept, directly or indirectly during the term hereof, any of the same or comparable consultation and service provided by any third party, nor to establish any comparable business cooperation with any third party on the matters covered herein, unless with Party A's prior written consent. Party B and Party B's Subsidiaries agree not to enter into any other agreement or arrangement in conflict herewith or to the prejudice of Party A's rights and interests hereunder without Party A's written consent.

1.3 Notwithstanding other provisions hereof, Party A shall be entitled to designate any third party to provide any or all of the services covered herein, or to perform any of Party A's obligations hereunder and to collect service fees hereunder. Party B, Party B's Subsidiaries and Party C hereby agree that Party A shall be entitled to transfer its rights and obligations hereunder to any third party.

For the purpose of Party A's or its designated third party's providing any or all of the services hereunder to Party B and Party B's Subsidiaries, Party B, Party B's Subsidiaries and Party C shall provide Party A or any third party delegated by Party A with all necessary assistance and facilities.

1.4 Party B hereby grants to Party A an irrevocable and exclusive preemptive right by which Party A may, to the extent permitted by the laws and regulations of the PRC, purchase by itself or appoint one or more person(s) (such person(s) must be a direct or indirect shareholder(s) of Party A when exercising such preemptive right) at its sole discretion to purchase from Party B the whole or any part of its assets at the minimum price as permitted under the laws and regulations of the PRC. The relevant parties shall enter into a separate asset transfer contract to agree on the terms and conditions of such asset transfer.

2. Price of Service and Payment

2.1 Party A shall negotiate a fair price and an appropriate payment method for each

service content and service recipient based on the income of Party B and each of Party B's Subsidiaries that receive such service (hereinafter referred to as "**the Service Recipient**"). See **Annex III** for details of the calculation and payment of service fees.

2.2 Where the mechanism for determining the service prices agreed herein is considered inapplicable by Party A for any reason and thus needs adjustments, the Service Recipient shall actively negotiate with Party A in good faith within ten (10) working days after the date of Party A's written request for service fee adjustment so as to determine a new service fee standard or mechanism. the Service Recipient's failure to respond within ten (10) working days shall be deemed as consent to such request for adjustment in the service fees.

2.3 Each Party hereto shall bear its own taxes and fees payable under the law for the execution and performance hereof.

3. Intellectual Property Right

3.1 Party A shall exclusively have all intellectual property rights arising out of the performance hereof (including but not limited to copyright, computer software, copyright, patent right and patent application right, technical secret, trade secret and others). Unless otherwise licensed by Party A, Party B or Party B's Subsidiaries shall not enjoy any rights other than those agreed herein. Party B and Party B's Subsidiaries shall take all necessary measures to facilitate Party A or Party A's relevant party/parties in obtaining or maintaining such intellectual property rights.

3.2 However, where such development is carried out by Party A on the basis of Party B's or Party B's Subsidiaries' intellectual property rights, Party B shall ensure that such intellectual property rights are free from any flaw; otherwise, Party B and Party B's corresponding Subsidiary/Subsidiaries shall be liable for any damage or loss occurred to Party A. In the event that Party A, due to the said reasons, takes the responsibility of compensating any third party, Party A shall, after such compensation is made, be entitled to recourse against Party B and/or Party B's corresponding Subsidiary/Subsidiaries for any and all damages and losses suffered therefrom.

3.3 The Parties hereto agree that this Article 3 shall keep legally effective regardless of any change, cancellation or termination hereof.

4. Party A's Control and Management of Party B or Party B's Subsidiaries

To the extent permitted by the laws and regulations of the PRC, Party C and Party B exclusively authorize Party A or a representative/representatives appointed by Party A to exercise the right of controlling and managing Party B or Party B's Subsidiaries, including but not limited to:

4.1 Putting forward suggestions or requirements on day-to-day operation, financial management and personnel employment to Party B or Party B's Subsidiaries, which shall be strictly performed or complied with by Party B or Party B's Subsidiaries.

4.2 To the extent permitted by the laws of the PRC, Party B or Party B's Subsidiaries shall appoint the persons recommended by Party A as directors and senior executives of the company; unless with Party A's prior written consent or for any statutory reason, Party B or Party B's Subsidiaries shall not refuse appointing such persons recommended by Party A for any reason.

4.3 Without Party A's prior written consent, Party B or Party B's Subsidiaries shall not engage in contracting, leasing, merger, demerger, affiliating, shareholding system reforming or other arrangement that changes the mode of operation and ownership structure, or any disposal of all or part of Party B's or Party B's Subsidiaries' assets or interests by way of assigning, transferring, converting asset into shares or others if any

4.4 Without Party A's prior written consent, Party B or Party B's Subsidiaries shall not engage in any transaction and activity that may materially affect their assets, obligations, rights or operations, including but not limited to:

- (1) carrying out any activities other than in the ordinary course of business of the company or operate the business of the company in a manner inconsistent with or unusual to its practice;
- (2) altering or removing any director of the company or dismiss any senior management of the company;
- (3) borrowing any loans from or incur any indebtedness to any third party;
- (4) selling to or acquiring from or otherwise dispose with any third party of any assets or rights (other than those necessary for the day-to-day business operations), including but not limited to any intellectual property rights;
- (5) entering into any major contracts (other than those necessary for the day-to-day business operations);
- (6) granting to any third parties security, other than the reason of Party B's and Party B's Subsidiaries' debts, including the security over its assets or intellectual property rights;
- (7) modifying the articles of association or changing the company's business scope;
- (8) changing the ordinary course of business of the company or modifying any significant bylaws of the company;
- (9) making significant adjustments to its business model, marketing strategy, operating policy or customer relationship;
- (10) distributing bonus and stock dividend in any form;
- (11) liquidizing the company and distributing the remaining assets; and
- (12) assigning its rights or obligations hereunder to any third party.

4.5 Party A shall be entitled to review and examine the bookkeeping of Party B and Party B's Subsidiaries on a regular basis and at any time. Party B and Party B's Subsidiaries shall keep the books in a timely and accurate manner, and provide Party A with their books upon Party A's request. Within the term hereof and subject to applicable laws, Party B and Party B's Subsidiaries agree to cooperate with Party A and Party A's shareholders (both direct and indirect) in conducting audits (including but not limited to audits of related-party transactions and other types of audits), provide Party A, Party A's shareholders and/or their appointed auditors with information and materials associated with the operation, business, customers, finance and personnel of Party B and Party B's Subsidiaries, and grant consent to the disclosure of such information and materials by Party A's shareholders for the purpose of satisfying the regulatory requirements on securities in the place of listing.

4.6 Party B, Party B's Subsidiaries and Party C hereby agree to pledge all of their accounts receivable and/or all other assets they legally own and may dispose of, upon Party A's written request and in a manner permitted by law at the time, as a guarantee for their performance of the payment obligations of the service fees set forth in Article 2.1 hereunder.

4.7 Party B, Party B's Subsidiaries and Party C hereby agree that Party B and Party B's Subsidiaries will, within the term hereof, maintain the full business licenses required for their business operations as well as the full rights and qualifications to operate their current business in the PRC.

4.8 Party B, Party B's Subsidiaries and Party C hereby agree to provide, upon Party A's request, any document related to Party B and Party B's Subsidiaries (including but not limited to loan agreements, guarantee agreements, business licenses and others).

4.9 Without Party A's prior written consent, Party C shall not directly or indirectly engage in, participate in or conduct any business or activity that competes or may constitute competition with Party B's and Party B's Subsidiaries' business, acquire or hold any business that competes or may constitute competition with Party B's and Party B's Subsidiaries' business, or derive any benefit from any business that competes or may constitute competition with Party B and Party B's Subsidiaries.

4.10 In the event of liquidation or dissolution of Party B or Party B's Subsidiaries for any reason, Party C, Party B and Party B's Subsidiaries shall, to the extent permitted by the laws of the PRC, appoint a liquidation team comprised of persons recommended by Party A to manage Party B's or Party B's Subsidiaries' property. Party C and Party B acknowledge that in the event of liquidation or dissolution of Party B or Party B's Subsidiaries, Party C and Party B shall transfer to Party A unconditionally and without compensation all the remaining property received by each of them in the liquidation of Party B or Party B's Subsidiaries in accordance with the laws and regulations of the PRC, regardless whether the foregoing provision agreed in this Article is executed or not.

4.11 Party C hereby agrees to issue to Party A a separate Power of Attorney on the date hereof in content and form satisfactory to Party A, and to fully, properly and completely perform the provisions of such Power of Attorney, including but not limited to unconditionally and irrevocably authorizing Party A or the person appointed by Party A

(hereinafter referred to as “**the Trustee**”) to act as an agent and exercise its shareholder’s rights in Party B and Party B’s Subsidiaries on behalf of Party C with full power and authority at the Trustee’s own will.

4.12 Party B and Party C confirm that they have a full and clear understanding of Party B’ and Party B’s Subsidiaries’ obligations hereunder upon entering into this Agreement, and that each of Party C shall voluntarily pledge its aggregate 100% equity interests in Party B to Party A for the performance of all Party B’ and Party B’s Subsidiaries’ obligations hereunder. Each Party will enter into a separate agreement on the equity pledge matter. In addition, upon Party A’s request, Party B shall voluntarily pledge 100% of the equity interests it holds in its Subsidiaries to Party A as additional security for the performance of all Party B’ and Party B’s Subsidiaries’ obligations hereunder.

5. Term

5.1 This Agreement is signed and becomes effective on the date indicated at the beginning of this document.

5.2 Unless terminated earlier by mutual agreement of the Parties, this Agreement shall remain in force and effect during the operating period of Party A, Party B and Party B’s Subsidiaries.

5.3 During the term hereof, Party A may terminate this Agreement at any time with thirty (30) days prior notice in writing to Party B and Party C.

5.4 During the term hereof, Party B, Party B’s Subsidiaries or Party C shall not terminate this Agreement in advance for any reason.

6. Confidentiality

6.1 All provisions hereof and this Agreement itself will be confidential information, and no Party shall disclose any of them to any third party with the exception of senior officers, directors, employees, agents and professional advisors in connection with the Project. Where the Parties are required to disclose any of the information about this document to the government, the public or shareholders or to submit this document to appropriate authorities for filing, registration or publicly review in accordance with applicable jurisdiction (including but limited to U.S. law, stock exchange listing rules and guidelines, or regulatory requirements of securities regulators), it will be deemed an exception.

6.2 This provision shall keep legally effective regardless of any change, cancellation or termination hereof.

7. Liability for Breach of Contract

7.1 In the event that a Party fails to perform any of its obligations hereunder, or that any of such Party’s representation or warranty hereunder is essentially untrue or inaccurate, such Party shall be deemed as in breach hereof and shall indemnify the other Parties for all of their losses damages and losses and and pay liquidated damages to them in

accordance with this Agreement or as otherwise agreed by the parties concerned.

7.2 Where the Service Recipient fails to pay the Service Fee and other fees as agreed herein, the Service Recipient shall pay to Party A a separate liquidated damages of five percent (5%) per day for the amount in default.

8. Force Majeure

Where a force majeure event affects the performance of the Agreement, the Party experiencing the force majeure shall immediately notify the other Parties via telegram, facsimile or other electronic means, and provide written proof of the force majeure within fifteen (15) business days. Depending on the extent of the impact on the performance hereof, the Parties shall decide through consultation whether to cancel this Agreement, or to partially exempt the performance hereof, or to delay the performance hereof.

9. Change of Parties

9.1 Addition of Party B's Subsidiaries. If, at any time after the effective date hereof, any additional Party B's subsidiary is added, Party B and Party C shall cause such additional Party B's subsidiary to enter into a letter of assumption of rights and obligations in the form and content of **Annex IV** hereto and any other legal instrument permitted or required by the laws of the PRC so that the additional Party B's subsidiary can be brought into this Agreement and assume all the obligations and rights hereunder to be assumed and enjoyed by all Party B's Subsidiaries. From the date of execution of the letter of assumption of rights and obligations and any other legal instruments permitted or required by the laws of the PRC (if involved), such additional Party B's subsidiary shall be deemed to be a party to this Agreement. All the other Parties hereby agree to and fully accept the above arrangement.

9.2 The rights and obligations hereunder shall be legally binding on any assignee or successors of the rights and obligations of any Party hereto (whether such assignment of rights and obligations result from acquisition, reorganization, succession, transfer or otherwise). Party C pledges and undertakes that in the event of Party C's death, incapacity, divorce, bankruptcy or other circumstances that may affect its holding of Party B's equity (if applicable), (a) all Party C's rights and obligations hereunder shall be inherited by its successor; (b) unless with Party A's prior consent, this Agreement shall have an effectiveness higher than any will, divorce agreement, debt agreement or other legal document of any kind entered into by Party C at any time.

10. Bylaws

10.1 The laws of the People's Republic of China shall apply hereto. All disputes arising in the course of the performance hereof shall be settled in a friendly manner by the Parties. Should such negotiation fail, the dispute shall be submitted to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with its arbitration rules then in force. The arbitration shall be held in Beijing in Chinese language. The arbitration award shall be final. Except for the portion being submitted to

arbitration, the remainder hereof shall continue to be effective.

10.2 This Agreement is made in Chinese, in multiple originals, each having the same legal effect.

10.3 All the Parties acknowledge that this Agreement shall be enforceable to the extent permitted by the law. Where any provision hereof or any part of a provision hereof is held to be illegal, invalid or unenforceable by any competent authority or court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the other provisions hereof or other parts of such provision, which shall remain in full force and effect. The Parties shall make their best efforts to modify such illegal, invalid or unenforceable provision to achieve the purpose of the original provision.

10.4 This Agreement and its annexes hereto will be the entire agreement with respect to the transactions hereunder and shall supersede any and all prior communications, undertakings, memoranda or any other discussions, oral or written, with respect to the matters covered by this Agreement.

10.5 Any amendment or supplement hereto must be in writing and will only be effective after being signed by all the Parties hereto.

[End of text]

[No text below. Signature page of the Exclusive Consultation and Service Agreement.]

Party A:

Qiyuan Education Technology (Tianjin) Co., Ltd. (Company chop)

Authorized representative: ___/s/ Mengting Liu_____

Party B:

Zhudou Investment (Beijing) Co, Ltd. (Company chop)

Authorized representative: ___/s/ Yin Xiao_____

[No text below. Signature page of the Exclusive Consultation and Service Agreement.]

Party B's Subsidiary:

Beijing Aizhudou Investment (Beijing) Co, Ltd. (Company chop)

Authorized representative: ____/s/ Weijuan Cai _____

[No text below. Signature page of the Exclusive Consultation and Service Agreement.]

Party B's Subsidiary:

Beijing Ailuo Education Technology Co, Ltd. (Company chop)

Authorized representative: _____/s/ Weijuan Cai _____

[No text below. Signature page of the Exclusive Consultation and Service Agreement.]

Party B's Subsidiary:

Beijing Qiantian Youpin E-Commerce Co., Ltd. (Company chop)

Authorized representative: _____/s/ Weijuan Cai _____

[No text below. Signature page of the Exclusive Consultation and Service Agreement.]

Party B's Subsidiary:

Kuailishuo (Beijing) Education Technology Co., Ltd. (Company chop)

Authorized representative: _____/s/ Weijuan Cai _____

[No text below. Signature page of the Exclusive Consultation and Service Agreement.]

Party C (Signature):

/s/ Ying Xiao

/s/ Yun Gu

Exclusive Option Agreement

This Exclusive Option Agreement (hereinafter referred to as "**this Agreement**") is entered into by and among the following parties (hereinafter referred to as the "Parties") on April 30 , 2022 in Beijing, China:

Party A: Qiyuan Education Technology (Tianjin) Co., Ltd., a wholly foreign-owned enterprise duly incorporated and validly existing in THE People's Republic of China (hereinafter referred to as "**China**");

Party B: The natural persons listed in **Annex I** who, together, make up the full list of Party C's existing shareholders, with their respective capital contributions and shares in Party C's registered capital shown in **Annex I**,

and

Party C: Zhudou Investment (Beijing) Co, Ltd., duly incorporated and validly existing in China

(Party A, Party B and Party C shall each be referred to as a "**Party**" and collectively referred to as the "**Parties**").

NOW, THEREFORE, the parties above, after friendly negotiations, have reached an agreement on the purchase of Party C's equity/assets held by Party B by Party A or a third party designated by Party A, as follows, and intend to be bound hereby.

1. Exclusive Purchase Option

1.1 From the date hereof, Party A shall have the right but not the obligation to request Party B (subject to Party A's specific request) to transfer all or part of the equity interest in Party C held by Party B (hereinafter referred to as the "**Subject Equity Interest**") at any time, and Party B shall transfer the Subject Equity Interest to Party A or a third party designated by Party A upon Party A's request.

(1) All or part of the Subject Equity Interest permitted to be held by Party A or a third party designated by Party A under the laws and regulations of the PRC; or

(2) other circumstances as Party A deems appropriate or necessary to the extent permitted by the laws and regulations of the PRC.

The exclusive purchase option granted to Party A hereunder shall be exclusive, unconditional and irrevocable.

1.2 The Parties agree that, subject to the terms and conditions hereof and subject to the laws of the PRC for the time being, Party A shall have the right to exercise all or part of

the Exclusive Purchase Option to acquire all or part of the Subject Equity Interest at its sole discretion. The Parties further agree that there shall be no restriction on the time, manner, quantity and number of times that Party A may exercise its exclusive purchase option hereunder.

1.3 The Parties agree that, subject to the terms and conditions hereof and subject to the laws of the PRC at the time, Party A may designate any third party to transfer all or part of the Subject Equity Interest and Party B shall not refuse to transfer all or part of the Subject Equity Interest to such designated third party except under circumstances expressly prohibited by the laws of the PRC

1.4 Before the Subject Equity Interest is fully transferred to Party A or a third party designated by Party A in accordance with the provisions hereof, Party B shall not transfer any of the Subject Equity Interest to any third party without Party A's prior written consent; Party B shall not pledge any of the Subject Equity Interest to any third party or place any encumbrance on the Subject Equity Interest except for a separate equity pledge agreement entered into by Party A and Party B.

2. Procedure of Exercise

2.1 If Party A decides to exercise the Exclusive Purchase Option under Article 1.1 above, it shall send a written notice to Party B (in the form as set out in the Notice of Exercise of Option attached hereto) stating the proportion or quantity of the Subject Equity Interests to be transferred as well as the transferee's name and identity. Party B and Party C shall, within seven (7) days from the date of Party A's notice, provide all necessary information and document for the transfer of the Equity Interest, including signing the Equity Transfer Contract and the Letter of Consent in the form set forth in the attachments hereto.

2.2 Except the notice referred to in Article 2.1 hereof, there will be no other condition or procedure precedent or incidental to the exercise of purchase option of the Subject Equity Interest.

2.3 Party B shall provide Party C with necessary and timely cooperation to assist Party C in completing the review and approval procedures at the approval authority (if required by law) in accordance with the applicable PRC laws as well as all completing the procedures required for the transfer of equity interests at the business administration department.

2.4 The date of completion of all the transfer procedures of the Subject Equity Interest shall be the date of completion of the exercise of the exclusive purchase option.

3. Transfer Price

3.1 The full transfer price of the Subject Equity Interest shall be the lowest price permitted by Chinese laws and regulations at the time of transfer; if the Subject Equity Interest is transferred in installments or batches, the corresponding transfer price of each installment or batch shall be determined in accordance with the specific time of transfer

and the proportion of the Subject Equity Interest transferred.

3.2 The costs, expenses and taxes arising from the transfer of the Subject Equity Interest shall be borne by Party A (including the part to be borne by Party B according to the law).

3.3 Party B agrees and undertakes to the Parties that upon the exercise of the option by Party A or a third party designated by Party A, all of the amount of payment received by Party B as a result of the transfer of the Subject Equity Interest shall be given to Party C without compensation or to Party A or, as requested by Party A, to the third party designated by Party A in full, but Party A or the third party designated by Party A shall bear all relevant costs, expenses and taxes incurred by Party B in receiving and giving the amount of payment.

4. Exclusive Asset Purchase Option

4.1 All the Parties agree that from the date hereof, Party A shall have the right but not the obligation, to the extent permitted by the laws and regulations of the PRC, to request Party C (subject to Party A's specific request) to transfer all or part Party C's assets (including but not limited to all tangible and intangible assets that Party C currently owns and may acquire in the future, hereinafter referred to as the "**Subject Assets**") at any time, and Party C shall transfer the Subject Assets to Party A or a third party designated by Party A upon Party A's request.

The exclusive asset purchase option granted to Party A hereunder shall be exclusive, unconditional and irrevocable.

4.2 All the Parties acknowledge and agree that all terms and conditions on the exclusive equity purchase option herein (including but not limited to the procedural and transfer price provisions) will apply to the fullest extent possible to the Exclusive Asset Purchase Option, whether or not expressly mentioned, unless the application of such terms and conditions violates the applicable laws and regulations

5. Undertakings and Warranties

5.1 Each Party hereby represents and warrants to the other Parties as follows:

- (1) such Party has all necessary rights, capacity and authority to enter into this Agreement and to perform all of its obligations and responsibilities hereunder;
- (2) such Party has adopted all necessary internal procedures and obtained all necessary internal and external authorizations and approvals to enter into this Agreement; and
- (3) the execution and performance hereof will not violate any material contract or agreement binding on such Party or its assets.

5.2 Party B and Party C separately and jointly represent and warrant to Party A as follows:

- (1) As of the effective date hereof, Party B legally owns a total of 100% equity interest in Party C and has full and effective dispositive power over such equity interest. Party C's The registered capital has not been paid up. Moreover, Party B, through Party C, owns 100% of the investment interests in Party C's subsidiaries (the list of the current subsidiaries and Party C's ownership of investment interests in such subsidiaries are shown in **Annex II**. The subsidiaries shall include companies or other entities invested in or controlled by Party C as updated from time to time), and has full and effective dispositive power over its investment interests. Except for the pledge rights set under the Equity Pledge Agreement entered into by the Parties and other rights agreed by Party A in writing, neither the Subject Equity Interest nor Party C's or its subsidiaries' equity and/or investment interests shall be subject to any mortgage, pledge, security or other third party interest and shall be free from recourse by any third party. No third party shall have the right to demand the allocation, issue, sale, transfer or conversion of Party C's or its subsidiaries' equity and/or investment interests under any option, exchange, preemptive subscription or other agreement.
- (2) Except for the pledge rights set under the Equity Pledge Agreement entered into by the Parties or with the prior written consent from Party A, Party B shall not transfer any of the Subject Equity Interest or Party C's subsidiaries' equity and/or investment interests to any third party or create any mortgage, pledge or other form of security.
- (3) To the extent permitted by the laws and regulations of the PRC, Party B and Party C will extend Party C's term of operation accordingly to Party A's approved term of operation so as to make it equal to Party A's term of operation, or set and adjust Party C's term of operation in accordance with the requirements of the laws and regulations of the PRC as requested by Party A.
- (4) Party B and Party C will make their best efforts to maintain and increase the value of Party C's and its Subsidiaries' assets. Except with the prior written consent from Party A, Party B or Party C shall not transfer or otherwise dispose any of Party C's and its Subsidiaries' assets, terminate any material agreement to which Party C or its Subsidiaries are a party, or enter into any agreement that would affect Party C's or its Subsidiaries' assets and financial condition.
- (5) In the event that Party C makes a profit distribution or other decision to distribute dividends or bonuses by way of resolution of the shareholders' meeting, resulting in Party B receiving such profit distribution, dividends or bonuses, or Party B receiving distribution of the remaining assets after the liquidation of Party C, Party B agrees and undertakes to pay the proceeds to Party A or a third party designated by Party A unconditionally without compensation, subject to compliance with laws and regulations and the procedures stipulated therein (including but not limited to the relevant provisions of the Tax Law).
- (6) This Agreement shall continue to be valid and irrevocable for any and all Party B's assignees, heirs, successors, agents and property custodians. Party B shall cause its heirs, successors, agents or property custodians to undertake to be bound by this Agreement. If the Subject Equity Interest is co-owned property by Party B and another party/other parties, Party B shall cause the co-owner(s) of the property to agree to the arrangement hereunder and commit to be bound by this Agreement.

(7) In the event of Party B's death, incapacity, divorce, bankruptcy or other circumstances that may affect its holding of Party B's equity (if applicable), (a) all Party B's rights and obligations hereunder shall be inherited by its successor; (b) unless with Party A's prior consent, this Agreement shall have an effectiveness higher than any will, divorce agreement, debt agreement or other legal document of any kind entered into by Party B at any time.

6. Attachments

The attachments hereto shall constitute an integral part hereof and shall have the same legal effect as other parts hereof.

7. Confidentiality

All provisions hereof and this Agreement itself will be confidential information, and no Party shall disclose any of them to any third party with the exception of senior officers, directors, employees, agents and professional advisors in connection with the Project. Where the Parties are required to disclose any of the information about this document to the government, the public or shareholders or to submit this document to appropriate authorities for filing, registration or publicly review in accordance with applicable jurisdiction (including but limited to U.S. law, stock exchange listing rules and guidelines, or regulatory requirements of securities regulators), it will be deemed an exception.

This provision shall keep legally effective regardless of any change, cancellation or termination hereof.

8. Liability for Breach

In the event that a Party fails to perform any of its obligations hereunder, or that any of such Party's representation or warranty hereunder is essentially untrue or inaccurate, such Party shall be deemed as in breach hereof and shall indemnify the other Parties for all of their damages and losses.

9. Force Majeure

A force majeure event refers to one that is unforeseeable and that its occurrence can not be avoided, controlled or overcome by any Party (including but not limited to earthquake, typhoon, flood, fire, strike, war or riot) at the time hereof.

Where a force majeure event affects the performance of the Agreement, the Party experiencing the force majeure shall immediately (i) notify the other Parties via telegram, facsimile or other electronic means, and provide written proof of the force majeure within fifteen (15) business days; (ii) take all sensible and possible measures to eliminate or mitigate the effects of the force majeure event, and resume performing the Agreement after the effects of the force majeure event have been eliminated or mitigated.

10. Bylaws

10.1 This Agreement shall be governed in all respects by the laws of China. All disputes arising in the course of the performance hereof shall be settled in a friendly manner by the Parties. Should such negotiation fail, the dispute shall be submitted to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with its arbitration rules then in force. The arbitration shall be held in Beijing in Chinese language. The arbitration award shall be final. Unless otherwise awarded by the arbitral tribunal, the costs of such arbitration shall be borne by the losing party. Except for the portion being submitted to arbitration, the remainder hereof shall continue to be effective.

10.2 This Agreement shall become effective on the date of execution by the Parties and shall terminate upon the Party A or its designated third party exercising the exclusive purchase option and acquiring Party C's entire Subject Equity Interest or Subject Assets pursuant to this Agreement, or upon any written agreement is reached by the Parties to terminate this Agreement (whichever is earlier).

10.3 All the Parties acknowledge that this Agreement shall be enforceable to the extent permitted by the law. Where any provision hereof or any part of a provision hereof is held to be illegal, invalid or unenforceable by any competent authority or court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the other provisions hereof or other parts of such provision, which shall remain in full force and effect. The Parties shall make their best efforts to modify such illegal, invalid or unenforceable provision to achieve the purpose of the original provision.

10.4 This Agreement is made in Chinese, with multiple originals, one (1) for each Party. The rest copies will be left to Party A as backups.

10.5 This Agreement and its annexes hereto will be the entire agreement with respect to the transactions hereunder and shall supersede any and all prior communications, undertakings, memoranda or any other discussions, oral or written, with respect to the matters covered by this Agreement.

10.6 Any amendment or supplement hereto must be in writing and will only be effective after being signed by all the Parties hereto.

[End of text]

[No text below. Signature page of the Exclusive Purchase Option Agreement.]

Party A:

Qiyuan Education Technology (Tianjin) Co., Ltd. (Company chop)

Authorized representative: _____/s/ Mengting Liu _____

Party B (Signature): /s/ Yin Xiao /s/ Yun Gu

Party C:

Zhudou Investment (Beijing) Co, Ltd. (Company chop)

Authorized representative: _____/s/ Yin Xiao _____

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (hereinafter referred to as "**this Agreement**") is entered into by and among the following parties (hereinafter referred to as the "**Parties**") on April 30, 2022 in Beijing, China:

Party A: Qiyuan Education Technology (Tianjin) Co., Ltd., a wholly foreign-owned enterprise duly incorporated and validly existing in THE People's Republic of China (hereinafter referred to as "**China**");

Party B: The natural persons listed in **Annex I** who, together, make up the full list of Party C's existing shareholders, with their respective capital contributions and shares in Party C's registered capital shown in **Annex I**,

and

Party C: Zhudou Investment (Beijing) Co, Ltd., duly incorporated and validly existing in China

(Party A, Party B and Party C shall each be referred to as a "**Party**" and collectively referred to as the "**Parties**").

WHEREAS,

A. Party A, Party B, Party C and Party C's subsidiaries whose equity interests are owned 100% by Party C (hereinafter collectively referred to as the "**Subsidiaries**"). See **Annex II** for the name list. Such list will be subject to Party C's changes in its external investments after the execution hereof) have signed the agreements as set out in Annex III hereto respectively (hereinafter collectively referred to as the "**Main Contract**").

B. Party B holds 100% equity interest in Party C in aggregate; Party B intends to pledge its equity interests in Party C unconditionally and irrevocably to Party A as security for the performance of any and all obligations of Party B, Party C and Party C's Subsidiaries under the Main Contract. Party A agrees to accept the aforesaid security interests (hereinafter referred to as the "**Pledge**").

NOW, THEREFORE, Party A, Party B and Party C, after friendly negotiation on the principle of equality and mutual benefits, hereby agree as follows and intend to be bound hereby:

1. Pledge

Party B agrees to unconditionally and irrevocably pledge 100% Party C's equity and the equity generated by Party B's new capital injection to Party C in accordance with Article 4.2, including the first priority pledge of dividends and bonuses arising from such equity

interest (hereinafter referred to as the "**Pledged Equity**"), to Party A as a security for performance of any and all obligations of Party B, Party C and Party C's Subsidiaries under the Main Contract.

2. Scope of Pledge

The scope of security of the Pledged Equity hereunder shall covers all Party B's, Party C's and Party C's subsidiaries' obligations hereunder and under the Main Contract (including but not limited to any amounts due but not yet paid to Party A, liquidated damages, damages, etc.), the costs of realizing the principal claims and pledges as well as all other related costs.

The Parties acknowledge that where the relevant business administrative authorities require the amount of the principal claim involved in the scope of the security to be specified in the registration of the equity pledge, for the purpose of registering such equity pledge only, the Parties agree to register the amount of the claim under the Main Contract as RMB200,000 and the amount of any and all liability for breach of contract and damages under the relevant contract.

The Parties further acknowledge that specifying the amount of the foregoing claim for the purpose of the registration of the equity pledge will not derogate from or limit all Party A's rights and benefits as the secured person hereunder and under the Main Contract.

3. Term of Pledge

The equity pledge hereunder shall be established from the date it is registered with the business administrative department to which Party C belongs and shall terminate upon the completion of performance of all Main Contracts, lapse or termination, or any written agreement is reached by the Parties to cancel this Agreement (whichever is later). During the term of the pledge, where Party B, Party C or Party C's subsidiaries fail(s) to perform any of its/their obligations under any of the Main Contracts or any event of default under Article 6.1 hereof, Party A shall be entitled to dispose of the Pledged Equity in accordance with the provisions hereof.

4. Registration

4.1 Party B and Party C undertake to Party A that Party B and Party C will (I) record the matter of equity pledge hereunder in Party C's register of shareholders within five (5) working days from the date of execution hereof, and hand the register of shareholders over, after recording the matter of equity pledge, to Party A for safekeeping; and (II) register the aforesaid equity pledge with the relevant business registration authority within thirty (30) working days from the date of execution hereof or within any other feasible fastest period of time, and obtain the written certificate of registration from the business registration authority. To the extent complying with other provisions hereof, other than any registration and modification necessary for the operation of Party C and Party C's subsidiaries, Party C's register of shareholders shall be kept by Party A or its designated personnel during the term hereof.

4.2 Party B and Party C further undertake that, after the execution hereof, Party B may, with the prior consent of Party A, increase the capital of Party C, provided that the equity interests arising from the increased capital by Party B in Party C will be part of the Pledged Equity hereunder. Party B and Party C shall be obliged to make all necessary amendments to the register of shareholders of the relevant company and the amount of equity contribution immediately upon completion of the capital increase and to perform the pledge procedures as specified in Article 4.1.

4.3 All costs and actual expenses related to this Agreement, including but not limited to registration fee, production cost, stamp duty and any other taxes and charges, shall be borne by Party C in accordance with relevant laws and regulations.

5. Party B's and Party C's Undertakings and Commitments

Party B and Party C hereby undertake and commit to Party A respectively and jointly as follows:

5.1 Party B will be the legal owner of the Pledged Equity and there is no dispute that has arisen or may arise concerning the ownership of the Pledged Equity. Party B will have the dispositive power over the Pledged Equity and any part thereof, and such dispositive power will not be restricted by any third party.

5.2 Other than this Agreement and the Exclusive Purchase Option Agreement entered into by the Parties, Party B has not created any other pledge rights or third party interests in the Pledged Equity.

5.3 Party B and Party C fully understand the contents hereof. Their execution and performance hereof are of their own free will and all their intentions are genuine and true. Party B and Party C have, in accordance with the reasonable requirements from Party A, taken all necessary measures, obtained all internal authorizations required for the execution and performance hereof and signed all necessary document to ensure that the equity pledge hereunder is legal and valid.

5.4 During the period of existence hereof, Party B shall not, without Party A's prior written consent, transfer the Pledged Equity, grant to any other person any interest, option or other right in relation to the Pledged Equity, or create or permit the existence of any third party security interest over the Pledged Equity or dispose of the Pledged Equity in any other manner that may affect our pledge rights, unless otherwise agreed by the Parties.

5.5 During the period of existence hereof, Party B and Party C shall comply with and enforce the provisions of all laws and regulations of the People's Republic of China relating to the pledge of rights, and upon receipt of any notice, instruction or suggestion issued by the relevant competent authority in respect of equity pledge and/or the pledge hereunder, produce the said notice, instruction or suggestion to Party A within five (5) working days, meanwhile complying with the said notice, instruction or suggestion, or raising objections and statements on the above-said matters as reasonably requested by Party A or with Party A's written consent.

5.6 Unless with Party A's prior written consent, Party B and Party C will neither commit, nor cause or permit others to commit, any act that may derogate from, jeopardize or otherwise impair the value of the Pledged Equity or Party A's pledge rights. Party B and Party C shall notify Party A in writing within five (5) working days from the date they become aware of any event or act that may affect the value of the Pledged Equity or Party A's pledge rights. Party A will not be liable for any decrease in the value of the Pledged Equity. Party B and Party C shall not have any right of recourse or claim of any kind against Party A, either.

5.7 To the extent complying with the relevant laws and regulations of the PRC, the equity pledge hereunder is a continuing security and will remain in full force and effect during the period of existence hereof, and will not be affected by any insolvency, liquidation, incapacity or change in organization or status, or any offsetting of funds among the Parties or any other event.

5.8 For the purposes of the performance hereof, Party A will have the right to dispose of the Pledged Equity in the manner provided herein, and shall not be interrupted or prejudiced in the exercise of Party A's rights in accordance with the terms hereof by any legal proceeding of Party B or Party C, or any Party B's or Party C's successor, or any Party B's or Party C's principal or any other person.

5.9 To protect or perfect this Agreement as security for Party B's, Party C's and Party C's Subsidiaries' performance of the obligations under the Main Contract, Party B and Party C will execute in good faith, cause other parties interested in the Pledged Equity to execute all certificates of rights and covenants in relation to the performance hereof, and/or perform and cause other interested party/parties to perform all acts required by Party A in connection with the performance hereof, and facilitate the exercise of the rights and authority granted to Party A hereunder.

5.10 To protect Party A's interests, Party B and Party C will abide by and perform all warranties, undertakings, agreements, representations and conditions. Where any damage is caused to Party A due to Party B's and/or Party C' failure to perform or failure to fully perform its/their warranties, undertakings, agreements, representations or conditions, Party B and/or Party C shall indemnify Party A for all damages and losses suffered as a result.

6. Exercise events and enforcement of pledge rights

6.1 Where any of the following events (hereinafter referred to as an "**Exercise Event**") happens and to the extent permitted by relevant laws and regulations of the PRC, Party A may, at its option, require Party B or Party C to perform all of its obligations hereunder immediately and fully and the pledge created hereunder may be enforced at once.

(a) any representation, warranty or statement made by Party B, Party C or any Party C's subsidiaries herein or the in the Main Contract is inconsistent, incorrect, untrue or no longer correct or true in any respect; or Party B, Party C or any of Party C's subsidiaries breaches or fails to comply with any of its obligations or any warranty or undertaking made herein or in the Main Contract; or

- (b) any one or any multiple number of Party B's, Party C's or any of Party C's subsidiaries' obligations hereunder or under any of the Main Contracts is deemed to be unlawful or invalid transaction; or
- (c) a material breach by Party B or Party C on its obligations hereunder or under any of the Main Contracts; or
- (d) any circumstance in which Party A is or may be unable to exercise its pledge right.

6.2 In the event of any above exercise event, Party A may, in accordance with the relevant laws and regulations of the PRC, execute the pledge by way of purchase at a discount, designate another party/other parties to purchase at a discount, auction or sell all or part of the Pledged Equity and enjoy priority in compensation for the proceeds of such auction or sale. Party A may enforce the pledge right hereunder without any need of first exercising other security or rights or taking other measures or procedures against Party B and/or Party C or any other person.

6.3 Party B and Party C shall, upon Party A's request, take all lawful and appropriate actions as required by Party A to enable Party A to execute its pledge right as agreed herein. For this purpose, Party B and Party C shall execute any and all document and material reasonably requested by Party A and perform and conduct all acts and matters reasonably requested by Party A.

7. Transfer

7.1 Except with Party A's prior written consent, neither Party B nor Party C shall be entitled to grant or transfer any of its rights or obligations hereunder to any third party, with the exception of Party A's acquiring, directly or indirectly, the Pledged Equity pursuant to the Exclusive Purchase Option Agreement.

7.2 This Agreement shall be binding on Party B and any of its successors and shall be effective to Party A and any of its successors and assigns.

7.3 Party A may transfer all or any of its rights and obligations under the Main Contract to its designated (which may be a natural/legal person) at any time, where the transferee shall enjoy and assume Party A's rights and obligations hereunder as if such transferee were a party hereto. In the event that Party A transfers its rights and obligations under the Main Contract, Party B and/or Party C shall execute relevant agreement(s) and document, at Party A's request, in relation to such transfer (including but not limited to entering into a new equity pledge agreement with the transferee in the same form and content as this Agreement).

7.4 In the event of a change of Party A hereto as a result of the above-mentioned Party A's transfer, the new pledging parties shall enter into a new equity pledge agreement and Party B and Party C shall assist the transferee in all procedures for registration changes of the equity pledge (if applicable).

8. Confidentiality

All provisions hereof and this Agreement itself will be confidential information, and no Party shall disclose any of them to any third party with the exception of senior officers, directors, employees, agents and professional advisors in connection with the Project. Where the Parties are required to disclose any of the information about this document to the government, the public or shareholders or to submit this document to appropriate authorities for filing, registration or publicly review in accordance with applicable jurisdiction (including but limited to U.S. law, stock exchange listing rules and guidelines, or regulatory requirements of securities regulators), it will be deemed an exception.

This provision shall keep legally effective regardless of any change, cancellation or termination hereof.

9. Liability for breach of contract

In the event that a Party fails to perform any of its obligations hereunder, or that any of such Party's representation or warranty hereunder is essentially untrue or inaccurate, such Party shall be deemed as in breach hereof and shall indemnify the other Parties for their actual losses damages and losses.

10. Force Majeure

A force majeure event refers to one that is unforeseeable and that its occurrence can not be avoided, controlled or overcome by any Party (including but not limited to earthquake, typhoon, flood, fire, strike, war or riot) at the time hereof.

Where a force majeure event affects the performance of the Agreement, the Party experiencing the force majeure shall immediately (i) notify the other Parties via telegram, facsimile or other electronic means, and provide written proof of the force majeure within fifteen (15) business days; (ii) take all sensible and possible measures to eliminate or mitigate the effects of the force majeure event, and resume performing the Agreement after the effects of the force majeure event have been eliminated or mitigated. Depending on the extent of the impact on the performance hereof, the Parties shall decide through consultation whether to cancel this Agreement, or to partially exempt the performance hereof, or to delay the performance hereof.

11. Bylaws

11.1 This Agreement shall be governed in all respects by the laws of China. All disputes arising in the course of the performance hereof shall be settled in a friendly manner by the Parties. Should such negotiation fail, the dispute shall be submitted to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with its arbitration rules then in force. The arbitration shall be held in Beijing in Chinese language. The arbitration award shall be final. Unless otherwise awarded by the arbitral tribunal, the costs of such arbitration shall be borne by the losing party. Except for the portion being submitted to arbitration, the remainder hereof shall continue to be effective.

11.2 This Agreement shall become effective on the date of execution by the Parties. The

equity pledge hereunder shall be established from the date it is registered with the business administrative department to which Party C belongs and shall terminate, unless Party A executes the pledge during the term hereof in accordance with the provisions hereof, upon the completion of performance of all Main Contracts, lapse or termination, or any written agreement is reached by the Parties to cancel this Agreement (whichever is later).

11.3 All the Parties acknowledge that this Agreement shall be enforceable to the extent permitted by the law. Where any provision hereof or any part of a provision hereof is held to be illegal, invalid or unenforceable by any competent authority or court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the other provisions hereof or other parts of such provision, which shall remain in full force and effect. The Parties shall make their best efforts to modify such illegal, invalid or unenforceable provision to achieve the purpose of the original provision.

11.4 This Agreement is made in Chinese with five (5) copies, two (2) for Party A, and one (1) for Party B and Party C each. The rest one (1) copy will be used for the change of business registration.

11.5 This Agreement and its annexes hereto will be the entire agreement with respect to the transactions hereunder and shall supersede any and all prior communications, undertakings, memoranda or any other discussions, oral or written, with respect to the matters covered by this Agreement.

11.6 Any amendment or supplement hereto must be in writing and will only be effective after being signed by all the Parties hereto.

[End of text]

[No text below. Signature page of the Business Operation Agreement.]

Party A:

Qiyuan Education Technology (Tianjin) Co., Ltd. (Company chop)

Authorized representative: ____/s/ Mengting Liu _____

Party B: ____/s/ Yin Xiao /s/ Yun Gu _____ (Signature)

Party C:

Zhudou Investment (Beijing) Co, Ltd. (Company chop)

Authorized representative: _____/s/ Yin Xiao _____

Business Operation Agreement

This Business Operation Agreement (hereinafter referred to as "**this Agreement**") is entered into by and among the following parties (hereinafter referred to as the "**Parties**") on April 30, 2022 in Beijing, China:

Party A: Qiyuan Education Technology (Tianjin) Co., Ltd.

Party B: Zhudou Investment (Beijing) Co, Ltd.

Party B's subsidiaries: the companies or other entities (including but not limited to companies or other entities in which Party B owns, directly or indirectly, more than 50% of the investment interest) invested or controlled by Party B as listed in Annex I and updated from time to time pursuant to this Agreement.

and

Party C: The natural persons listed in Annex II who, together, make up the full list of Party B's existing shareholders, with their respective capital contributions and shares in Party B's registered capital shown in Annex II.

(Party A, Party B, Party B's subsidiaries and Party C shall each be referred to as a "**Party**" and collectively referred to as the "**Parties**").

WHEREAS:

- A. Party A is a wholly foreign-owned enterprise duly incorporated and validly existing in the People's Republic of China (hereinafter referred to as "**China**");
- B. Party B is a company with limited liability registered and incorporated in China;
- C. Party A and Party B have established business relations by entering into the Exclusive Consultation and Service Agreement, under which Party B and Party B's subsidiaries shall make payments to Party A. Hence, Party B's and Party B's subsidiaries' regular business activities will materially affect its ability to make corresponding payments to Party A;
- D. Party C is a shareholder of Party B and holds 100% of the equity interest in Party B in aggregate;

NOW, THEREFORE, the Parties above, after friendly consultation, on the principle of equality and mutual benefits, hereby agree as follows and intend to be bound hereby:

1. Negative Obligation

In order to ensure that Party B and Party B's subsidiaries fulfill any and all agreements signed with Party A and all of its obligations to Party A, Party C hereby acknowledges and agrees that Party B and Party B's subsidiaries will not proceed with any transaction that may substantially affect its assets, business, personnel, obligations, rights or company operations unless a prior written consent has been obtained from Party A or other parties as appointed by Party A, including but not limited to the following:

- 1.1 carrying out any activities other than in the ordinary course of business of the company or operate the business of the company in a manner inconsistent with or unusual to its practice;
- 1.2 borrowing any loans from or incur any indebtedness to any third party;
- 1.3 altering or removing any director of the company or dismiss any senior management of the company;
- 1.4 selling to or acquiring from or otherwise dispose with any third party of any assets or rights (other than those necessary for the day-to-day business operations), including but not limited to any intellectual property rights;
- 1.5 granting to any third parties security, other than the reason of Party B's and Party B's Subsidiaries' debts, over its assets or intellectual property rights or providing any kind of security or create any other burden of right on the assets of the company;
- 1.6 modifying the articles of association or changing the company's business scope;
- 1.7 changing the ordinary course of business of the company or modifying any significant bylaws of the company;
- 1.8 assigning its rights or obligations hereunder to any third party;
- 1.9 making significant adjustments to its business model, marketing strategy, operating policy or customer relationship;
- 1.10 distributing bonus and stock dividend in any form;
- 1.11 liquidizing the company and distributing the remaining assets;
- 1.12 entering into any major contracts (other than those necessary for the day-to-day business operations); and
- 1.13 changing the form of the company or its registered capital structure in any form.

2. Operating Management and Personnel Arrangement

2.1 Party B, Party B's subsidiaries and Party C hereby agree to accept and abide by the recommendations made by Party A from time to time regarding the appointment and dismissal of the company's employees, the day-to-day management of the company, and

the financial management system of the company.

2.2 Party B, Party B's subsidiaries and Party C hereby agree that Party C will elect the persons designated by Party A to be directors of Party B and Party B's subsidiaries in accordance with the laws and regulations and the procedures stipulated in the Articles of Association of the Company, cause the directors so elected to elect the person designated by Party A as the chairman of the board, and appoint the persons designated by Party A to act as general manager, chief financial officer and other senior management staff of Party and Party B's subsidiaries.

2.3 If any director or senior staff designated by Party A resigns from Party A or cease to be a Party A's shareholder, whether voluntarily or dismissed by Party A, he or she will no longer be qualified for any position at Party B and Party B's subsidiaries. In each case, Party C and/or Party B will immediately dismiss such person from any position he or she may hold in Party B and/or Party B's subsidiaries, and promptly elect and appoint another person designated by Party A to hold the position(s).

2.4 For the purposes of Article 2.3 above, Party C, Party B and Party B's subsidiaries will take all necessary internal and external measures to complete the above dismissal and appointment procedures in accordance with the law, the Articles of Association and the provisions hereof.

2.5 Party B and Party C hereby agree, at the time of signing this Agreement, to enter into a power of attorney as set out in **Annex IV** according to which Party B and Party C will irrevocably authorize the person(s) designated by Party A to exercise the right of shareholder on its behalf, and exert any and all voting right that a shareholder entitles in the name of such shareholder at Party B's and Party B's subsidiaries' shareholders' meetings. Party B and Party C further agree to replace at any time such person(s) as authorized in the foregoing power of attorney upon request of Party A.

3. Changes of Parties

3.1 Addition of Party B's subsidiaries. If, at any time after the effective date hereof, any additional Party B's subsidiary is added, Party B and Party C shall cause such additional Party B's subsidiary to enter into a letter of assumption of rights and obligations in the form and content of **Annex III** and any other legal instrument permitted or required by the laws of the PRC so that the additional Party B's subsidiary can be brought into this Agreement and assume all the obligations and rights hereunder to be assumed and enjoyed by all Party B's subsidiaries. From the date of execution of the letter of assumption of rights and obligations and any other legal instruments permitted or required by the laws of the PRC (if involved), such additional Party B's subsidiary shall be deemed to be a party to this Agreement. All the other Parties hereby agree to and fully accept the above arrangement.

3.2 The rights and obligations hereunder shall be legally binding on any assignee or successors of the rights and obligations of any Party hereto (whether such assignment of rights and obligations result from acquisition, reorganization, succession, transfer or otherwise). Party C pledges and undertakes that in the event of Party C's death, incapacity, divorce, bankruptcy or other circumstances that may affect its holding of Party B's equity

(if applicable), (a) all Party C's rights and obligations hereunder shall be inherited by its successor; (b) unless with Party A's prior consent, this Agreement shall have an effectiveness higher than any will, divorce agreement, debt agreement or other legal document of any kind entered into by Party C at any time.

4. Other Agreements

4.1 During the validity hereof, Party A may terminate this Agreement at any time upon thirty (30) days' written notice to Party B and Party C in advance.

4.2 During the validity hereof, Party B, Party B's subsidiaries and Party C shall not terminate this Agreement in advance for any reason.

5. Entire Agreement and Modification

5.1 This Agreement and all agreements and/or documents as referred to or expressed to be incorporated herein shall constitute entire agreement among the Parties in respect of the subject matters hereunder, and supersede any and all prior agreements, contracts, understandings and communications made by the Parties, oral and written, in respect of such subject matters.

5.2 No modification to this Agreement shall be valid except made in written agreement and signed by all the Parties. Any amendment or supplementary agreement made in respect hereof as duly signed by the Parties shall constitute an integral part hereof and have the same legal effect and force herewith.

6. Governing Law

The signing, validity, execution and interpretation hereof, as well as the settlement of any dispute, will be governed by and construed in accordance with the laws of the People's Republic of China.

7. Settlement of Disputes

Any dispute arising out of the interpretation and performance of any terms hereof shall be settled by the Parties in good faith through negotiations. Should such negotiation fail, any Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with its arbitration rules then in force. The arbitration shall be held in Beijing in Chinese language. The arbitration award shall be final and binding to all the Parties. Unless otherwise awarded by the arbitral tribunal, the costs of such arbitration shall be borne by the losing party. Except for the portion being submitted to arbitration, the remainder hereof shall continue to be effective.

8. Effectiveness, Term and Miscellaneous

8.1 Unless Party A's agreement of early termination, this Agreement shall have long-term validity during the operating period of Party A, Party B and Party B's subsidiaries' business.

8.2 The Parties hereby acknowledge that this Agreement represents a fair and reasonable agreement entered into on the basis of equality and mutual benefit. In the event that any term or provision hereof is deemed as unlawful or unenforceable under applicable laws, such a term or provision shall be deemed to have been removed from this Agreement and expired, while the remaining terms hereof shall continue to be effective and shall be deemed as not having contained that term or provision from the outset. The Parties shall consult with each other and replace that term deemed deleted with a mutually acceptable, lawful and effective one.

8.3 The failure of any Party to exercise any of its right, power or privilege hereunder shall not be regarded as a waiver thereof, nor shall the single exercise or partial exercise of any right, power or privilege preclude the exercise of any other right, power or privilege.

8.4 This Agreement shall be in Chinese, in multiple originals, each having the same legal effect.

8.5 This Agreement and the Annexes hereto are the entire agreement with respect to the transactions hereunder and shall supersede any and all prior communications, undertakings, memoranda or any other discussions, oral or written, with respect to the matters covered by this Agreement.

[End of text]

[No text below. Signature page of the Business Operation Agreement.]

Party A:

Qiyuan Education Technology (Tianjin) Co., Ltd. (Company chop)

Authorized representative: _____/s/ Mengting Liu_____

Party B:

Zhudou Investment (Beijing) Co, Ltd. (Company chop)

Authorized representative: _____/s/ Yin Xiao_____

[No text below. Signature page of the Business Operation Agreement.]

Party B's subsidiary:

Beijing Aizhudou Culture Development Co., Ltd. (Company chop)

Authorized representative: _____/s/ Weijuan Cai _____

[No text below. Signature page of the Business Operation Agreement.]

Party B's subsidiary:

Beijing Ailuo Education Technology Co., Ltd. (Company chop)

Authorized representative: _____/s/ Weijuan Cai _____

[No text below. Signature page of the Business Operation Agreement.]

Party B's subsidiary:

Beijing Qingtian Youpin E-Commerce Co., Ltd. (Company chop)

Authorized representative: _____/s/ Weijuan Cai _____

[No text below. Signature page of the Business Operation Agreement.]

Party B's subsidiary:

Kuailshuo (Beijing) Education Technology Co., Ltd. (Company chop)

Authorized representative: _____/s/ Weijuan Cai _____

[No text below. Signature page of the Business Operation Agreement.]

Party C (Signature) : _____

/s/ Ying Xiao

/s/ Yun Gu

Power of Attorney (I)

I, [Name of Shareholder], collectively hold [Percentage]% of the equity interests in Zhudou Investment (Beijing) Limited Co., Ltd. ("**Zhudou Investment**") (see **Annex II** for each party's share of equity interests). In respect of the above-mentioned equity interests and subject to the laws and regulations of the PRC, we hereby authorize Qiyuan Education Technology (Tianjin) Co., Ltd. (hereinafter referred to as "**WFOE**") or its representative(s) designated from time to time (hereinafter referred to as the "**Trustee**") jointly and severally, unconditionally and irrevocably to exercise the following rights during the term of this Power of Attorney:

To the extent permitted by the laws and regulations of the PRC, the Trustee is exclusively authorized to exercise, including but not limited to, the following rights at its will on behalf of the undersigned as our agent:

- (1) To propose the convening of shareholders' meeting of Zhudou Investment, attend such meetings, and sign any associated resolutions, minutes of the meeting or other legal document.
- (2) To exercise any and all the rights entitled to the shareholders under the law and the Articles of Association of the Company at the shareholders' meetings of Zhidou Investment, including, but not limited to, the right to vote, the right to appoint or replace any director or executive director, the General Manager, the Financial Controller and other key personnel in office, and the right to be informed.
- (3) To participate in or direct the day-to-day operation and management of Zhudou Investment, including but not limited to: a) making recommendations or requests regarding the day-to-day operation, financial management and employment of personnel, and Zhudou Investment shall execute or comply strictly with such recommendations or requests made by the Trustee; b) Zhudou Investment shall not, without prior written consent from the Trustee, engage in contracting, leasing, merger, demerger, affiliating, shareholding system reforming or other arrangement that changes the mode of operation and ownership structure, or any disposal of all or part of Zhudou Investment's assets or interests by way of assigning, transferring, converting asset into shares or others if any.
- (4) The right to dividends (including the right of receiving and refusing dividends) as a shareholder of Zhudou Investment, and the right to dispose of all or part of the equity interests held by the undersigned in Zhudou Investment by way of sale, transfer or pledge, and to obtain the distribution of the remaining property after the liquidation of Zhudou Investment.
- (5) The right, in the event of liquidation or dissolution of Zhudou Investment, to form a liquidation team and to exercise the powers and functions of the liquidation team during the liquidation period in accordance with the law, including but not limited to the management and distribution of the assets of Zhudou Investment.
- (6) To submit, as an agent, any document that needs to be submitted by the shareholders of Zhudou Investment to relevant governmental authority.

Without creating any restrictions on this Power of Attorney, the Trustee will have the authority to execute and perform, on our behalf and within the scope of this Power of Attorney, the equity transfer contract as agreed in the Exclusive Purchase Option Agreement to which we are a contracting party, and sign and perform, as scheduled, the Equity Pledge Agreement and the Exclusive Purchase Option Agreement to which we are a contracting party as well as any supplemental agreement to the aforementioned agreements.

During the term of this Power of Attorney, the undersigned will pass the dividends, bonuses or any assets distributed by Zhudou Investment to WFOE without compensation as soon as possible and within three (3) days from the date of receipt of such dividends, bonuses or any assets.

To the extent permitted by the laws and regulations of the PRC, this Power of Attorney is irrevocable and keeps effective for the period of time we are a shareholder of Zhudou Investment, from the date this Power of Attorney is signed, no matter whether there is any change in our proportionate interest in Zhudou Investment or what change it is. We acknowledge that the Trustee is not required to seek our prior advice and/or consent in exercising the aforementioned power of attorney.

While this Power of Attorney is in effect, we hereby waive the exercise of all rights that have been delegated to the Trustee through this Power of Attorney and that are associated with the equity investment in Zhudou Investment and related to our status as a shareholder of Zhudou Investment. We shall no longer exercise such rights by ourselves. In the event that the undersigned becomes incapacitated or restricted due to death or illness, or in the event of divorce, bankruptcy or other circumstances that may affect the undersigned's holding of equity in Zhudou Investment, any of the undersigned's heir, guardian or administrator shall only inherit or manage the undersigned's rights as a shareholder of Zhudou Investment on the condition that such person undertakes to go on complying with the provisions of this Power of Attorney.

We acknowledge and accept the responsibility for any legal consequence arising from the exercise of the aforementioned power of attorney by the Trustee. We hereby acknowledge that under no circumstances shall the Trustee be held liable or make financial compensation for the exercise of the aforementioned power of attorney. We agree to indemnify and hold WFOE harmless from any and all losses suffered or likely to be suffered by WFOE as a result of the exercise of the delegated rights by the appointed Trustee, including but not limited to any losses arising from any action, recovery, arbitration, claim or administrative investigation or penalty by any third party against it.

We shall provide full assistance to the Trustee in exercising the aforementioned entrusted rights, including signing any resolution of the shareholders' meeting or other relevant legal document made by the Trustee in a timely manner when necessary (for example, in order to meet the requirements of document submission by government departments for approval, registration and filing).

If, at any time during the term of this Power of Attorney, the grant or exercise of said power of attorney cannot be effected for any reason (other than a breach by us of this Power of Attorney), the Parties shall seek an alternative promptly that is the closest in resembling

the agreement that cannot be effected and, if necessary, enter into a supplemental agreement or amend or adjust the terms of this Power of Attorney so as to ensure that the purposes of this Power of Attorney can be effected continuously.

[End of text]

[No text below. Signature page of the Power of Attorney (I).]

[Name of Shareholder]

Date: April 30, 2022

Schedule of Material Differences

One or more persons executed Power of Attorney using this form. Pursuant to Instruction ii to Item 601 of Regulation S-K, the Registrant may only file this form as an exhibit with a schedule setting forth the material details in which the executed agreements differ from this form

No.	Name of Shareholder	% of Shareholder's Equity Interest in the VIE
1.	Yin Xiao	50%
2.	Yun Gu	50%

Power of Attorney (II)

The Company, Zhudou Investment (Beijing) Limited Co., Ltd., holds 100% of the investment interests in subsidiaries listed in **Annex I** (The subsidiaries shall each be referred to as a "**Subsidiary**" and collectively referred to as the "**Subsidiaries**"). In respect of the above-mentioned investment interests and subject to the laws and regulations of the PRC, the Company hereby authorizes Qiyuan Education Technology (Tianjin) Co., Ltd. (hereinafter referred to as "**WFOE**") or its representative(s) designated from time to time (hereinafter referred to as the "**Trustee**") jointly and severally, unconditionally and irrevocably to exercise the following rights during the term of this Power of Attorney:

To the extent permitted by the laws and regulations of the PRC, the Trustee is exclusively authorized to exercise, including but not limited to, the following rights at its will on behalf of the Company as the Company's agent:

- (1) To propose the convening of the Subsidiaries' shareholders' meeting, attend such meetings or other investment decision-making body, and sign any associated resolutions, minutes of the meeting or other legal document.
- (2) To exercise any and all the rights entitled to the shareholders or investors under the law and the Articles of Association of the Company or other articles of association at the shareholders' meetings or other investment decision-making meetings, including, but not limited to, the right to vote, the right to appoint or replace any director or executive director, the General Manager, the Financial Controller and other key personnel in office, and the right to be informed.
- (3) To participate in or direct the day-to-day operation and management of the Subsidiaries, including but not limited to: a) making recommendations or requests regarding the day-to-day operation, financial management and employment of personnel, and the Subsidiaries shall execute or comply strictly with such recommendations or requests made by the Trustee; b) the Subsidiaries shall not, without prior written consent from the Trustee, engage in contracting, leasing, merger, demerger, affiliating, shareholding system reforming or other arrangement that changes the mode of operation and ownership structure, or any disposal of all or part of the Subsidiaries' assets or interests by way of assigning, transferring, converting asset into shares or others if any.
- (4) The right to dividends (including the right of receiving and refusing dividends) as a shareholder of the Subsidiaries, and the right to dispose of all or part of the equity interests held by the undersigned in the Subsidiaries by way of sale, transfer or pledge, and to obtain the distribution of the remaining property after the liquidation of the Subsidiaries.
- (5) The right, in the event of liquidation or dissolution of the Subsidiaries, to form a liquidation team and to exercise the powers and functions of the liquidation team during the liquidation period in accordance with the law, including but not limited to the management and distribution of the Subsidiaries' assets.
- (6) To submit, as an agent, any document that needs to be submitted by the shareholders of the Subsidiaries to relevant governmental authority.

Without creating any restrictions on this Power of Attorney, the Trustee will have the authority to execute and perform, on the Company's behalf and within the scope of this Power of Attorney, the equity transfer contract as agreed in the Exclusive Purchase Option Agreement to which the Company is a contracting party, and sign and perform, as scheduled, the Equity Pledge Agreement and the Exclusive Purchase Option Agreement to which the Company is a contracting party as well as any supplemental agreement to the aforementioned agreements.

To the extent permitted by the laws and regulations of the PRC, this Power of Attorney is irrevocable and keeps effective for the period of time the Company is a shareholder of the Subsidiaries, from the date this Power of Attorney is signed, no matter whether there is any change in the Company's proportionate interest in the Subsidiaries or what change it is. the Company acknowledges that the Trustee is not required to seek the Company's prior advice and/or consent in exercising the aforementioned power of attorney.

While this Power of Attorney is in effect, the Company hereby waives the exercise of all rights that have been delegated to the Trustee through this Power of Attorney and that are associated with the investment interests in the Subsidiaries and related to the Company's status as a shareholder or an investor of the Subsidiaries. The Company shall no longer exercise such rights by itself.

The Company acknowledges and accepts the responsibility for any legal consequence arising from the exercise of the aforementioned power of attorney by the Trustee. The Company hereby acknowledges that under no circumstances shall the Trustee be held liable or make financial compensation for the exercise of the aforementioned power of attorney. The Company agrees to indemnify and hold WFOE harmless from any and all losses suffered or likely to be suffered by WFOE as a result of the exercise of the delegated rights by the appointed Trustee, including but not limited to any losses arising from any action, recovery, arbitration, claim or administrative investigation or penalty by any third party against it.

The Company shall provide full assistance to the Trustee in exercising the aforementioned entrusted rights, including signing any resolution of the shareholders' meeting or other relevant legal document made by the Trustee in a timely manner when necessary (for example, in order to meet the requirements of document submission by government departments for approval, registration and filing).

If, at any time during the term of this Power of Attorney, the grant or exercise of said power of attorney cannot be effected for any reason (other than a breach by the Company of this Power of Attorney), the Parties shall seek an alternative promptly that is the closest in resembling the agreement that cannot be effected and, if necessary, enter into a supplemental agreement or amend or adjust the terms of this Power of Attorney so as to ensure that the purposes of this Power of Attorney can be effected continuously.

[End of text]

[No text below. Signature page of the Power of Attorney (II).]

Zhudou Investment (Beijing) Co., Ltd. (Company chop)

Authorized representative (signature): _____/s/ Yin Xiao _____

Date: April 30, 2022

Spouse Letter

To: Qiyuan Education Technology (Tianjin) Company Limited ("WFOE")

I, [Name of Spouse] (ID No.: [Number]), am [Name of Shareholder] legitimate spouse (ID No.: [Number]). In respect of [Name of Shareholder]'s equity interest in Zhudou Investment (Beijing) Co., Ltd. ("**Zhudou Investment**") and certain transaction document associated to such equity interest (set out/defined below), I have reviewed in detail and fully understood the transaction document, the terms of the transaction document and any and all of my spouse's rights and obligations under such transaction document. I hereby give this Letter of Consent unconditionally and irrevocably as follows:

I confirm that I acknowledge and agree to [Name of Shareholder]'s entering into the Exclusive Consulting and Services Agreement, the Business Operation Agreement, the Power of Attorney, the Exclusive Purchase Option Agreement, the Equity Pledge Agreement and other related documents (collectively referred to as the "Transaction Documents") with WFOE, Zhudou Investment and other related parties and his disposal of equity interest he holds in Zhudou Investment in accordance with the provisions in the Transaction Documents. I will not, at any time, take any action to impede the disposal of the above-mentioned equity interests or claim any rights or benefits in respect of the above-mentioned equity interests, including but not limited to claiming that the above-mentioned equity interests in Zhudou Investment are the property jointly-owned by me and [Name of Shareholder]. I further confirm that [Name of Shareholder] does not require my separate authorization or consent to perform any and all of the above transaction documents and further amend or terminate of any of the transaction documents

I undertake to execute any and all necessary documents and take any and all necessary actions to ensure that the Transaction Documents (as amended from time to time) are properly performed.

I agree and undertake that where I acquire any equity interest in Zhudou Investment for any reason, I shall be bound by the Transaction Documents (as amended from time to time) and comply with my obligations as a shareholder of Zhudou Investment under the Transaction Documents (as amended from time to time), and to that end, execute a series of written documents in the same form and content as the Transaction Documents (as amended from time to time) upon request by WFOE.

I hereby undertake and warrant that I have the authority to sign this Letter of Consent, that I have full civil capacity at the time of executing this letter of Consent Letter, that I have been informed of and fully understood the content and meaning of all the documents (including the Transaction Documents and other documents) to which this Letter of Consent relates, and that this Letter of Consent shall, at execution, constitute a legal document binding on me. I shall ensure compliance with this Letter of Consent and keep the existence and contents of this Letter of consent confidential. Without WFOE's prior written consent, I shall not disclose it to the public.

I further undertake and warrant that under no circumstances, whether directly or indirectly, actively or passively, shall I take any action or make any claim or litigation

with the intent to conflict with the above arrangement.

I understand that this Letter of Consent and the Transaction Documents are entered into for the purpose of allowing WFOE's holding company to include Zhutou Investment and/or Zhudou Investment's subsidiaries into the consolidated financial statements of RYB Education, Inc. by way of an agreed arrangement. In this regard, I will fully cooperate unconditionally and in a timely manner if I am requested by WFOE to terminate this Letter of Consent. I will fully cooperate unconditionally and in a timely manner if I am requested by the regulator to make any change to the contents of this Letter of Consent.

All undertakings, acknowledgement, consents and authorizations made in this Letter of Consent shall not be revoked, diminished, invalidated or otherwise adversely changed as a result of my incapacity, limited capacity, death, or my divorce from [Name of Shareholder] or any other similar event.

[End of text]

[No text below. Signature page of the Letter of Consent.]

[Name of Spouse]

Signature: /s/ [Name of Spouse]

Date: April 30, 2022

Schedule of Material Differences

One or more Spousal Consent Letters using this form were executed. Pursuant to Instruction ii to Item 601 of Regulation S-K, the Registrant may only file this form as an exhibit with a schedule setting forth the material details in which the executed agreements differ from this form:

No.	Name of Shareholder	Name of Spouse
1.	Yin Xiao	Yiji Chen
2.	Yun Gu	Wu Zhao

List of Significant Subsidiaries And Consolidated Affiliated Entities of RYB Education, Inc.

<u>Subsidiaries</u>	<u>Place of Incorporation</u>
Beijing RYB Technology Development Co., Ltd. (北京红黄蓝科技发展有限公司)	PRC
Precious Companion Group Limited (启元教育集团有限公司)	Hong Kong
<u>Consolidated Variable Interest Entity</u>	<u>Place of Incorporation</u>
Zhudou Investment (Beijing) Co., Ltd. (竹兜投资(北京)有限公司)	PRC
<u>Subsidiaries and Sponsored Entities of Consolidated Variable Interest Entity</u>	<u>Place of Incorporation</u>
Beijing Aizhudou Culture Development Co., Ltd. (北京爱竹兜文化发展有限公司)	PRC
Shenzhen RYB Children Education Technology Development Co., Ltd. (深圳红黄蓝儿童教育科技有限公司)	PRC
Beijing Youer Lezhi Technology Development Co., Ltd. (北京优儿乐智科技发展有限公司)	PRC

* Other subsidiaries and sponsored entities of the consolidated variable interest entity of RYB Education, Inc. have been omitted from this list since, considered in the aggregate as a single entity, they would not constitute a significant subsidiary.

Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Yanlai Shi, certify that:

1. I have reviewed this annual report on Form 20-F of RYB Education, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 11, 2022

By: /s/ Yanlai Shi
Name: Yanlai Shi
Title: Chief Executive Officer

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Hao Gu, certify that:

1. I have reviewed this annual report on Form 20-F of RYB Education, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 11, 2022

By: /s/ Hao Gu

Name: Hao Gu

Title: Chief Financial Officer

Certification by the Principal Executive Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of RYB Education, Inc. (the "Company") on Form 20-F for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yanlai Shi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2022

By: /s/ Yanlai Shi
Name: Yanlai Shi
Title: Chief Executive Officer

Certification by the Principal Financial Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of RYB Education, Inc. (the "Company") on Form 20-F for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hao Gu, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2022

By: /s/ Hao Gu
Name: Hao Gu
Title: Chief Financial Officer

RYB Education, Inc.

4/F, No. 29 Building, Fangguyuan Section 1, Fangzhuang
Fengtai District, Beijing 100078
People's Republic of China

May 11, 2022

Dear Sirs and/or Madams,

RYB Education, Inc.

We have acted as legal advisers as to the laws of the Cayman Islands to RYB Education, Inc., an exempted company incorporated in the Cayman Islands with limited liability (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission (the "**SEC**") of an annual report on Form 20-F for the year ended 31 December 2021 (the "**Annual Report**").

We hereby consent to the incorporation by reference of the summary of our opinions under these headings into the Company's registration statement on Form S-8 (File No. 333-223864) that was filed on March 23, 2018, pertaining to the Company's 2009 Share Incentive Plan and 2017 Share Incentive Plan.

We consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Maples and Calder (Hong Kong) LLP

Maples and Calder (Hong Kong) LLP

May 11, 2022

RYB Education, Inc.
4/F, No. 29 Building, Fangguyuan Section 1, Fangzhuang
Fengtai District, Beijing 100078
People's Republic of China

Re: Consent of Commerce & Finance Law Offices

We hereby consent to the use of our firm name and summaries of our firm's opinions under the headings "Risk Factors," "Business Overview - PRC Regulation" and "Organizational Structure" in the annual report on Form 20-F of RYB Education, Inc. (the "Company") for the Company's fiscal year ended December 31, 2021 to be filed with the U.S. Securities and Exchange Commission (the "SEC") on or about May 11, 2022 (the "Form 20-F"), and to the incorporation by reference in the Company's Registration Statement on Form S-8 (File No. 333-223864) filed with the SEC on March 23, 2018 of such references to our firm and summaries of our firm's opinions included under such headings.

We also hereby consent to the filing of this consent letter as an exhibit to the Form 20-F.

In giving such consent, we do not thereby admit that we fall within the category of the person whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the regulation promulgated thereunder.

Yours sincerely,

/s/ Commerce & Finance Law Offices

Commerce & Finance Law Offices

[Letterhead of Friedman LLP]

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the registration statement (No. 333-223864) on Form S-8 of RYB Education, Inc. of our report dated May 11, 2022, with respect to the consolidated financial statements of RYB Education, Inc. as of and for the year then ended December 31, 2021, which report appears in its annual report on Form 20-F for the year ended December 31, 2021. Our report contained an emphasis of matter paragraph related to the subsequent event of the divestiture of the variable interest entities of RYB Education, Inc.

/s/ Friedman LLP

New York, New York

May 11, 2022

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-223864 on Form S-8 of our report dated April 30, 2020, relating to the financial statements of RYB Education, Inc. appearing in this Annual Report on Form 20-F of RYB Education, Inc. for the year ended December 31, 2021.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, China
May 11, 2022

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in registration statement (No. 333-223864) on Form S-8 of our report dated May 14, 2021, with respect to the consolidated financial statements of RYB Education, Inc.

/s/ KPMG Huazhen LLP (“KPMG”)

Beijing, China
May 11, 2022

May 11, 2022

Securities and Exchange Commission
Washington, D.C. 20549

Ladies and Gentlemen:

We were previously principal accountants for RYB Education, Inc. (the “Company”) and, under the date of May 14, 2021, we reported on the consolidated financial statements of the Company as of and for the year ended December 31, 2020. On December 10, 2021, we were dismissed. We have read the Company’s statements included in Item 16F of its Form 20-F dated May 11, 2022, and we agree with such statements, except that we are not in a position to agree or disagree with the Company’s statement that:

- 1) the decision to replace Deloitte was not made due to any disagreements between the Company and Deloitte;
- 2) during the fiscal years ended December 31, 2018 and 2019 and the subsequent interim period through November 18, 2020, there have been no (i) disagreements between the Company and Deloitte on any matter of accounting principles or practices, financial statement disclosure, or audit scope or procedure, which disagreements if not resolved to the satisfaction of Deloitte would have caused them to make reference thereto in their report on the consolidated financial statements for such years, or (ii) reportable events as defined in Item 16F(a)(1)(v) of the instructions to Form 20-F; and
- 3) the Company engaged Friedman LLP (“Friedman”) as the Company’s independent registered public accounting firm effective December 10, 2021;
- 4) the change of independent registered public accounting firm was approved by the audit committee of the board of directors of the Company on December 10, 2021; and
- 5) neither the Company nor anyone on its behalf has consulted with Friedman regarding (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s consolidated financial statements, and neither a written report nor oral advice was provided to the Company that Friedman concluded was an important factor considered by the Company in reaching a decision as to any accounting, audit, or financial reporting issue, (ii) any matter that was the subject of a disagreement pursuant to Item 16F(a)(1)(iv) of the instructions to Form 20-F, or (iii) any reportable event pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F.

Very truly yours,

/s/ KPMG Huazhen LLP (“KPMG”)
