
**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, 2025

OR

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

For the transition period from ____ to ____

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

Commission file number: 001-33910

ATA Creativity Global

(Exact Name of Registrant as Specified in Its Charter)

Not applicable

(Translation of Registrant's Name Into English)

Cayman Islands

(Jurisdiction of Incorporation or Organization)

**c/o Rm.507, Bldg. 3, BinhuZhuoyueCheng,
WenhuaKechuangYuan, Huayuan Blvd. 365,
Baohe, Hefei, Anhui 230051, China**

(Address of Principal Executive Offices)

**Ruobai Sima
Chief Financial Officer**

**ATA Creativity Global
c/o 1/F East Gate, Building No. 2, Jian Wai Soho,
No. 39 Dong San Huan Zhong Road,
Chao Yang District, Beijing 100022, China
Telephone: +8610-6518-1133
Facsimile: +8610-5869-8106**

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing two common shares, par value \$0.01 per share	AACG	Nasdaq Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

[Table of Contents](#)

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:

63,912,442 common 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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

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

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

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

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

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

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

U.S. GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(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

TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
Forward-looking Statements	2
Part I.	3
Item 1. Identity of Directors, Senior Management and Advisers	3
Item 2. Offer Statistics and Expected Timetable	3
Item 3. Key Information	3
Item 4. Information on the Company	69
Item 4A. Unresolved Staff Comments	99
Item 5. Operating and Financial Review and Prospects	99
Item 6. Directors, Senior Management and Employees	116
Item 7. Major Shareholders and Related Party Transactions	125
Item 8. Financial Information	125
Item 9. The Offer and Listing	127
Item 10. Additional Information	128
Item 11. Quantitative and Qualitative Disclosures About Market Risk	134
Item 12. Description of Securities Other Than Equity Securities	135
Part II.	137
Item 13. Defaults, Dividend Arrearages and Delinquencies	137
Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds	137
Item 15. Controls and Procedures	137
Item 16. Reserved	138
Item 16A. Audit Committee Financial Expert	138
Item 16B. Code of Ethics	138
Item 16C. Principal Accountant Fee and Services	138
Item 16D. Exemptions from the Listing Standards for Audit Committees	138
Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	138
Item 16F. Change in Registrant's Certifying Accountant	139
Item 16G. Corporate Governance	139
Item 16H. Mine Safety Disclosure	139
Item 16I. Disclosure regarding Foreign Jurisdictions that Prevent Inspections	139
Item 16J. Insider trading policies	140
Item 16K. Cybersecurity	140
Part III.	141
Item 17. Financial Statements	141
Item 18. Financial Statements	141
Item 19. Exhibits	142
Signature	146

INTRODUCTION

Except where the context otherwise requires and for purposes of this annual report only:

- unless otherwise noted, all references to years are to the calendar years from January 1 to December 31 and references to our fiscal year or years are to the fiscal year or years ended December 31.
- the “Company” refers to ATA Creativity Global.
- “we,” “us,” “our company,” “our” and “ACG” refer to the Company and its subsidiaries, as the context requires.
- the “VIE” refers to ATA Intelligent Learning (Beijing) Technology Limited, our variable interest entity based in China, and its subsidiary, as the context requires.
- the “WFOE” refers to ATA Education Technology (Beijing) Limited.
- “Huanqiyimeng” refers to Beijing Huanqiyimeng Education Consultation Corp.
- “ATA Online” refers to ATA Online (Beijing) Education Technology Co., Ltd., which was a wholly owned subsidiary of us and was disposed of by us on August 16, 2018.
- “ATA Online Business” refers to, collectively, ATA Online and its subsidiaries, ATA Learning (Beijing) Inc., or ATA Learning, and Zhongxiao Zhixing Education Technology (Beijing) Limited, which were former subsidiaries of the Company incorporated under the laws of mainland China and holding companies of ATA Online, which we disposed of on August 16, 2018.
- “China,” “Chinese” and “PRC” refer to the People’s Republic of China.
- all references to “Renminbi” or “RMB” are to the legal currency of mainland China, and all references to “U.S. dollars,” “dollars,” “\$” or “US\$” are to the legal currency of the United States.
- “U.S. GAAP” refers to generally accepted accounting principles in the United States.
- “PRC GAAP” refers to generally accepted accounting principles in mainland China.
- “PRC law(s) and regulation(s)” refers to the laws and regulations of mainland China.
- “PRC subsidiary” means any direct and indirect subsidiary of the Company incorporated and domiciled in mainland China.
- “credit hour” refers to the standard unit we use to measure educational credit for our portfolio training services (as defined below) and other educational services; each credit hour roughly equals one hour of time committed by our teachers in our portfolio training services and other educational services.

This annual report on Form 20-F includes our audited consolidated financial statements as of December 31, 2024 and 2025 and for each of the years in the three-year period ended December 31, 2025, and the related notes. Each of our American depositary shares, or ADSs, represents two common shares. Our ADSs are listed on the Nasdaq Capital Market, or Nasdaq, under the symbol “AACG”.

We conduct our business primarily in China, and the majority of our revenues and expenses are denominated in Renminbi. The conversion of Renminbi into U.S. dollars in this annual report is based on the noon buying rate in the City of New York for cable transfers of Renminbi per U.S. dollars certified for customs purposes by the Federal Reserve Bank of New York, as set forth in the H.10 weekly statistical release of the Federal Reserve Board. Unless otherwise noted, all translations from Renminbi to U.S. dollars in this annual report are made at a rate of RMB 6.9931 to US\$1.00, the noon buying rate in effect as of December 31, 2025. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all.

FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on our current expectations, assumptions, estimates and projections about us and our industry. All statements other than statements of historical facts in this annual report are forward-looking statements. In some cases, these forward-looking statements can be identified by words and phrases such as “may,” “should,” “intend,” “predict,” “potential,” “continue,” “will,” “expect,” “anticipate,” “estimate,” “plan,” “believe,” “aim,” “is /are likely to” or the negative form of these words and phrases or other comparable expressions. The forward-looking statements included in this annual report relate to, among others:

- our goals and strategies;
- our future prospects and market acceptance of our products and services;
- our future business development and results of operations;
- our plans for mergers and acquisitions;
- projected revenues, profits, earnings and other estimated financial information;
- our plans to expand and enhance our products and services;
- the potential market size and growth of our products and services;
- competition in the market for our products and services;
- PRC laws, regulations and policies, including those applicable to the education industry, internet content providers, variable interest entity and foreign exchange;
- the impact of the political tensions between the United States and China or other countries, and the impact of actual or potential international military actions;
- the impact of any public health epidemic or pandemics or natural disasters; and
- assumptions underlying or related to any of the foregoing.

These forward-looking statements involve various risks, assumptions and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may turn out to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in “Item 3.D. Risk Factors” and elsewhere in this annual report.

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. All forward-looking statements included herein attributable to us or other parties or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section and under the heading “Risk Factors” below. Except to the extent required by applicable laws and regulations, we undertake no obligation to update any forward-looking statements to reflect events or circumstances 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

Overview

We are an international educational services provider focusing on providing quality international educational experiences related to the cultivation and improvement of students' creativity. Currently, our principal product and service are portfolio training services which we provide to students in China who are interested in studying art overseas. We believe that we are one of the leading players in the portfolio training market in many regards, including geographic coverage, product breadth and student enrollment, among others. To achieve our one-stop service strategy, we also provide research-based learning services, overseas study counselling services, in-school art classes through cooperation with high schools and training organizations, junior art education and other educational services to our students. We have successfully helped thousands of students in China gain entry into art universities and colleges in the U.S., UK, Europe, Japan, Australia and other countries, among which quite some have gained entry into top art universities and colleges in such countries. While working on developing new international education-related products and services, we are also exploring acquisition opportunities in the international education sector to broaden our service spectrum.

For the fiscal year ended December 31, 2025, we had 4,127 students enrolled, of which 57% were enrolled in our portfolio training programs and the remainder were enrolled in our other programs. Our net revenues were RMB221.6 million, RMB268.1 million and RMB268.1 million (\$38.3 million) in the fiscal years ended December 31, 2023, 2024 and 2025, respectively.

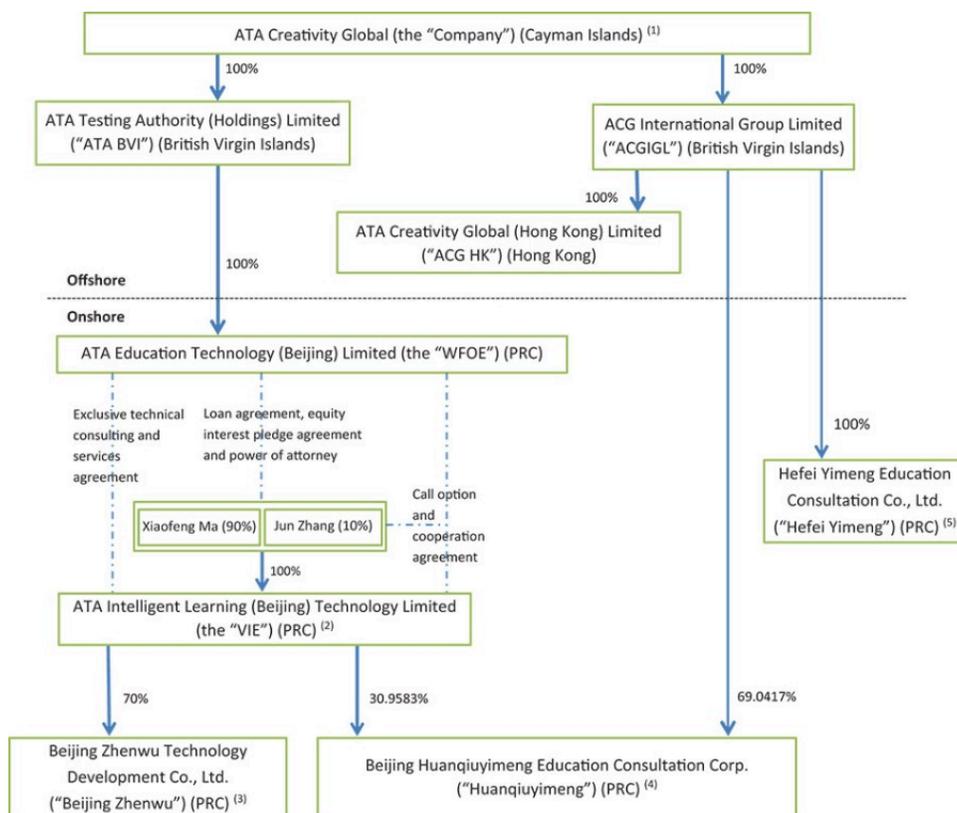
The Company is not a Chinese operating company but a Cayman Islands holding company with operations conducted primarily through its PRC subsidiary Huanqiyimeng and its subsidiaries. The Company, through its wholly owned subsidiary ACG International Group Limited, or ACGIGL, holds 69.04% of the equity interests of Huanqiyimeng. The Company also has the power to direct activities of the VIE through the WFOE and consolidates the VIE into its consolidated financial statements under U.S. GAAP. As of the date of this annual report, the VIE has no business operations of its own, but holds 30.96% equity interests in Huanqiyimeng, and 70% equity interests in Beijing Zhenwu Technology Development Co., Ltd., or Beijing Zhenwu, a PRC company established in August 2021 for the purpose of developing and marketing our project-based learning services in the form of short-term art courses but has no business operations as of the date of this annual report. Other than holding equity interests in Huanqiyimeng and Beijing Zhenwu, the VIE also holds minority investments in two PRC companies. The variable interest entity structure is a structure commonly used to provide contractual exposure to foreign investment in China-based companies where PRC law prohibits or restricts direct foreign investment in the related Chinese operating companies, and investors may never be able to directly hold equity interests in the VIE. This structure involves unique risks to investors, and PRC regulatory authorities could disallow our variable interest entity structure, which may result in a material change in our operations and/or value of our ADSs, including that it could cause the value of our ADSs to significantly decline or become worthless. See "Item 3.D. Risk Factors — Risks Relating to Our Corporate Structure." for more detailed discussions.

We operate business primarily in China and are subject to complex and evolving PRC laws and regulations. Uncertainties in the PRC legal system and the interpretation and enforcement of PRC laws and regulations could limit the legal protection available to you and us, hinder our ability to offer our ADSs in the future, result in a material adverse effect on our business operations, and damage our reputation, which might further cause our ADSs to significantly decline in value or become worthless. See "Item 3.D. Risk Factors — Risks Relating to Doing Business in the People's Republic of China."

Our Corporate Structure

The Company is not a Chinese operating company but a Cayman Islands holding company with operations conducted primarily through our PRC subsidiary Huanqiyimeng and its subsidiaries. 69.04% of the equity interests of Huanqiyimeng is indirectly owned by the Company through ACGIGL, a wholly owned subsidiary of the Company, and 30.96% of the equity interests of Huanqiyimeng is owned by the VIE. We, through the WFOE, entered into a series of contractual arrangements with the VIE and its shareholders, including (i) powers of attorney under which we can exclusively exercise all rights of shareholders of the VIE; (ii) exclusive technical consulting and services agreement that allows us to have sole and exclusive right to provide specified technical and consulting services to the VIE and receive certain consulting fees from the VIE; (iii) call option and cooperation agreement and loan agreements that provide us with the option to purchase the equity interest in the VIE; and (iv) equity interest pledge agreements that guarantee the performance of the VIE and its shareholders' obligations under the exclusive technical consulting and services agreement and the call option and cooperation agreement. Under U.S. GAAP, pursuant to such contractual arrangements, the Company has (i) the power, through the WFOE, to direct activities of the VIE that most significantly impact the economic performance of the VIE; and (ii) the obligation to absorb the losses and the right to receive benefits of the VIE that could potentially be significant to the VIE. As such, the Company is deemed to be the primary beneficiary of the VIE for accounting purposes and must consolidate the VIE. See "Item 4.A. History and Development of the Company — Our Consolidated Variable Interest Entity" and "Item 4.A. History and Development of the Company — Contractual Arrangements with the VIE". However, these contractual arrangements may be less effective in providing operational control than direct ownership as the VIE's shareholders may fail to perform their obligations under the contractual arrangements and we could incur substantial costs in enforcing these contractual arrangements if we are able to enforce these contractual arrangements at all. Our rights under such contractual arrangements have not been tested in a court of law, and we cannot assure you that a court would enforce our contractual rights. There are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations, and rules relating to such contractual arrangements, including potential future actions by the PRC government, which could affect the enforceability of our contractual arrangements with the VIE, and consequently, significantly affect our financial condition and results of operations. If the PRC government finds such agreements non-compliant with relevant PRC laws, regulations and rules, we could be subject to severe penalties or be forced to relinquish our interests in the VIE or forfeit our rights under the contractual arrangements. See "Item 3.D. Risk Factors — Risks Relating to Our Corporate Structure."

The following diagram illustrates the simplified corporate structure of us and the VIE as of the date of this annual report:



Notes:

- (1) ATA Creativity Global is the entity in which investors hold or can purchase their interest.
- (2) As of the date of this annual report, the VIE has no business operations of its own.
- (3) Beijing Zhenwu was established in August 2021 mainly for purposes of developing and marketing our project-based learning services in the form of short-term art courses and has no substantive business operations as of the date of this annual report.
- (4) We conduct our operations primarily through Huanquiuyimeng and its subsidiaries. Huanquiuyimeng provides most of the portfolio training services, overseas study counselling services and research-based learning services, as well as certain other educational services by itself, and also provides some of such services through its wholly owned subsidiaries. As of March 20, 2026, Huanquiuyimeng has 11 directly or indirectly wholly owned subsidiaries.
- (5) Hefei Yimeng was established in June 2024 mainly to preserve the flexibility for potential local operations.

Government Regulations and Permissions

As of the date of this annual report, we believe that the Company, its subsidiaries and the VIE have received all requisite permissions and approvals from the PRC government authorities to operate their businesses in China and offer securities to foreign investors, and no permissions or approvals have been denied. We have obtained an opinion from Jincheng Tongda & Neal Law Firm, our PRC legal counsel, with respect to all permissions and approvals necessary to operate our businesses in China and offer securities to foreign investors. However, as PRC laws and regulations with respect to certain licenses and permissions are unclear and are subject to interpretations and enforcement of local governmental authorities, we may inadvertently conclude that certain permissions and approvals are not required, but the regulators do not take the same view as we do. Also, if applicable laws, regulations or interpretations change, the Company, its subsidiaries and the VIE may be required to obtain additional licenses or approvals. Moreover, there may be new rules, regulations, government interpretations or government policies in China to govern the businesses we currently operate. Such new rules, regulations, government interpretations or government policies may subject our business operations to additional license or filing requirements.

Below is a table summarizing (i) all permissions and approvals the Company, its subsidiaries or the VIE are required to obtain from the PRC government authorities for their business operations in China as of the date of this annual report; (ii) permissions and approvals which we may inadvertently conclude are not required but the regulators may not take the same view as we do, and (iii) permissions and approvals that are not required as of the date of this annual report but we believe may be required in the future due to changes or passing of applicable laws, regulations, or interpretations, based on information available to the Company.

	Permissions and approvals	Holders of permissions and approvals	Consequences for not obtaining such permissions and approvals
Permissions and approvals the Company, its subsidiaries or the VIE are required to obtain from the PRC government authorities for their business operations in China	Business License	PRC subsidiaries of the Company and the VIE	Not applicable as all entities required to obtain such permissions and approvals have obtained such permissions and approvals.
	Registration and Filing of Foreign-invested Enterprises	The WFOE and Huanquiyimeng	
	Filing with the CSRC under the Overseas Offering and Listing Measures (see below for more detailed discussion)	This is not applicable to the offering or listing that is already completed before March 31, 2023, but is applicable to follow-on financing activities involving overseas offering or listing after March 31, 2023. In January 2026, the Company completed a registered direct offering of 11,067,547 ADS to three purchasers, and we have completed the relevant filing with the CSRC.	The PRC subsidiaries of the Company or the VIE may be subject to a non-compliance rectification order, warning letters, or fines, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs, or 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 be worthless.

[Table of Contents](#)

Permissions and approvals which we may inadvertently conclude are not required but the regulators may not take the same view as we do	Operating permit for private school or approvals for non-academic after-school tutoring institutions from local competent authorities (see below for more detailed discussion)	One of our subsidiaries Qingdao Haili Education Consultation Co., Ltd., or Qingdao Haili, has obtained an operating permit for private school, but Qingdao Haili does not operate any of our training centers and none of our training centers have obtained an operating permit or approvals for non-academic after-school tutoring institutions from local competent authorities.	Our training centers may be subject to various penalties, including fines, orders to promptly rectify the non-compliance, returning course and service fees collected, paying a multiple of the amount of returned course and/or service fees to regulators as a penalty, and/or ceasing operations, which could materially and adversely affect our business, results of operations, financial condition, and the value of our ADSs.
	Travel Agency Business License (see below for more detailed discussion)	One of our subsidiaries Beijing Miusi International Education Consultation Co., Ltd., or Beijing Miusi, has obtained the travel agency business license for the purpose of preserving flexibility to conduct relevant travel agency-related business in the future.	Our PRC subsidiaries that engaged in research-based learning services without obtaining the travel agency business license may be subject to a non-compliance rectification order, confiscation of illegal income from such business, or fines, which could materially and adversely affect our business, financial condition, results of operations and the value of our ADSs.
	ICP license (see below for more detailed discussion)	The VIE once obtained the ICP license to preserve our flexibility to operate relevant business, but such ICP license has expired as of the date of this annual report and the VIE did not apply for the renewal as we believe that neither the Company and its subsidiaries nor the VIE conducts the businesses where the ICP license is required.	Our PRC subsidiaries delivering online courses services may be subject to a non-compliance rectification order, confiscation of illegal income from such business, or fines; or if the non-compliance is deemed serious by the regulators, may be ordered to suspend business for rectification, which could materially and adversely affect our business, financial condition, results of operations and the value of our ADSs.
Permissions and approvals that are not required as of the date of this annual report but we believe may be required in the future due to changes or passing of applicable laws, regulations, or interpretations	Cybersecurity review clearance (see below for more detailed discussion)	Not applicable	The Company, its subsidiaries and the VIE may be required to suspend relevant business, shut down relevant websites, or face other penalties, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs, or 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 be worthless.
	Security Assessment of Cross-border Transfer of Personal Information/ Personal Information Protection Certification	Not applicable	The Company, its subsidiaries and the VIE may be subject to a non-compliance rectification order, warning, confiscation of illegal income or fines, or if the non-compliance is deemed serious by the regulators, suspension of relevant business and revocation of relevant business operation permissions or business licenses, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs.
	Clearance under the Confidentiality Provisions (see below for more detailed discussion)	Not applicable	The Company, its subsidiaries and the VIE may be subject to investigation, fines and other penalties, and, if any related behavior is suspected as a crime, may be subject to criminal penalties, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs.

Potential Permissions and Approvals for Business Operations

Operating Permit for Private School

According to the Law for Promoting Private Education, as amended by the Standing Committee of the National People’s Congress of the PRC, or the NPC, on December 29, 2018 (the “Amended Private Education Law”), and the Amended Implementation Rules for the Law for Promoting Private Education promulgated by the State Council on April 7, 2021, which became effective on September 1, 2021 (the “Amended Implementation Rules”), private schools are required to obtain operating permits from relevant PRC authorities for carrying out educational activities. Although the Amended Private Education Law generally states that private education institutions are also included in the category of “private schools,” as of the date of this annual report, relevant implementing rules only require private education institutions providing tutoring services on academic subjects for K-12 students and certain vocational skill education services to obtain private school operating permits. On July 24, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education, or the Opinion, which, among others, requires that local government authorities shall (i) classify non-academic subjects according to the categories of sports, culture and art, science and technology and other non-academic subjects and designate the competent authorities responsible for administering such non-academic after-school tutoring institutions, respectively; (ii) formulate standards for different categories of non-academic subjects; and (iii) conduct strict examination before granting any permission. As of the date of this annual report, in order to implement the Opinion, certain local government authorities, including some of the areas where we have training centers such as Guangdong Province, Jiangsu Province, Yunnan Province, Sichuan Province, Liaoning Province and Beijing, have promulgated rules that require non-academic after school tutoring institutions in areas for K-12 students, such as art, music, among others, to obtain private school operating permit or prior approvals for non-academic after school tutoring institutions from local competent authorities. For example, on August 2, 2021, the Department of Education of Guangdong Province issued a notice which provides that local educational administration authorities shall approve the activities conducted by non-academic after school tutoring institutions involving non-academic subjects such as physical education, art, etc., in accordance with the relevant laws and regulations and issue operating permit accordingly; further, on December 9, 2022, the Department of Education of Guangdong Province and other government authorities jointly issued the Approval Procedure Guidance for Operating Permit Application of Non-academic After School Tutoring Institutions (Trial Implementation), which provides that, among others, the non-academic after school tutoring institutions that provide training for primary, middle and high school students may apply for operating permit if meeting the standards provided in the Amended Private Education Law. On November 8, 2023, the Department of Education of Liaoning Province and other government authorities jointly issued the Management Measures for Non-academic After School Tutoring Institutions Targeting Primary and Secondary Middle School Students of Liaoning Province, which came into effect on December 1, 2023 and provides that, among others, the non-academic after school tutoring institutions providing art training to primary and secondary middle school students and pre-school children aged three and above shall apply for operating permit from local education administration authorities at county level. On March 15, 2024, the Beijing Municipal Bureau of Culture and Tourism and the Beijing Municipal Commission of Education issued the Standards for the Establishment of Cultural and Artistic After School Tutoring Institutions in Beijing (Trial), which provides that a cultural and artistic after school tutoring institution that targets to provide training to primary and secondary middle school students and pre-school children aged three to six shall obtain the administrative license from the district level education administrative department for the establishment of offline cultural and artistic after school institutions. However, the interpretation of the foregoing laws, regulations, rules and guidance remain unclear in several respects at this time, and, especially, it is unclear if private education institutions mainly focusing on art education for high school and undergraduate students for the purpose of overseas study like us are required to obtain private school operating permits or the approval for non-academic after-school tutoring institutions from local competent authorities. Since the related regulatory regime of education industry in the PRC continues to rapidly evolve, the interpretations of relevant regulations and rules are not always uniform, and the enforcement of relevant regulations and rules involve uncertainties, we cannot assure you that our training centers will not be classified as “private schools” and thus be required to obtain the private school operating permits or other relevant approval from local competent authorities by the regulators due to any future and further development, interpretation and enforcement of relevant regulations and rules.

To date, our PRC subsidiaries operating our training centers have not received any notifications which require them to obtain private school operating permits or approvals for non-academic after-school tutoring institutions from local competent authorities. As of the date of this annual report, one of our subsidiaries Qingdao Haili has obtained an operating permit for private school, but Qingdao Haili does not operate any of our training centers, and none of our training centers have obtained an operating permit or approvals for non-academic after-school tutoring institutions from local competent authorities. If we inadvertently conclude that such permissions are not required, but the regulators do not take the same view as we do, our training centers may be subject to various penalties, including fines, orders to promptly rectify the non-compliance, return course and service fees collected, pay a multiple of the amount of returned course and/or service fees to regulators as a penalty, and/or cease operations. If this occurs, our business, results of operations, financial condition and the value of our ADSs could be materially and adversely affected. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — As PRC laws and regulations with respect to certain licenses and permissions are unclear and are subject to interpretations and enforcement of local governmental authorities, the Company, its subsidiaries and the VIE may be required to obtain additional licenses.”

Operating Permit for Travel-related Activity

The Tourism Law of the PRC, which was promulgated by the Standing Committee of the NPC and amended on October 26, 2018, provides that, among other things, to engage in the businesses of outbound tourism, a travel agency shall obtain the corresponding business permit, and the specific conditions shall be provided for by the State Council and that when organizing an outbound touring group, or organizing or receiving an inbound touring group, a travel agency shall, in accordance with the relevant provisions, arrange for a tour leader or tour guide to accompany the touring group throughout the whole tour. Regulations on Travel Agencies promulgated by the State Council, amended on November 29, 2020, and the Implementation Rules of Regulations on Travel Agencies, provide that, among other things, the travel agency shall mean any entity that engages in the business of attracting, organizing, and receiving tourists, providing tourism services for tourists and operating domestic, inbound or outbound tourism; the aforementioned business shall include but not limited to arranging for transport services, arranging for accommodation services, providing services for tour guides or team leaders, providing services of tourism consultation and tourism activities design. According to the Regulations on Travel Agencies and its implementation rules, any tourism agency that engages in domestic and outbound tourism shall apply for corresponding permits to engage in such tourism activities from the administrative department of tourism under the State Council, the governments of provinces, autonomous regions, or municipalities. On November 19, 2024, the General Office of the Ministry of Culture and Tourism issued the Notice on Promoting the Healthy Development of Travel Agency Research-based Tourism Business, providing that travel agencies shall choose qualified suppliers and partners and shall evaluate the service capabilities of the partners, which does not require our PRC subsidiaries to obtain travel agency permits. With respect to our research-based learning services, our PRC subsidiaries cooperate with third-party travel agencies which have travel agency permits for our educational travel activities, such as accommodation and tour guiding. We don't think our PRC subsidiaries engaged in such travel-related activities under their cooperation with third party travel are also required to obtain travel agency permits under the current law rules, and such PRC subsidiaries have not received any notifications which require them to obtain a travel agency permit. If we inadvertently conclude that such permissions are not required, but the regulators do not take the same view as we do, the relevant regulators may order such PRC subsidiaries to rectify the non-compliance, confiscate the illegal income from such business and impose fines on such PRC subsidiaries. If this occurs, our business, results of operations, financial condition and the value of our ADSs could be materially and adversely affected. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — As PRC laws and regulations with respect to certain licenses and permissions are unclear and are subject to interpretations and enforcement of local governmental authorities, the Company, its subsidiaries and the VIE may be required to obtain additional licenses.” One of our subsidiaries Beijing Miusi has obtained the travel agency business license for the purpose of preserving flexibility to conduct relevant travel agency-related business in the future.

ICP license

On September 25, 2000, the State Council promulgated the Administrative Measures on Internet Information Services, or the Internet Measures, which was amended in 2011 and 2024, respectively. Under the Internet Measures, commercial internet information services operators shall obtain an ICP license from the relevant government authorities before engaging in any commercial internet information services operations within the PRC. According to the Special Administrative Measures for Market Access of Foreign Investment (Negative List) (2024 Edition), the provision of information services falls in the restricted category, and the percentage of foreign ownership cannot exceed 50%. Some of our courses are provided in online form and provided to our students through online platforms of third-party IT service providers. We believe that our PRC subsidiaries providing such online courses are not required to obtain the ICP license as they have not developed their own platforms but delivered such courses through third-party online platforms. To date, none of our PRC subsidiaries have obtained the ICP license due to the foreign investment restriction for the ICP license and our PRC subsidiaries have not received any notifications from PRC governmental authorities to require them to obtain the ICP license. The VIE once obtained the ICP license to preserve our flexibility to operate relevant business, but such ICP license has expired as of the date of this annual report and the VIE did not apply for the renewal as we believe that, neither the Company and its subsidiaries nor the VIE conducts the businesses where the ICP license is required. However, since the enforcement of relevant regulations and rules involve uncertainties, we cannot assure you that the regulators will take the same view as we do. If we inadvertently conclude that the ICP license is not required for our PRC subsidiaries, our PRC subsidiaries delivering online courses services may be subject to a non-compliance rectification order, confiscation of illegal proceeds, or fines; or if the non-compliance is deemed serious by the regulators, may be ordered to suspend business for rectification. If this occurs, our business, results of operations, financial condition and the value of our ADSs could be materially and adversely affected. If the ICP license is required in the future or we choose to provide information services through our own online platform, there is no assurance that the ICP license can be obtained. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — As PRC laws and regulations with respect to certain licenses and permissions are unclear and are subject to interpretations and enforcement of local governmental authorities, the Company, its subsidiaries and the VIE may be required to obtain additional licenses.”

Security Assessment of Cross-border Transfer of Personal Information/Personal Information Protection Certification

On August 20, 2021, the Standing Committee of the NPC promulgated the Personal Information Protection Law, which took effect on November 1, 2021, pursuant to which, personal information processors, who need to transfer personal information out of mainland China for business and other needs, shall satisfy one of the following conditions: (i) passing the security assessment by the national cyberspace authorities; (ii) being certified by professional organizations for personal information protection; (iii) entering into contracts providing the rights and obligations of both parties with overseas recipients in accordance with the standard contract formulated by the national cyberspace authorities; and (iv) other conditions specified by laws, administration regulations and the national cyberspace authorities. The personal information processors shall take necessary measures to ensure that the activities of the overseas recipients handling personal information meet the standards of personal information protection stipulated in the Personal Information Protection Law. If a personal information processor provides personal information across the border of mainland China, it shall inform the information owners of the name and contact information of the overseas recipients, the purpose and manner of information processing, the type of personal information, and the manner and procedure for the information owners to exercise their rights under the Personal Information Protection Law over the overseas recipients, and obtain consent of the information owners. On July 7, 2022, the Cyberspace Administration of China, or the CAC, issued the Measures on Security Assessment of the Cross-border Transfer of Data (the “Security Assessment Measures”), which took effect on September 1, 2022. On March 22, 2024, the CAC issued the Provisions on Promoting and Regulating Cross-border Data Flow (the “Cross-border Data Flow Provisions”), which took effect on the same date and shall supersede the provisions under the Security Assessment Measures and the Model Contract Provisions (as defined below) that are not consistent with those under the Cross-border Data Flow Provisions. In accordance with the Security Assessment Measures and the Cross-border Data Flow Provisions, the following cross-border transfers of important data or personal information generated from or collected in mainland China should be subject to a security assessment, which includes: (i) a critical information infrastructure operator to transfer personal information or important data; (ii) a data processor other than a critical information infrastructure operator to transfer important data overseas; (iii) a data processor other than a critical information infrastructure operator who has, since January 1 of the current year, transferred personal information of more than 1 million individuals overseas cumulatively, or transferred sensitive personal information of more than 10,000 individuals overseas cumulatively; or (iv) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration. On September 24, 2024, the State Council promulgated the Management Regulations on Network Data Security (the “Network Data Security Regulations”), which took effect on January 1, 2025, stipulating that where it is necessary to provide important data generated or collected by a network data processor during its operation within the territory of the PRC to overseas parties, such provision shall pass the security assessment for data cross-border transmission organized by the state cyberspace administration. As of the date of this annual report, the amount of personal information (including sensitive personal information) transmitted by the Company, its subsidiaries and the VIE across the border is relatively small. The data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. Additionally, none of the Company, its subsidiaries or the VIE has received any notice from the national cyberspace authorities requiring them to conduct a security assessment. However, if the relevant laws, regulations or interpretations change in the future, and the Company, its subsidiaries and the VIE are subject to a security assessment, we will face uncertainty as to whether any required actions can be timely completed, or at all.

Under the Personal Information Protection Law, the Company, its subsidiaries and the VIE may meet the requirements by either completing personal information protection certification or entering into the standard contract formulated by the national cyberspace authorities, as the amount of personal information we or the VIE transfer across the border is relatively small.

On November 4, 2022, the CAC and the State Administration for Market Regulation jointly issued the Announcement in relation to the Implementation of Personal Information Protection Certification with an exhibit of Implementation Rules for Personal Information Protection Certification, according to which, the professional organizations authorized to conduct personal information protection certification shall comply with the Implementation Rules for Personal Information Protection Certification. On February 22, 2023, the CAC issued the Provisions on Model Contract for Cross-border Transfer of Personal Information (the “Model Contract Provisions”) with an exhibit of model contract, which came into effect on June 1, 2023. According to the Model Contract Provisions and the Cross-border Data Flow Provisions, the personal information processor meeting all of the following four conditions may transfer personal information out of mainland China by way of entering into the model contract: (i) a non-critical information infrastructure operator; (ii) a personal information processor who has, since January 1 of the current year, transferred personal information of more than 100,000 but less than one million individuals overseas cumulatively; and (iii) a personal information processor who has, since January 1 of the current year, transferred sensitive personal information of less than 10,000 individuals overseas cumulatively. Also, the personal information processor shall conduct a personal information protection influence assessment before transferring any personal information out of mainland China. The personal information processor shall file the signed model contract within 10 days after the effective date of such model contract with the local competent authority. The Cross-border Data Flow Provisions provides exemptions, under which a data processor that transfers personal information overseas can be exempted from applying for a security assessment, completing personal information protection certification or entering into a standard contract for the outbound transfer of personal information. A data processor that transfer personal information overseas can be exempted when (i) it is necessary to provide personal information overseas to enter into or perform a contract to which the individual is a party, such as cross-border shopping, cross-border delivery, cross-border remittance, cross-border payment, cross-border account opening, flight and hotel booking, visa processing, examination services, etc.; (ii) it is necessary to provide personal information overseas for cross-border human resource management under the labor rules and regulations and any collective contract executed in accordance with the law; (iii) it is necessary to provide personal information overseas to protect the life, health, or property safety of natural persons under emergency circumstances; and (iv) a data processor, other than a critical information infrastructure operator, has cumulatively provided the personal information (excluding sensitive personal information) of less than 100,000 individuals overseas since January 1 of the current year. That said, a data processor that transfers personal information overseas shall fulfill its legal obligations, such as notifying the relevant individuals, obtaining the individuals’ separate consent, and completing a personal information protection impact assessment. The Network Data Security Regulations provides that a network data processor may transmit personal information abroad if it has completed a security assessment for data cross-border transmission or personal information protection certification or complied with the provisions in relation to model contract for cross-border transfer of personal information. As the regulations are evolving, we are still evaluating and monitoring whether and how to complete the personal information protection certification or enter into the standard contract formulated by the national cyberspace authorities. As of the date of this annual report, we have not received any inquiries, notices, warnings, sanctions, denials, or regulatory objections from the CAC or any other regulatory authority in relation to the foregoing issues.

In the event of any failure to comply with the Personal Information Protection Law, the Company, its subsidiaries and the VIE may be subject to non-compliance rectification, warning, confiscation of illegal income or fines, or if the non-compliance is deemed serious by the regulators, suspension of relevant business and revocation of relevant business operation permissions or business licenses, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Failure to comply with regulations relating to information security and privacy protection, breaches or perceived breaches of our security measures relating to our service offerings, unauthorized disclosure or misuse of personal data through breaches of our computer systems or otherwise, could result in negative publicity and loss of students, expose us to protracted and costly litigation, and harm our business and results of operations. Additionally, it is unclear whether we will be subject to the oversight of the CAC and how such oversight may impact us.”

Potential Permissions and Approvals for Offering Securities to Foreign Investors

The Crackdown Opinion

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severe and Lawful Crackdown on Illegal Securities Activities, or the Crackdown Opinions. The Crackdown Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. The Crackdown Opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. As of the date of this annual report, we believe the permission and approval of the China Securities Regulatory Commission, or the CSRC, is not required for the Company, its subsidiaries and the VIE in connection with our listing on Nasdaq, but as the official guidance and interpretation of the Crackdown Opinions remain unclear in several respects at this time, we cannot assure you that the Company, its subsidiaries and the VIE will remain fully compliant with all regulatory requirements of the Crackdown Opinions or any future implementation rules on a timely basis, or at all. If the Company, its subsidiaries and the VIE are unable to obtain such permission or approval if required in the future, our securities may be delisted from Nasdaq and/or the value of our ADSs may significantly decline or become worthless. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — The approval, filing or other requirements of the CSRC or other PRC government authorities may be required under PRC law in connection with our issuance of securities overseas.”

Filing with the CSRC under the Overseas Offering and Listing Measures

On February 17, 2023, the CSRC issued the Trail Implementation Management Measures of Overseas Offering and Listing by Domestic Companies (the “Overseas Offering and Listing Measures”), which came into effect on March 31, 2023, and provides principles and guidelines for direct and indirect issuance of securities overseas by a Chinese domestic company. Under the Overseas Offering and Listing Measures, the substance rather than the form of issuance will govern when determining whether an issuance constitutes “indirect issuance of securities overseas by a Chinese domestic company,” and in the event any listing or issuance of securities has fallen under this definition, the issuer shall assign one of its related major Chinese domestic operating entities to make filings with the CSRC within three business days after its initial public offering or any offerings after the initial public offering. As the Company is a Cayman Islands holding company with nearly all of business operations conducted within the territory of mainland China, we understand the Company’s listing and issuance of securities on Nasdaq constitutes indirect issuance of securities overseas by a Chinese domestic company under the Overseas Offering and Listing Measures. However, according to the Notice on Management and Arrangement of the Filing of Overseas Offering and Listing by Domestic Companies issued by CSRC on February 17, 2023 (the “Overseas Offering and Listing Notice”), an issuer who has completed overseas issuance and listing before March 31, 2023 like us is not required to file with the CSRC for the offering or listing that is already completed but is required to make filings with the CSRC for its follow-on financing activities involving overseas offering or listing after the effective date of the Overseas Offering and Listing Measures. As such, we and the VIE are not required to make filings with CSRC under the Overseas Offering and Listing Measures unless we conduct new overseas offerings of securities in the future. In January 2026, the Company completed a registered direct offering of 11,067,547 ADS to three purchasers, and we have completed the relevant filing with the CSRC. As the interpretations and implementation of the Overseas Offering and Listing Measures still involve uncertainties, we cannot assure you that the Company, its subsidiaries and the VIE can complete the filings with the CSRC if the Company intends to conduct new overseas offerings of securities in the future. In addition, since the regulatory regime of the PRC for securities activities continues to rapidly evolve, we cannot assure you that we will not be required in the future to make filings with or obtain approvals from the CSRC or potentially other regulatory authorities in order to maintain the listing status of our ADSs on Nasdaq due to changes or passing of applicable laws, regulations, or interpretations in the future. In the event that it is determined that the Company, its subsidiaries and the VIE are required to make filings with or obtain approval from the CSRC or any other regulatory authority but fail to make such filings or obtain such approvals timely or at all, the PRC subsidiaries of the Company or the VIE may be subject to a non-compliance rectification order, warning letters or fines, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs, or 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 be worthless. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — The approval, filing or other requirements of the CSRC or other PRC government authorities may be required under PRC law in connection with our issuance of securities overseas.”

Cybersecurity Review

On December 28, 2021, the CAC published the Measures for Cybersecurity Review (the “Cybersecurity Review Measures”), which became effective on February 15, 2022, pursuant to which, (i) critical information infrastructure operators purchasing network products and services that affect or may affect national security, (ii) internet platform operators engaging in data processing activities that affect or may affect national security, and (iii) any internet platform operator possessing personal information of more than one million users and applying for listing on a foreign exchange shall be subject to the cybersecurity review by the CAC. The Network Data Security Regulations stipulates that where a network data processor carries out network data processing activities that affect or may affect national security, it shall undergo a national security review in accordance with relevant national regulations. We believe the Company, its subsidiaries and the VIE would not be subject to the cybersecurity review by the CAC, given that the Company, its subsidiaries and the VIE do not possess a large amount of personal information in our business operations, and data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. However, there remains uncertainty as to how the Cybersecurity Review Measures will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures. If the relevant laws, regulations or interpretations change in the future, and the Company, its subsidiaries and the VIE are subject to mandatory cybersecurity review and other specific actions required by the CAC, we will face uncertainty as to whether any clearance or other required actions can be timely completed, or at all. If not, the Company, its subsidiaries and the VIE may be required to suspend relevant business, shut down relevant websites, or face other penalties, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs, or 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 be worthless. As of the date of this annual report, the Company, its subsidiaries and the VIE have not received any notice from regulatory authorities requiring us to go through the cybersecurity review by the CAC. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — The approval, filing or other requirements of the CSRC or other PRC government authorities may be required under PRC law in connection with our issuance of securities overseas” and “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Failure to comply with regulations relating to information security and privacy protection, breaches or perceived breaches of our security measures relating to our service offerings, unauthorized disclosure or misuse of personal data through breaches of our computer systems or otherwise, could result in negative publicity and loss of students, expose us to protracted and costly litigation, and harm our business and results of operations. Additionally, it is unclear whether we will be subject to the oversight of the CAC and how such oversight may impact us.”

Clearance under the Confidentiality Provisions

On February 24, 2023, the CSRC and other PRC governmental authorities issued Provisions on Strengthening the Relevant Confidentiality and Archives Management Work Relating to the Overseas Issuance of Securities and Listing of Domestic Enterprises (the “Confidentiality Provisions”), which came into effect on March 31, 2023. According to the Confidentiality Provisions, both “direct issuance of securities overseas by a Chinese domestic company” and “indirect issuance of securities overseas by a Chinese domestic company” (i.e., issuance of securities by relevant overseas holding company) shall be subject to the Confidentiality Provisions. Domestic enterprises that provide or publicly disclose files and documents that contain state secrets and work secrets of the authorities to relevant securities companies, securities service agencies, foreign regulatory agencies and other institutions and individuals or do so through its overseas listing entities, shall obtain the approval of the competent authorities and file with the competent confidentiality administrative authorities. Although the interpretation and implementation of the Confidentiality Provisions remain substantially uncertain, we tend to believe the Company, its subsidiaries and the VIE would not be subject to clearance under the Confidentiality Provisions as the Company, its subsidiaries and the VIE do not possess any document or file that involves state secrets or work secrets of the authorities. As of the date of this annual report, the Company, its subsidiaries and the VIE have not received any notice from regulatory authorities requiring them to obtain the foregoing approval or complete any of the foregoing procedures. However, if the relevant laws, regulations or interpretations change in the future, and the Company, its subsidiaries and the VIE are subject to such clearance, we will face uncertainty as to whether any required approval can be timely obtained and any actions can be timely completed, or at all. If not, the Company, its subsidiaries and the VIE may be subject to investigation, fines and other penalties; and if any related behavior is suspected as a crime, may be subject to criminal penalties, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — The approval, filing or other requirements of the CSRC or other PRC government authorities may be required under PRC law in connection with our issuance of securities overseas.”

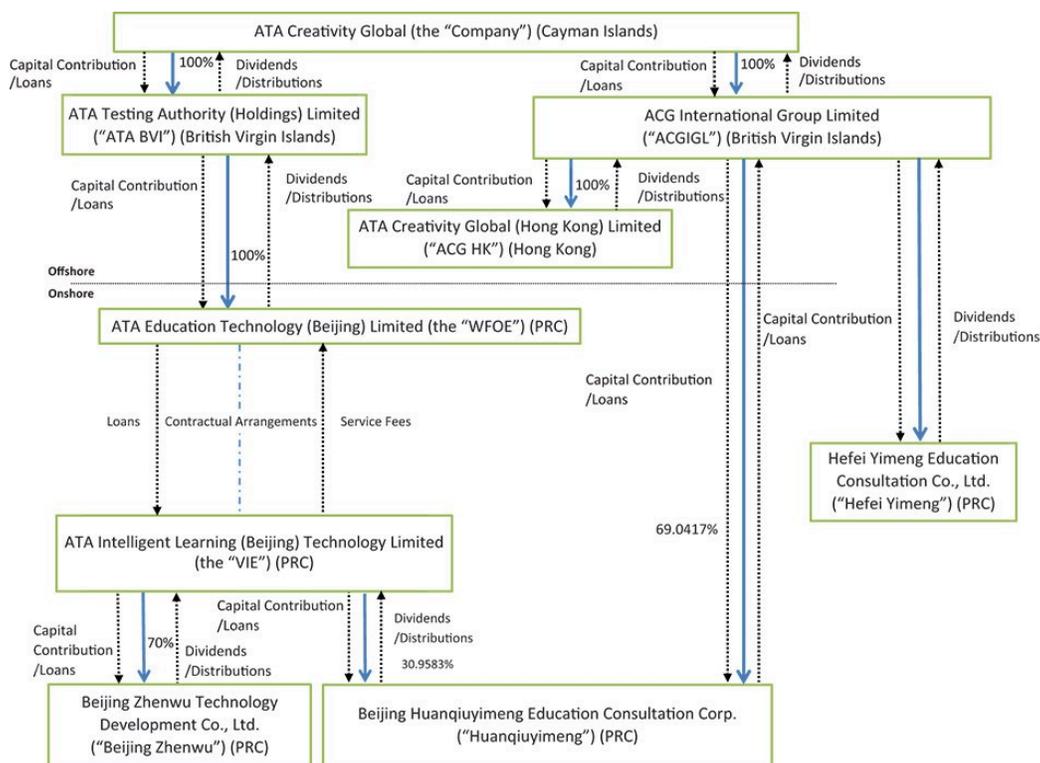
Transfer of Cash within Our Organization

We adopt a holding company structure, and our holding companies may rely on dividends and other distributions on equity paid by our current and future PRC subsidiaries or cash paid by the VIE under the VIE arrangement for their cash requirements, including the funds necessary to service any debt we may incur or financing we may need for operations not carried through our PRC subsidiaries or the VIE. Due to restrictions on foreign exchange placed on our PRC subsidiaries and the VIE by the PRC government under PRC laws and regulations, to the extent cash is located in the PRC or within a PRC domiciled entity and may need to be used to fund our operations outside of the PRC, the funds may not be available due to such limitations unless and until related approvals and registrations are obtained. See “— Restrictions on Foreign Exchange and Our Ability to Transfer Cash Between Entities, Across Borders, and to U.S. Investors, and Restrictions and Limitations on Our Ability to Distribute Earnings from Our Businesses” for more detailed discussions.

The Company may transfer funds to ATA BVI and ACGIGL through capital contribution into or a shareholder loan to such subsidiaries, respectively. ATA BVI may transfer funds through capital contribution into or a shareholder loan to the WFOE. ACGIGL may transfer funds through capital contribution into or a shareholder loan to ATA Creativity Global (Hong Kong) Limited, or ACG HK, which is formerly known as Xing Wei Institute (HongKong) Limited, Huanquiyimeng and Hefei Yimeng, respectively. The WFOE and Huanquiyimeng may transfer funds to their respective subsidiaries through capital contribution into or a shareholder loan to them. The WFOE provides services including comprehensive business support, technical services, and consultancy, in exchange for service fees from the VIE. The WFOE may also provide loans to the VIE, subject to statutory limits and restrictions. In addition, the VIE may also receive dividends from its subsidiaries or investing companies, including Huanquiyimeng, Beijing Zhenwu, and others.

As of the date hereof, we have not installed written cash management policies that dictate how funds are transferred between us, our subsidiaries, the VIE or investors. However, we have established internal controls and procedures for cash flows within our organization during daily operations, under which each transfer of cash between the Company, our subsidiaries, the VIE or investors is subject to a stringent internal approval process.

The following diagram illustrates the typical fund flow through our organization (including the VIE).



Cash Flow and Assets Transfer Between the Company, Its Subsidiaries, and the VIE

The Company received RMB2.5 million from subsidiaries of the Company and paid RMB1.4 million to subsidiaries of the Company, respectively, for the year ended December 31, 2023. See line item of "Cash flows from investing activities - Cash received from inter-companies/Cash paid to inter-companies" in the Condensed Cash Flow Schedule for fiscal year 2023. The Company received RMB9.9 million from subsidiaries of the Company and paid RMB2.5 million to subsidiaries of the Company, respectively, for the year ended December 31, 2024. See line item of "Cash flows from investing activities - Cash received from inter-companies/Cash paid to inter-companies" in the Condensed Cash Flow Schedule for fiscal year 2024. The Company received RMB 5.0 million from subsidiaries of the Company and paid RMB3.9 million to subsidiaries of the Company, respectively, for the year ended December 31, 2025. See line item of "Cash flows from investing activities - Cash received from inter-companies/Cash paid to inter-companies" in the Condensed Cash Flow Schedule for fiscal year 2025.

Cash is transferred from the Company to its subsidiaries through shareholder loan and capital contribution. For the year ended December 31, 2023, subsidiaries of ATA BVI repaid RMB3.6 million of loan borrowed from ATA BVI during the year ended December 31, 2019. This cash flow was classified as investing activities of ATA BVI and financing activities of its subsidiaries, respectively, and was eliminated within the column of "Subsidiaries of the Company" of the Condensed Cash Flow Schedule for fiscal year 2023. See note 1 to the Condensed Cash Flow Schedule for fiscal year 2023.

To date, we and the VIE have not distributed any earnings or settled any amounts owed under the VIE Agreements (defined below). We and the VIE do not currently have any plans to distribute earnings or settle amounts owed under the VIE Agreements.

For the years ended December 31, 2023, 2024 and 2025 due to the fact that the VIE did not provide material services, the VIE did not generate material cash inflows from the delivery of services, and its cash inflows were provided via capital contribution of the nominee shareholders and loan arrangement from subsidiaries of the Company. For the years ended December 31, 2023, 2024 and 2025, the VIE borrowed RMB1.1 million, RMB1.6 million and RMB 1.2 million from subsidiaries of the Company, respectively. The VIE repaid nil to subsidiaries of the Company during each of the years ended December 31, 2023, 2024 and 2025. See line items of “Cash flows from investing activities – Cash paid to inter-companies/Cash received from inter-companies” and “Cash flows from financing activities – Cash received from inter-companies/Cash repaid to inter-companies” in the Condensed Cash Flow Schedule for fiscal years 2023, 2024 and 2025. As of December 31, 2025, the outstanding payables due from the VIE to subsidiaries of the Company were RMB 67.4 million, which was eliminated during the consolidation process. See note 1 to the condensed consolidating schedule depicting the consolidated balance sheets as of December 31, 2025. These cash flows were classified as investing activities of subsidiaries of the Company and financing activities of the VIE, respectively.

The WFOE provided loans of RMB0.9 million and RMB0.1 million to Mr. Xiaofeng Ma (Chairman and CEO of the Company) and Mr. Haichang Xiong (former General Legal Counsel of the Company), nominee shareholders of the VIE, as initial capital contribution into the VIE in April 2018, respectively. In December 2018, the WFOE provided additional loans of RMB8.1 million and RMB0.9 million to Mr. Xiaofeng Ma and Mr. Haichang Xiong as capital contribution into the VIE, respectively. In April and June 2019, the WFOE provided additional loans in total of RMB36.0 million and RMB4.0 million to Mr. Xiaofeng Ma and Mr. Haichang Xiong as another round of capital contribution into the VIE, respectively. In August 2020, the prior nominee shareholder Mr. Haichang Xiong transferred his 10% equity shares in the VIE to Mr. Jun Zhang (President and Director of the Company, or “new nominee shareholder”) and paid back the entire RMB5.0 million loan to the WFOE. The WFOE provided a loan in RMB5.0 million to Mr. Jun Zhang to acquire the 10% equity interests of the VIE. These cash flows were classified as the related subsidiaries’ investing activities and financing activities of the VIE, respectively. As of December 31, 2025, receivables due from Mr. Xiaofeng Ma and Mr. Jun Zhang in the balance of RMB45.0 million and RMB5.0 million, respectively, were recorded as the receivables due from related parties for the VIE. See note 2 to the condensed consolidating schedule depicting the consolidated balance sheets as of December 31, 2025.

Other than the above, no assets were transferred among the Company, its subsidiaries, and the VIE for the years ended December 31, 2023, 2024 and 2025.

Dividends or Distributions Made to the Company and Tax Consequences Thereof

The Company’s subsidiaries and the VIE did not make any dividends or distributions to the Company in the fiscal years ended December 31, 2023, 2024 and 2025. If any dividend is paid by our PRC subsidiaries to the Company in the future, under the PRC Enterprise Income Tax Law, or the EIT Law, and its implementation rules, dividends from our PRC subsidiaries to its non-PRC shareholders may be subject to a 10% withholding tax if such dividends are derived from profits. If the Company or its offshore subsidiaries are deemed to be a PRC resident enterprise (we do not currently consider the Company or its offshore subsidiaries to be PRC resident enterprises), the withholding tax may be exempted, but the Company or its offshore subsidiaries will be subject to a 25% tax on our worldwide income, and our non-PRC enterprise investors may be subject to PRC income tax withholding at a rate of 10%. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Under the EIT Law, we may be classified as a ‘resident enterprise’ of China. Such classification will likely result in unfavorable tax consequences to us and U.S. holders of our ADSs or common shares” and “Item 10.E. Taxation — People’s Republic of China Taxation.” If any payment is made from the VIE to the WFOE pursuant to the contractual arrangements between them, such payments will be subject to PRC taxes, including business taxes and value-added tax, or VAT.

Dividends or Distributions Made to the U.S. Investors and Tax Consequences Thereof

The Company did not make any dividends or distributions to its shareholders in the fiscal years ended December 31, 2023, 2024 and 2025. Any future determination to pay dividends will be made at the discretion of our board of directors and will be based upon our future operations and earnings, capital requirements and surplus, general financial condition, shareholders' interests, contractual restrictions and other factors our board of directors may deem relevant.

Under the current laws of the Cayman Islands, no Cayman Islands withholding tax is imposed upon any payments of dividends by the Company. However, if the Company is considered a PRC tax resident enterprise for tax purposes (we do not currently consider the Company to be a PRC resident enterprise), any dividends that the Company pays to its overseas shareholders may be regarded as China-sourced income and as a result may be subject to PRC withholding tax. See "Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Under the EIT Law, we may be classified as a 'resident enterprise' of China. Such classification will likely result in unfavorable tax consequences to us and U.S. holders of our ADSs or common shares" and "Item 10.E. Taxation — People's Republic of China Taxation."

In addition, subject to the passive foreign investment company rules, the gross amount of any distribution that the Company makes to investors with respect to our ADSs or common shares (including any amounts withheld to reflect PRC withholding taxes) will be taxable as a dividend, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. See "Item 10.E. Taxation — United States Federal Income Taxation."

Restrictions on Foreign Exchange and Our Ability to Transfer Cash Between Entities, Across Borders, and to U.S. Investors, and Restrictions and Limitations on Our Ability to Distribute Earnings from Our Businesses

We face various restrictions and limitations that impact our ability to transfer cash between our entities, across borders and to U.S. investors, and our ability to distribute earnings from our business, including our subsidiaries and/or the VIE, to the Company and U.S. investors, as well as the ability to settle amounts owed under the VIE Agreements.

- The Company is not a Chinese operating company but a Cayman Islands holding company with operations conducted primarily through its PRC subsidiary Huanqiyimeng and its subsidiaries and may elect to provide such services through the VIE in the future. As a result, although other means are available for us to obtain financing at the Company level, the Company's ability to fund operations not carried through our PRC subsidiaries or the VIE, pay dividends to its shareholders, or 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 PRC subsidiaries or the VIE incurs debt on its own in the future, the instruments governing such debt may restrict its ability to pay dividends to the Company. If any of our PRC subsidiaries or the VIE is unable to receive all or the majority of the revenues from their operations, we may be unable to pay dividends on our ADSs or common shares.

- Due to restrictions on foreign exchange placed on our PRC subsidiaries and the VIE by the PRC government under PRC laws and regulations, to the extent cash is located in mainland China or within an entity domiciled in mainland China and may need to be used to fund our operations outside of mainland China, the funds may not be available due to such limitations unless and until related approvals and registrations are obtained. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of mainland China. The majority of our revenue is or will be received in Renminbi and shortages in foreign currencies may restrict our ability to pay dividends or other payments. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, as long as certain procedural requirements are met. Approval from or filing with appropriate government authorities is required if Renminbi is converted into foreign currency and remitted out of mainland China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our shareholders or repay our loans. See “Item 3.D. Risk Factors — Summary of Risk Factors — Restrictions on currency exchange may limit our ability to utilize our cash and the ability of our PRC subsidiaries to obtain financing” and “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Restrictions on currency exchange may limit our ability to utilize our cash generated from sales of our services effectively and the ability of our PRC subsidiaries to obtain financing.”
- PRC legal restrictions permit payments of dividends by our PRC subsidiaries only out of their accumulated after-tax profits, if any, determined in accordance with PRC GAAP. Each of our PRC subsidiaries is also required under PRC laws and regulations to allocate at least 10% of its after-tax profits determined in accordance with PRC GAAP to statutory reserves until such reserves reach 50% of its registered capital. Allocations to these statutory reserves and funds can only be used for specific purposes and are not transferable to us in the form of loans, advances or cash dividends. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in mainland China, up to the amount of net assets held in each operating subsidiary. See “Item 3.D. Risk Factors — Summary of Risk Factors — Restrictions under PRC law on PRC subsidiaries’ ability to make payments to us could materially and adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to investors, and otherwise fund and conduct our businesses” and “Item 3.D. Risk factors — Risks Relating to Regulations of Our Business — Because we may rely on dividends and other distributions on equity paid by our current and future PRC subsidiaries for our cash requirements, restrictions under PRC law on their ability to make such payments could materially and adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to you, and otherwise fund and conduct our businesses.”
- Due to various requirements imposed by PRC laws and regulations on loans to and direct investment in PRC entities by offshore holding companies, we and the VIE may not be able to obtain the necessary government approvals or complete the necessary government registrations or other procedures on a timely basis, or at all, with respect to future loans by us to our PRC subsidiaries or the VIE or with respect to future capital contributions by us to our PRC subsidiaries. This may delay or prevent us from using our offshore funds to make loans or capital contribution to our PRC subsidiaries and the VIE, and thus may restrict our ability to execute our business strategy, and materially and adversely affect our liquidity and our ability to fund and expand our business. See “Item 3.D. Risk Factors — Summary of Risk Factors — PRC regulations of loans and direct investments by offshore holding companies to our PRC subsidiaries and the VIE may restrict our ability to execute our business strategy” and “Item 3.D. Risk factors — Risks Relating to Regulations of Our Business — PRC regulations of loans and direct investments by offshore holding companies to their PRC subsidiaries and consolidated variable interest entity may restrict our ability to execute our business strategy.”
- If the Company is considered a PRC tax resident enterprise for tax purposes (we do not currently consider the Company to be a PRC resident enterprise), any dividends that the Company pays to its overseas shareholders may be regarded as China-sourced income and as a result may be subject to PRC withholding tax. See “Item 3.D. Risk Factors — Summary of Risk Factors — We may be classified as a ‘resident enterprise’ of China, which may result in unfavorable tax consequences to us and the investors,” “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Under the EIT Law, we may be classified as a ‘resident enterprise’ of China. Such classification will likely result in unfavorable tax consequences to us and U.S. holders of our ADSs or common shares” and “Item 10.E. Taxation — People’s Republic of China Taxation.”

- In addition, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules relating to VIE Agreements, and the VIE Agreements with the VIE and its shareholders may not be as effective as direct ownership in providing us with control over the VIE. The uncertainty with respect to the validity and enforceability of the VIE Agreements may limit our ability to settle amounts owed under the VIE Agreements. See “Item 3.D. Risk Factors — Risks Relating to Our Corporate Structure.”

VIE Consolidation Schedule

The following tables present the Company’s condensed consolidating schedule depicting the consolidated statements of comprehensive income (loss) for the fiscal years ended December 31, 2023, 2024 and 2025 of the Company, its subsidiaries, the VIE, and the corresponding eliminating adjustments separately.

	Year Ended December 31,				
	2025				
	The Company	Subsidiaries of the Company	VIE	Elimination adjustments	Consolidated
	RMB	RMB	RMB	RMB	RMB
Net revenues	—	268,112,876	—	—	268,112,876
Cost and expenses:					
Cost of revenues	70,406	137,731,120	—	—	137,801,526
Reversal of provision for loan receivable and other receivables	(2,485,349)	(1,296,313)	—	—	(3,781,662)
Goodwill impairment	—	33,908,719	—	—	33,908,719
Operating expenses	4,904,148	158,245,103	1,321,640	—	164,470,891
Total cost and expenses	2,489,205	328,588,629	1,321,640	—	332,399,474
Other operating income, net	—	175,898	—	—	175,898
Loss from operations	(2,489,205)	(60,299,855)	(1,321,640)	—	(64,110,700)
Other income	24,414	579,687	171	—	604,272
Investment gain(loss)	(45,582,703)	11,880,702	(4,784,626)	50,367,329 (1)	11,880,702
Loss before income taxes	(48,047,494)	(47,839,466)	(6,106,095)	50,367,329	(51,625,726)
Income tax benefit	—	(3,578,203)	—	—	(3,578,203)
Net loss	(48,047,494)	(44,261,263)	(6,106,095)	50,367,329	(48,047,523)
Net loss attributable to non-controlling interests	—	(4,784,626)	(29)	4,784,626 (1)	(29)
Net loss attributable to ATA Creativity Global	(48,047,494)	(39,476,637)	(6,106,066)	45,582,703	(48,047,494)

	Year Ended December 31,				
	2024				
	The Company RMB	Subsidiaries of the Company RMB	VIE RMB	Elimination adjustments RMB	Consolidated RMB
Net revenues	—	268,055,926	4,236	—	268,060,162
Cost and expenses:					
Cost of revenues	146,109	126,649,100	—	—	126,795,209
Operating expenses	6,750,893	176,165,735	1,567,412	—	184,484,040
Total cost and expenses	6,897,002	302,814,835	1,567,412	—	311,279,249
Other operating income, net	—	174,931	—	—	174,931
Loss from operations	(6,897,002)	(34,583,978)	(1,563,176)	—	(43,044,156)
Other income	33,082	949,333	331	—	982,746
Investment gain(loss)	(29,233,857)	(438,153)	(6,465,269)	35,699,126 (1)	(438,153)
Loss before income taxes	(36,097,777)	(34,072,798)	(8,028,114)	35,699,126	(42,499,563)
Income tax benefit	—	(6,401,691)	—	—	(6,401,691)
Net loss	(36,097,777)	(27,671,107)	(8,028,114)	35,699,126	(36,097,872)
Net loss attributable to non-controlling interests	—	(6,465,269)	(95)	6,465,269 (1)	(95)
Net loss attributable to ATA Creativity Global	(36,097,777)	(21,205,838)	(8,028,019)	29,233,857	(36,097,777)
	Year Ended December 31,				
	2023				
	The Company RMB	Subsidiaries of the Company RMB	VIE RMB	Elimination adjustments RMB	Consolidated RMB
Net revenues	—	221,618,968	—	—	221,618,968
Cost and expenses:					
Cost of revenues	74,827	106,886,932	—	—	106,961,759
Operating expenses	5,141,980	150,202,984	839,014	—	156,183,978
Total cost and expenses	5,216,807	257,089,916	839,014	—	263,145,737
Other operating income, net	—	30,865	—	—	30,865
Loss from operations	(5,216,807)	(35,440,083)	(839,014)	—	(41,495,904)
Other income	25,797	947,489	368	—	973,654
Investment loss	(28,469,235)	—	(6,776,600)	35,245,835 (1)	—
Loss before income taxes	(33,660,245)	(34,492,594)	(7,615,246)	35,245,835	(40,522,250)
Income tax benefit	—	(6,811,709)	—	—	(6,811,709)
Net loss	(33,660,245)	(27,680,885)	(7,615,246)	35,245,835	(33,710,541)
Net loss attributable to non-controlling interests	—	(6,825,164)	(1,732)	6,776,600 (1)	(50,296)
Net loss attributable to ATA Creativity Global	(33,660,245)	(20,855,721)	(7,613,514)	28,469,235	(33,660,245)

(1) To eliminate the investment income or loss recognized in the Company derived from earnings or losses picked up from its subsidiaries and the VIE, as well as the investment loss recorded in the VIE with the net loss attributable to the VIE as non-controlling interests recorded in the subsidiaries of the Company.

[Table of Contents](#)

The following tables present the Company's condensed consolidating schedule depicting the consolidated balance sheets as of December 31, 2024 and 2025 of the Company, its subsidiaries, the VIE and corresponding eliminating adjustments separately.

	December 31, 2025				
	The Company RMB	Subsidiaries of the Company RMB	VIE RMB	Elimination adjustments RMB	Consolidated RMB
ASSETS					
<i>Current assets:</i>					
Cash and cash equivalents	1,057,465	84,007,574	171,249	—	85,236,288
Accounts receivable, net	—	298,377	—	—	298,377
Prepaid expenses and other current assets	4,240	25,821,157	7,062	—	25,832,459
Inter-company receivables	—	67,411,670 (1)	—	(67,411,670)(1)	—
Amounts due from nominee shareholders for the VIE	—	50,000,000 (2)	—	(50,000,000)(2)	—
Total current assets	1,061,705	227,538,778	178,311	(117,411,670)	111,367,124
<i>Non-current assets:</i>					
Other non-current assets	—	134,540,098	10,000	—	134,550,098
Goodwill	—	162,380,773	—	—	162,380,773
Long-term investments	33,544,606	—	37,753,202	(71,297,808)(3)	—
Total non-current assets	33,544,606	296,920,871	37,763,202	(71,297,808)	296,930,871
Total assets	34,606,311	524,459,649	37,941,513	(188,709,478)	408,297,995
LIABILITIES					
<i>Current liabilities:</i>					
Accrued expenses and other payables	2,559,166	53,872,129	62,496	—	56,493,791
Short-term loan	—	1,000,000	—	—	1,000,000
Deferred revenues and other current liabilities	—	287,085,706	—	—	287,085,706
Inter-company payables	—	—	67,411,670 (1)	(67,411,670)(1)	—
Total current liabilities	2,559,166	341,957,835	67,474,166	(67,411,670)	344,579,497
Lease liabilities-non current	—	14,617,119	—	—	14,617,119
Long-term loan	—	15,031,900	—	—	15,031,900
Deferred tax liabilities	—	2,086,619	—	—	2,086,619
Total non-current liabilities	—	31,735,638	—	—	31,735,638
Total liabilities	2,559,166	373,693,473	67,474,166	(67,411,670)	376,315,135
<i>Shareholders' equity:</i>					
Common shares	4,780,117	—	—	—	4,780,117
Paid-in capital	—	15,984,800	50,000,000 (2)	(65,984,800)(2)(3)	—
Treasury shares	(8,201,046)	—	—	— (3)	(8,201,046)
Additional paid-in capital	548,769,331	(120,348,733)	—	120,348,733 (3)	548,769,331
Accumulated other comprehensive income(loss)	(37,446,814)	39,101,537	—	(39,101,537)(3)	(37,446,814)
Retained earnings (accumulated deficits)	(475,854,443)	178,275,370	(79,468,368)	(98,807,002)(3)	(475,854,443)
Non-controlling interests	—	37,753,202	(64,285)	(37,753,202)(3)	(64,285)
Total shareholders' equity	32,047,145	150,766,176	(29,532,653)	(121,297,808)	31,982,860
Total liabilities and shareholders' equity	34,606,311	524,459,649	37,941,513	(188,709,478)	408,297,995

	December 31, 2024				
	The Company	Subsidiaries of the Company	VIE	Elimination adjustments	Consolidated
	RMB	RMB	RMB	RMB	RMB
ASSETS					
<i>Current assets:</i>					
Cash and cash equivalents	4,608,462	31,554,745	360,788	—	36,523,995
Accounts receivable, net	—	2,712,845	—	—	2,712,845
Prepaid expenses and other current assets	4,336	27,398,498	—	—	27,402,834
Inter-company receivables	—	66,217,253 (1)	—	(66,217,253)(1)	—
Amounts due from nominee shareholders for the VIE	—	50,000,000 (2)	—	(50,000,000)(2)	—
Total current assets	4,612,798	177,883,341	360,788	(116,217,253)	66,639,674
<i>Non-current assets:</i>					
Other non-current assets	—	155,988,099	10,000	—	155,998,099
Goodwill	—	196,289,492	—	—	196,289,492
Long-term investments	78,329,251	38,000,000	42,537,827	(120,867,078)(3)	38,000,000
Total non-current assets	78,329,251	390,277,591	42,547,827	(120,867,078)	390,287,591
Total assets	82,942,049	568,160,932	42,908,615	(237,084,331)	456,927,265
LIABILITIES					
<i>Current liabilities:</i>					
Accrued expenses and other payables	3,231,601	53,023,439	117,920	—	56,372,960
Deferred revenues and other current liabilities	—	298,122,449	—	—	298,122,449
Inter-company payables	—	—	66,217,253 (1)	(66,217,253)(1)	—
Total current liabilities	3,231,601	351,145,888	66,335,173	(66,217,253)	354,495,409
Total non-current liabilities	—	22,785,664	—	—	22,785,664
Total liabilities	3,231,601	373,931,552	66,335,173	(66,217,253)	377,281,073
<i>Shareholders' equity:</i>					
Common shares	4,755,623	—	—	—	4,755,623
Paid-in capital	—	15,984,800	50,000,000 (2)	(65,984,800)(2)(3)	—
Treasury shares	(8,201,046)	—	—	— (3)	(8,201,046)
Additional paid-in capital	547,915,003	(120,348,733)	—	120,348,733 (3)	547,915,003
Accumulated other comprehensive income(loss)	(36,952,183)	58,457,737	—	(58,457,737)(3)	(36,952,183)
Retained earnings (accumulated deficits)	(427,806,949)	197,597,748	(73,362,302)	(124,235,446)(3)	(427,806,949)
Non-controlling interests	—	42,537,828	(64,256)	(42,537,828)(3)	(64,256)
Total shareholders' equity	79,710,448	194,229,380	(23,426,558)	(170,867,078)	79,646,192
Total liabilities and shareholders' equity	82,942,049	568,160,932	42,908,615	(237,084,331)	456,927,265

- (1) To eliminate the amounts related to the loans provided by subsidiaries of the Company to the VIE.
- (2) To eliminate the loans that the WFOE provided to Mr. Xiaofeng Ma and Mr. Jun Zhang as capital contribution (common shares) into the VIE.
- (3) To eliminate the Company's equity pick-up from subsidiaries or the VIE under respective equity accounts with corresponding long-term investment balances of the subsidiaries or the VIE.

[Table of Contents](#)

The following tables present the Company's condensed consolidating schedule depicting the consolidated cash flows for the fiscal years ended December 31, 2023, 2024 and 2025 of the Company, its subsidiaries, the VIE, and corresponding eliminating adjustments separately.

	Year Ended December 31,				
	2025				
	The Company	Subsidiaries of the Company	VIE	Elimination adjustments	Consolidated
RMB	RMB	RMB	RMB	RMB	
Net cash used in operating activities	(5,010,733)	(9,437,997)	(1,390,039)	—	(15,838,769)
Cash flows from investing activities:					
Cash received from inter-companies	5,011,346	—	—	(5,011,346)	—
Cash paid to inter-companies	(3,896,505)	(1,200,500)	—	5,097,005	—
Cash paid for property and equipment	—	(1,281,220)	—	—	(1,281,220)
Other cash movements	—	49,986,450	—	—	49,986,450
Net cash provided by (used in) investing activities	1,114,841	47,504,730	—	85,659 (1)	48,705,230
Cash flows from financing activities:					
Cash received from short-term loans	—	37,063,829	—	—	37,063,829
Repayment of short-term loans	—	(21,031,929)	—	—	(21,031,929)
Cash received from intercompanies	—	3,896,505	1,200,500	(5,097,005)	—
Cash received from inter-companies	—	(5,011,346)	—	5,011,346	—
Cash paid to inter-companies	—	—	—	—	—
Other cash movements	366,694	(57,580)	—	—	309,114
Net cash provided by (used in) financing activities	366,694	14,859,479	1,200,500	(85,659)(1)	16,341,014
Effect of foreign currency exchange rate changes on cash	(21,799)	(473,383)	—	—	(495,182)
Net increase (decrease) in cash and cash equivalents	(3,550,997)	52,452,829	(189,539)	—	48,712,293
Cash and cash equivalents at the beginning of the year	4,608,462	31,554,745	360,788	—	36,523,995
Cash and cash equivalents at the end of the year	1,057,465	84,007,574	171,249	—	85,236,288

	Year Ended December 31,				
	2024				
	The Company	Subsidiaries of the Company	VIE	Elimination adjustments	Consolidated
RMB	RMB	RMB	RMB	RMB	
Net cash provided by (used in) operating activities	(3,887,093)	2,038,353	(1,496,430)	—	(3,345,170)
Cash flows from investing activities:					
Cash received from inter-companies	9,934,336	— (1)	—	(9,934,336)	—
Cash paid to inter-companies	(2,540,662)	(1,600,000)	—	4,140,662	—
Cash paid for property and equipment	—	(20,024,903)	—	—	(20,024,903)
Other cash movements	—	(231,826)	—	—	(231,826)
Net cash provided by (used in) investing activities	7,393,674	(21,856,729)	—	(5,793,674)(1)	(20,256,729)
Cash flows from financing activities:					
Cash received from inter-companies	—	2,540,662	1,600,000	(4,140,662)	—
Cash paid to inter-companies	—	(9,934,336)	—	9,934,336	—
Other cash movements	—	(93,699)	—	—	(93,699)
Net cash provided by (used in) financing activities	—	(7,487,373)	1,600,000	5,793,674 (1)	(93,699)
Effect of foreign currency exchange rate changes on cash	33,704	18,657	—	—	52,361
Net increase (decrease) in cash and cash equivalents	3,540,285	(27,287,092)	103,570	—	(23,643,237)
Cash and cash equivalents at the beginning of the year	1,068,177	58,841,837	257,218	—	60,167,232
Cash and cash equivalents at the end of the year	4,608,462	31,554,745	360,788	—	36,523,995

	Year Ended December 31,				
	2023				
	The Company	Subsidiaries of the Company	VIE	Elimination adjustments	Consolidated
	RMB	RMB	RMB	RMB	RMB
Net cash provided by (used in) operating activities	(1,637,065)	11,341,202	(952,664)	—	8,751,473
Cash flows from investing activities:					
Payment for acquisition of a subsidiary, less cash acquired	—	(417,376)	—	—	(417,376)
Cash received from inter-companies	2,546,883	—	—	(2,546,883)	—
Cash paid to inter-companies	(1,437,720)	(1,050,000)	—	2,487,720	—
Cash paid for property and equipment	—	(2,240,101)	—	—	(2,240,101)
Other cash movements	—	(1,309,009)	—	—	(1,309,009)
Net cash provided by (used in) investing activities	1,109,163	(5,016,486)	—	(59,163)(1)	(3,966,486)
Cash flows from financing activities:					
Cash received from inter-companies	—	1,437,720	1,050,000	(2,487,720)	—
Cash paid to inter-companies	—	(2,546,883)(1)	—	2,546,883	—
Other cash movements	471,765	(68,326)	—	—	403,439
Net cash provided by (used in) financing activities	471,765	(1,177,489)	1,050,000	59,163 (1)	403,439
Effect of foreign currency exchange rate changes on cash	25,418	(26,811)	—	—	(1,393)
Net increase (decrease) in cash and cash equivalents	(30,719)	5,120,416	97,336	—	5,187,033
Cash and cash equivalents at the beginning of the year	1,098,896	53,721,421	159,882	—	54,980,199
Cash and cash equivalents at the end of the year	1,068,177	58,841,837	257,218	—	60,167,232

- (1) Eliminated the amounts of cash inflows or outflows among the Company, subsidiaries of the Company and the VIE, mainly comprised of (i) loans provided by the Company to its subsidiaries and by the subsidiaries of the Company to the VIE, offset by repayments; and (ii) loans provided by the WFOE to nominee shareholders of the VIE, which were injected into the VIE as capital contribution. The transactions of nominee shareholder loan repayment and issuance were reclassified as financing activities in the Company's consolidated financial statements.

Effect of Holding Foreign Companies Accountable Act and Related SEC Rules

On December 18, 2020, the Holding Foreign Companies Accountable Act, or HFCAA, was enacted, according to which, among others, if the U.S. Securities and Exchange Commission, or the SEC, determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the Public Company Accounting Oversight Board (United States), or PCAOB, for three consecutive years, the SEC shall prohibit our common 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 29, 2022, President Biden signed into law the Accelerating Holding Foreign Companies Accountable Act as a part of the Consolidated Appropriations Act, amending the HFCAA and requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchange if its auditor is not subject to PCAOB inspections for two consecutive years instead of three consecutive years. On December 16, 2021, the PCAOB issued a report on its determination that the PCAOB was unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in mainland China or Hong Kong because of positions taken by PRC authorities in those jurisdictions. Because our former auditor KPMG Huazhen LLP, or KPMG, who issued our audit report for the fiscal year ended December 31, 2021, is located in mainland China, it was subject to such PCAOB determination. Following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021, on May 26, 2022, the Company was identified on SEC's "Conclusive list of issuers identified under the HFCAA" (available at <https://www.sec.gov/hfcaa>). On August 26, 2022, the CSRC, the Ministry of Finance of China, or MOF, and the PCAOB signed a Statement of Protocol governing inspections and investigations of audit firms based in mainland China and Hong Kong, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. Pursuant to the fact sheet with respect to the Statement of Protocol disclosed by the PCAOB, the PCAOB shall have sole discretion to select any issuer audits for inspection or investigation in addition to other provisions that are intended to provide the PCAOB with complete access. The SEC also indicated in its fact sheet regarding the Protocol that the PCAOB may transfer information to the SEC for all SEC purposes, including administrative or civil enforcement actions.

On December 15, 2022, the PCAOB determined that it was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and vacated its previous determinations to the contrary. As a result, the Company was not identified as a Commission-Identified Issuer under the HFCAA upon filing our annual report on Form 20-F for the fiscal year ended December 31, 2022 and thus the calculation of the consecutive period to trigger trade prohibition was interrupted. Should PRC authorities obstruct or otherwise fail to facilitate the PCAOB's access in the future, the PCAOB may consider the need to issue a new determination. The PCAOB continues to demand complete access in mainland China and Hong Kong moving forward as well as to continue pursuing ongoing investigations and initiating new investigations, as needed. The PCAOB has also indicated that it will act immediately to consider the need to issue new determinations under the HFCAA, if necessary.

On June 30, 2023, we dismissed KPMG as the Company's independent registered public accounting firm and appointed Audit Alliance LLP, or Audit Alliance, as the Company's independent registered public accounting firm and to issue our audit report for the fiscal year ending December 31, 2023. Audit Alliance is located in Singapore and is subject to inspection by the PCAOB on a regular basis. However, if, in the future, the PCAOB determines that it is unable to inspect or investigate completely our auditor, trading in our securities may be prohibited and our ADSs may be delisted under the HFCAA. See "Item 3.D. Risk Factors — Risks Relating to Doing Business in the People's Republic of China — If the PCAOB determines that it is unable to inspect or investigate completely our auditor, trading in our securities may be prohibited and our ADSs may be delisted under the HFCAA. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct full inspections deprives you of the benefits of such inspections."

Enforceability of Civil Liabilities

The Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability. The Company is incorporated in the Cayman Islands because of certain benefits associated with being a Cayman Islands corporation, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of foreign exchange control or currency restrictions and the availability of professional and support services. However, the Cayman Islands has a less developed body of securities laws as compared to the United States and provides protections for investors to a significantly lesser extent. In addition, Cayman Islands companies do not have standing to sue before the federal courts of the United States.

[Table of Contents](#)

Substantially all of our assets are located outside the United States. Our directors and executive officers are located in mainland China or Hong Kong, among which, Xiaofeng Ma, our Chairman of the board of directors and Chief Executive Officer, Jun Zhang, our President and director, Ruobai Sima, our Chief Financial Officer, Haoyu Wang and Zhiping Feng, each an independent director of ours, are located in mainland China, and Andrew Y Yan, an independent director of ours, is located in Hong Kong. A substantial portion of the assets of these individuals are located outside the United States. As a result, it may be difficult, impractical or impossible for you to effect service of process within the United States upon us, the VIE or these individuals, to bring an action under the civil liability provisions of the U.S. federal securities laws against us, the VIE or our directors and executive officers in the United States in the event that you believe your rights have been infringed under the U.S. federal securities laws, or to enforce against us, the VIE or our directors and executive officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. See “Item 3.D. Risk factors — Risks Relating to Our ADSs — Certain judgments obtained against us, the VIE or our directors and executive officers by our shareholders may not be enforceable.”

We have appointed Puglisi & Associates as our agent to receive service of process with respect to any action brought against us under the securities laws of the United States.

Conyers, Dill & Pearman, our counsel as to Cayman Islands law, and Jincheng Tongda & Neal Law Firm, our counsel as to PRC law, have advised us that there is uncertainty as to whether the courts of the Cayman Islands or China would, respectively, (i) recognize or enforce judgments of the United States courts obtained against us, the VIE or our directors and executive officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or (ii) entertain original actions brought in the Cayman Islands or China against us, the VIE or our directors and executive officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

Conyers, Dill & Pearman has further advised us that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the federal or state courts of the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty), or, in certain circumstances, an in personam judgment for non-monetary relief, and would give a judgment based thereon, provided that (a) such federal or state courts of the United States had proper jurisdiction over the parties subject to such judgment; (b) such federal or state courts of the United States did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Jincheng Tongda & Neal Law Firm has advised us further that the recognition and enforcement of foreign judgments are provided for under the Chinese Civil Procedure Law. Chinese courts may recognize and enforce foreign judgments in accordance with the requirements of the Chinese Civil Procedure Law based either on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. China does not have any treaties with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in mainland China will not enforce a foreign judgment against us, the VIE or our directors and executive officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

Investing in our ADSs may expose you to a number of risks, including risks relating to our business, risks relating to regulations of our business, risks relating to doing business in the People's Republic of China, risks relating to our corporate structure and risks relating to our ADSs. The following summarizes part, but not all, of these risks. Please carefully consider all of the information discussed in “Item 3. Key Information—D. Risk Factors” and elsewhere in this annual report, which contains a more thorough description of risks relating to investing in us.

Risks Relating to Our Business

- We may not be able to generate sufficient net income from our business operations to sustain our continued expansion.
- Failure to develop or market our businesses could impact our competitive position.
- If market acceptance for and the growth of our products and services declines, or demand for our products and services stagnates or declines, we may experience a decrease in revenues.
- If we are not able to continue to attract students to enroll in our portfolio training services without a significant decrease in course fees, our revenues may decline.
- If we are not able to continue to hire and retain qualified teachers, or if our teachers fail to deliver quality services, we may not be able to maintain consistent teaching quality.
- If we fail to build, maintain and enhance the value of our brand, our business may not grow.
- If we are not able to develop and expand our online course services and adapt them to rapid technological changes and student needs, we may lose market share and our business could be adversely affected.
- Any deterioration in our relationships with overseas schools and institutions may adversely affect our business.
- Terrorist attacks, geopolitical uncertainty, pandemics, economic slowdown and international conflicts may discourage more students from studying outside of China, which could cause declines in the student enrollment for our courses.
- We depend on our senior management team and other key personnel, and our business may be severely disrupted if we lose their services and are unable to replace them.
- Refunds or potential refund disputes of our course fees may negatively affect our business, financial condition and results of operations.

Risks Relating to Regulations of Our Business

- The approval, filing or other requirements of the CSRC or other PRC government authorities may be required under PRC law in connection with our issuance of securities overseas.
- Restrictions under PRC law on PRC subsidiaries' ability to make payments to us could materially and adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to investors, and otherwise fund and conduct our businesses. See “—Risks Relating to Regulations of Our Business — Because we may rely on dividends and other distributions on equity paid by our current and future PRC subsidiaries for our cash requirements, restrictions under PRC law on their ability to make such payments could materially and adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to you, and otherwise fund and conduct our businesses.”

[Table of Contents](#)

- We may be classified as a “resident enterprise” of China, which may result in unfavorable tax consequences to us and the investors. See “— Risks Relating to Regulations of Our Business — Under the EIT Law, we may be classified as a “resident enterprise” of China. Such classification will likely result in unfavorable tax consequences to us and U.S. holders of our ADSs or common shares.”
- PRC regulations of loans and direct investments by offshore holding companies to our PRC subsidiaries and the VIE may restrict our ability to execute our business strategy. See “— Risks Relating to Regulations of Our Business — PRC regulations of loans and direct investments by offshore holding companies to their PRC subsidiaries and consolidated variable interest entity may restrict our ability to execute our business strategy.”
- As PRC laws and regulations with respect to certain licenses and permissions are unclear and are subject to interpretations and enforcement of local governmental authorities, the Company, its subsidiaries and the VIE may be required to obtain additional licenses.
- Failure to comply with regulations relating to information security and privacy protection, breaches or perceived breaches of our security measures relating to our service offerings, unauthorized disclosure or misuse of personal data through breaches of our computer systems or otherwise, could result in negative publicity and loss of students, expose us to protracted and costly litigation, and harm our business and results of operations. Additionally, it is unclear whether we will be subject to the oversight of the CAC and how such oversight may impact us.

Risks Relating to Doing Business in the People’s Republic of China

- China’s economic, political and social conditions, as well as changes in any laws and regulations could adversely affect our financial performance. See “— Risks Relating to Doing Business in the People’s Republic of China — China’s economic, political and social conditions, as well as changes in any government policies, laws and regulations, could adversely affect the overall economy in China or the prospects of the industries in which we operate, which in turn could impact our financial performance” for a more detailed discussion.
- The PRC legal system has inherent uncertainties that could limit the legal protections available to you and us and the VIE, and rules and regulations in China can change quickly with little advance notice. See “— Risks Relating to Doing Business in the People’s Republic of China — The PRC legal system has inherent uncertainties that could limit the legal protections available to you and us and the VIE, and rules and regulations in China can change quickly with little advance notice” for a more detailed discussion.
- PRC government may exert substantial influence over our operations, and may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers like us, which may cause us to make material changes to our operation, may limit or completely hinder our ability to offer or continue to offer securities to investors, and may cause the value of such securities to significantly decline or be worthless. See “— Risks Relating to Doing Business in the People’s Republic of China — PRC government may exert substantial influence over our operations, and may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers like us, and any actions by Chinese government, including any decision to intervene or influence our operations or to exert control over any offering of securities conducted overseas and/or foreign investment in China-based issuers, may cause us to make material changes to our operation, may limit or completely hinder our ability to offer or continue to offer securities to investors, and may cause the value of such securities to significantly decline or be worthless” for a more detailed discussion.
- If the PCAOB determines that it is unable to inspect or investigate completely our auditor, trading in our securities may be prohibited and our ADSs may be delisted under the HFCAA. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct full inspections deprives you of the benefits of such inspections.

[Table of Contents](#)

- Restrictions on currency exchange may limit our ability to utilize our cash and the ability of our PRC subsidiaries to obtain financing. See “— Risks Relating to Doing Business in the People’s Republic of China — Restrictions on currency exchange may limit our ability to utilize our cash generated from sales of our services effectively and the ability of our PRC subsidiaries to obtain financing.”
- Fluctuations in exchange rates could result in foreign currency exchange losses.
- We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our business, financial condition and results of operations.

Risks Relating to Our Corporate Structure

- The Company is not a Chinese operating company but a Cayman Islands holding company primarily operating in China through its PRC subsidiaries and may conduct business through the VIE in the future. Investors purchasing our ADSs are not purchasing, and may never directly hold, equity interests in the VIE. See “— Risks Relating to Our Corporate Structure — The Company is not a Chinese operating company but a Cayman Islands holding company primarily operating in China through its PRC subsidiaries and may conduct business through the VIE in the future. Investors purchasing our ADSs are not purchasing, and may never directly hold, equity interests in the VIE. There are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations, and rules relating to such agreements, including potential future actions by the PRC government, which could affect the enforceability of our contractual arrangements with the VIE, and consequently, significantly affect our financial condition and results of operations” for a more detailed discussion.
- We rely on contractual arrangements with the VIE and its shareholders to consolidate the VIE, which may be less effective than direct ownership. See “— Risks Relating to Our Corporate Structure — We rely on contractual arrangements with the VIE and its shareholders to consolidate the VIE, which may not be as effective in providing operational control as direct ownership, and the VIE’s shareholders may fail to perform their obligations under the contractual arrangements” for a more detailed discussion.
- The shareholders of the VIE may have conflicts of interest with us and may breach the existing contractual arrangements we have with them and the VIE. See “— Risks Relating to Our Corporate Structure — The shareholders of the VIE may have conflicts of interest with us, which may materially and adversely affect our business. 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 effectively direct activities of the VIE and receive economic benefits from the VIE. 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” for a more detailed discussion.
- Contractual arrangements relating to the VIE may be subject to scrutiny by the PRC tax authorities.

Risks Relating to Our ADSs

- Our ADS prices and the ADS or stock prices of other educational services providers with business operations primarily in China have fluctuated widely in recent years, which fluctuations could result in substantial losses to investors.
- The sale or availability for sale of substantial amounts of our ADSs could adversely affect their market price.
- Our ADSs may be delisted as a result of our failure to meet the Nasdaq continued listing requirements.
- The voting rights of holders of ADSs must be exercised in accordance with the terms of the deposit agreement, the American Depositary Receipts, or ADRs, and the procedures established by the depositary.

- The Company is not a Chinese operating company but a Cayman Islands company, and because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under U.S. federal or state laws, you may have less protection of your shareholder rights than you would under U.S. federal or state laws.
- Certain judgments obtained against us, the VIE or our directors and executive officers by our shareholders may not be enforceable. See “— Risks Relating to Our ADSs — Certain judgments obtained against us, the VIE or our directors and executive officers by our shareholders may not be enforceable” for a more detailed discussion.

Risks Relating to Our Business

Failure to develop or market our businesses could impact our competitive position and have an adverse effect on our financial results.

Our operating results in the future will depend on our ability to develop our businesses, including our creative arts-related international education services and other services, and bring those services to the market. This ability could be adversely affected by difficulties or delays in product development and marketing such as greater than anticipated development costs, technical difficulties, regulatory obstacles, competition, lack of demand, insufficient intellectual property protection, or lack of market acceptance of our new products and services. There can be no assurance that any of the products and services we are currently developing or marketing, or begin to develop or market in the future, will achieve substantial commercial success. If we fail to develop or market our businesses in the way or on the timeline as we expect, or at all, our growth and financial results will be adversely impacted.

If market acceptance for and the growth of our products and services declines, or demand for our products and services stagnates or declines, our revenue growth may slow down, or we may experience a decrease in revenues.

Currently, we are focused on providing creative arts related international education services to high school and undergraduate students. We cannot assure you that a market decline will not happen. A decline in the demand for creative arts-related international education services by high school and undergraduate students could negatively affect the demand for our services. Even if the demand for our creative arts-related international education services continues to grow, this demand may not grow as quickly as we anticipate. If market acceptance of our creative arts-related international education services declines or fails to grow, our revenue growth may slow down, or we may experience a decrease in revenues.

If we are not able to continue to attract students to enroll in our portfolio training services without a significant decrease in course fees, our revenues may decline, and our profitability may be adversely affected.

The success of our business depends primarily on the number of students enrolled in our portfolio training services and the amount of course fees that our students are willing to pay. Therefore, our ability to continue to attract students to enroll in our portfolio training services without a significant decrease in course fees is critical to the continued success and growth of our business. This in turn will depend on several factors, including without limitation our ability to effectively market our services to a broader base of prospective students, develop new services and enhance existing services to respond to changes in market trends and student demands, develop additional high-quality educational content and respond to competitive pressures, and manage our growth while maintaining the consistency of our teaching quality. If we are unable to continue to attract students to enroll in our portfolio training services without a significant decrease in course fees, our revenue may decline, and we may not be able to maintain profitability.

We depend on our dedicated and capable teachers, and if we are not able to continue to hire and retain qualified teachers, or if our teachers fail to deliver quality services, we may not be able to maintain consistent teaching quality, and our brand, business and results of operation may be materially and adversely affected.

Our teachers are critical for maintaining our service quality, our brand and reputation. It is critical for us to continue to attract qualified teachers who have the relevant art background, professional skills, excellent communication skills and commitment and dedication to creative arts related international education services. We also need to hire teachers who are capable of delivering innovative and inspirational instruction to students. The number of teachers that meet our qualifications is limited, and we must provide competitive compensation packages to attract and retain such qualified teachers. We also face increasing competition from our competitors for teachers with good reputations and excellent teaching skills. If we fail to hire and retain qualified teachers, we may not be able to maintain consistent teaching quality and our brand, business and operating results may be materially and adversely affected. Additionally, our teachers may join our competitors or set up competing businesses after they discontinue their relationship with us, which could further adversely affect our operating results.

In addition to full-time teachers, we also engage certain part-time teachers for the delivery of courses, which follows the industry practices. If our part-time teachers fail to deliver quality courses as a result of inadequate devotion of their time and energy to our courses, our business may also be adversely affected. Furthermore, China promulgated certain regulations in November 2016 requiring post-secondary school teachers to obtain approval from their employers prior to engaging in part-time jobs. If these part-time teachers choose to, or are forced to, discontinue their relationship with us to comply with such regulations, we will need to seek new teachers to replace them. We cannot assure you we will be able to find replacements at a reasonable cost on a timely basis, if at all.

If we fail to build, maintain and enhance the value of our brand, our business may not grow and our financial results may be adversely impacted.

We believe that market awareness of our “ACG” brand is important to the success of our creative arts-related international education businesses, and that maintaining and enhancing the value of our brand is critical to increase our competitive advantage. Our brand promotion initiatives primarily include cooperating with overseas study counselling agents, language test preparation institutions and other similar sales channels to enhance our brand awareness among students of such sales channels, advertising our brand on the mainstream online search engines and social media platforms, participating in educational seminars, art workshops and on-campus events to give free speeches and lectures in order to introduce and promote our brand name, and periodically participating in and hosting educational expositions and other community events to distribute information brochures and promote our brand name.

As we are continuing to build and enhance our brand recognition, negative comments on our services may result in unfavorable publicity for us, and could materially and adversely damage our brand and reputation, whether or not the comments are objective or fair. Moreover, as we continue to grow in size, expand our service offerings and extend our geographic reach, it may be more difficult to maintain the quality and consistent standards of our services and to protect and promote our brand name. Furthermore, we cannot assure you that our marketing methods and strategies will be successful in promoting our brand in a cost-effective manner.

If we fail to build, maintain and enhance the value of our brand, or if we incur excessive sales and marketing expenses, our ability to attract new students could be adversely impacted, and our business and results of operations may be materially and adversely affected.

Failure to effectively and efficiently manage the expansion of our training center network may materially and adversely affect our brand, business and operating results.

We have established 19 training centers in China as of March 20, 2026. We established our first one in 2012. We may continue to expand our operations in different geographic locations in China and abroad. Our expansion has resulted, and will continue to result, in substantial demands on our management, faculty and operational, technological and other resources. Our expansion will also place significant demands on us to maintain the consistency of our teaching quality and our culture to ensure that our brand does not suffer as a result of any decreases in our teaching quality. To manage and support our growth, we must continue to improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers, management personnel and other administrative and sales and marketing personnel, particularly as we expand into new markets. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations, recruit and retain qualified teachers and management personnel and integrate new training centers into our operations. Any failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse impact on our financial condition and results of operations.

Failure to adequately and promptly respond to changes in requirements and expectations for portfolios could cause our programs, services and products to be less attractive to students.

Requirements and expectations for portfolios for overseas art program applications vary by school and program. Some schools have strict criteria while others are open and flexible, and such requirements and expectations, whether on substance or format, change continuously. In response to such changes in requirements and expectations for portfolios, we need to adapt our training programs and materials to new requirements and expectations from time to time. Any inability to track and respond to these changes in a timely and cost-effective manner would make our programs, services and products less attractive to students, which may materially and adversely affect our reputation and ability to continue to attract students without a significant decrease in course fees.

Failure to effectively improve our margins may adversely affect our business and operating results.

Many factors may affect our gross and net margins. For example, in the portfolio training industry, offline one-on-one classes and small-sized classes are the most prevalent types of class format. Currently, the vast majority of our portfolio training courses are delivered through offline one-on-one classes, while only a small amount of our portfolio training courses is delivered through small-sized classes, generally with three to five students in each class, or through the online platform. Although our offline one-on-one classes are profitable, they are marginally less profitable on average than small-sized classes and online classes. Currently, we are concentrating on developing and expanding our small-sized class model and online-merge-offline model and reducing the cost of our offline one-on-one classes. If we fail to do so, we may not be able to effectively improve our margins, which may adversely affect our business and operating results.

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

Although offline courses are still important and prevalent in the portfolio training industry, the market need for online courses is growing rapidly because online courses enable students to take classes from highly skilled teachers who live in other cities and are easier to hold and take than offline courses. Ongoing development and expansion of our online courses and related technology may entail significant expense and technical risks. We may fail to use new technologies effectively or adapt our online courses and related technology on a timely and cost-effective basis. If the development and expansion of our online courses and the related technology are delayed, result in system interruptions or are not aligned with market expectations or preferences, we may lose market share and our business could be adversely affected.

Any deterioration in our relationships with overseas schools and institutions may adversely affect our business.

We have business collaborations with various overseas schools and institutions to provide education resources for our creative arts-related international educational programs. We derive direct benefits from these relationships, such as the ability to provide more professional and effective overseas study counselling services, deliver our portfolio training programs abroad in cooperation with local art training institutions, offer more diverse programs and courses, such as our summer and winter camps for our research-based learning programs, and charge a premium for the services we offer with these overseas schools and institutions. We also derive indirect benefits from these relationships, including the enhancement of our brand and reputation and exposure to international education methods and experiences.

If our relationships with any of these overseas schools and institutions deteriorate or are otherwise damaged or terminated, or if the benefits we derive from these relationships diminishes, whether as a result of our own actions, actions of our partners, actions of any third party, including our competitors, or of regulatory authorities or other entities beyond our control, our business, prospects, financial condition and results of operations could be adversely affected.

Terrorist attacks, geopolitical uncertainty, pandemics, economic slowdown and international conflicts involving the United States, the United Kingdom and elsewhere may discourage more students from studying in the United States, the United Kingdom and elsewhere outside of China, which could cause declines in the student enrollment for our courses.

Terrorist attacks, geopolitical uncertainty, pandemics, economic slowdown and international conflicts involving the United States, the United Kingdom and elsewhere, such as the attacks on September 11, 2001, the Boston marathon bombings on April 15, 2013, the referendum on Brexit in June 2016, the global coronavirus outbreak, and the outbreak of hostilities in Europe, could have an adverse effect on our portfolio training services, research-based learning services, overseas study counselling services and other educational services. Such events may discourage students from studying in the United States, the United Kingdom and elsewhere outside of China and may also make it more difficult for Chinese students to obtain visas to study abroad. These factors could cause declines in the student enrollment for our portfolio training services, research-based learning services, overseas study counselling services and other educational services and could have an adverse effect on our overall business and results of operations.

Failure to control rental costs, obtain leases at desired locations at reasonable prices or protect our leasehold interests could materially and adversely affect our business.

Our offices and training centers are mainly located on leased premises. The lease terms generally range from one to five years and the lease agreements are renewable upon mutual consent at the end of the applicable lease period. We may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms or at all, which could adversely affect our business. We may have to relocate our operations for various other reasons, including increasing rents, failure to pass fire inspection or to comply with the relevant fire safety regulations or other requirements for training places of after school tutoring institutions stipulated by local regulations in certain locations and the early termination of lease agreements. Our lease agreements are governed by applicable PRC laws and regulations and may be subject to fines ranging from RMB1,000 to RMB10,000 for each lease agreement that has not been registered. However, failure to complete such registration would not affect the enforceability of a lease agreement, in practice.

If any of our use of a leased premise is challenged by the relevant government authorities for the lack of a fire inspection, we may be subject to fines or rectifications, and we may need to relocate the affected training centers. We will incur additional expenses relating to such relocation. If we fail to find a suitable replacement site in a timely manner or on terms acceptable to us, our business and results of operations could be materially and adversely affected.

We may face challenges and risks in connection with our strategic investments and acquisitions as well as forming joint ventures, including producing the intended benefits or synergies, identifying suitable opportunities and integrating acquired or new businesses and assets with our existing operations, which could interrupt our business operations or adversely affect our results of operations.

As part of our business strategy, we previously made strategic investments and acquisitions in complementary businesses. For example, we have made some equity investments in the past, and most of them have been fully impaired. We cannot assure you that any particular acquisition or investment will produce the intended benefits or synergies.

Currently, we are still exploring potential merger and acquisition targets in the international education sector. In addition, we may also seek to broaden our service offerings in other business sectors, obtain additional students and strengthen our service quality by acquiring other companies or businesses or making strategic investments. However, our ability to implement our acquisition or investment strategies will depend on a number of factors, including the availability of suitable acquisition candidates at an acceptable cost or at all, our ability to compete effectively to attract and reach agreements with acquisition or investment candidates or joint venture partners on commercially reasonable terms, and the availability of financing to complete acquisitions or investment or joint ventures, as well as our ability to obtain any required government approvals or licenses. As such, the identification of suitable acquisition or investment targets or joint venture candidates and the consummation of proposed acquisition, investment or joint venture transactions could be difficult, time consuming and costly, and we may not be able to successfully capitalize on identified opportunities. In addition, we may not be successful in integrating acquisitions with our existing operations and personnel. Moreover, the acquisitions or investments we pursue may require us to expend significant management and other resources, which may result in interruptions to our business operations.

There are other risks associated with acquisitions, including:

- unforeseen or hidden liabilities, including exposure to legal proceedings, associated with acquired companies;
- failure to generate sufficient revenues to offset the costs and expenses of acquisitions;
- integration of the management of the acquired business into our own;
- potential impairment losses or amortization expenses relating to goodwill and intangible assets arising from any such acquisitions, which may materially reduce our net income or result in a net loss;
- potential conflicts with our existing employees as a result of our integration of newly acquired companies;
- possible contravention of Chinese regulations applicable to such acquisitions; and
- possible disputes associated with terminated and failed acquisitions.

Furthermore, raising equity capital to finance acquisitions or investments could cause earnings or ownership dilution to your shareholding interests, which in turn could result in losses to you. Any one or a combination of the above risks could interrupt our business operations and adversely affect our results of operations.

Because we do not have any business liability, disruption or litigation insurance coverage for our operations in China and have limited insurance coverage with respect to our research-based learning services, any business disruption or litigation we experience might result in our incurring substantial costs and diverting significant resources to handle such disruption or litigation.

The insurance industry in China is not fully developed. Insurance companies in China offer limited business insurance products. While business disruption insurance may be available to a limited extent in China, we have determined that the risks of disruption and the difficulties and costs associated with acquiring such insurance render it commercially impractical for us to have such insurance. As a result, we do not have any business liability, disruption or litigation insurance coverage for our operations in China. Any business disruption or litigation might result in our incurring substantial costs and the diversion of resources.

We could be held liable for accidents that occur at indoor or outdoor facilities where we organize our research-based learning programs and temporary housing facilities that we lease for our students from time to time. In the event of on-site food poisoning, personal injuries, fires or other accidents suffered by students or other people, we could face claims alleging that we were negligent, provided inadequate supervision or were otherwise liable for any injuries. We are exposed to various risks associated with our research-based learning business and operations, and we have limited insurance coverage. Any successful liability claims against us due to injuries suffered by our students or other people during our research-based learning programs could adversely affect our reputation and our financial results. Even if unsuccessful, such claims could cause unfavorable publicity, require substantial cost to defend and divert the time and attention of our management.

We may face increasing competition from our competitors. If we fail to successfully compete, our revenues and market share may decrease, and our results of operations may be adversely affected.

As our services and products continue to develop, we will face increasing competition, including competition from both established brands and new entrants, who will try to gain market share from us. For our portfolio training services business, we compete with our competitors primarily on the basis of branding and customer acquisition, educational quality, faculty, training center environment, product breadth and pricing, among which, branding and customer acquisition is regarded as the most important factor, while pricing is the least. Our competitors may establish brands that have wider recognition than us, develop marketing and sale methods that are more effective than ours, introduce new products and services that have better performance and gain broader acceptance than our products and services, hire and retain more qualified teachers, or offer more satisfactory training center environments or lower prices to students. As a result, we may lose our market share due to increasing competition, which may negatively affect our revenues and results of operations.

Our business is subject to fluctuations caused by seasonality or other factors beyond our control, which may cause our operating results to fluctuate from quarter to quarter. This may result in volatility in and adversely affect the price of our ADSs.

We have experienced and expect to continue to experience slight seasonal fluctuations in our revenues and results of operations, with the quarter ending March 31 typically having relatively lower revenues compared with the other quarters. This is primarily because fewer students take classes in January and February due to spring festival holidays in China as well as because some students have completed their application for overseas art programs in December of the previous year. We expect quarterly fluctuations in our revenues and results of operations to continue. These fluctuations could result in volatility in and adversely affect the price of our ADSs.

We depend on our senior management team and other key personnel, and our business may be severely disrupted if we lose their services and are unable to replace them.

Our future success is dependent upon the continued services of our senior management team and other key personnel for their business vision, management skills, technical expertise, experience in the education industry and working relationships with many of our business partners, shareholders and other participants in the education industry. If one or more of our senior management team members or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily, and our business may be disrupted. In addition, if any member of our senior management team or any of our other key personnel joins a competitor of ours or forms a competing company, we may lose teachers, students, key professionals and staff members. Each of our senior management team members and key employees is subject to the duty of confidentiality and non-competition restrictions. However, if any disputes arise between any of our senior management team members or key personnel and us, it may be difficult to successfully pursue legal actions against these individuals because of the uncertainties of the PRC legal system.

Unauthorized use of our intellectual property by third parties, including infringement of our “ACG” brand, and the expenses incurred in protecting our intellectual property rights, may adversely affect our business.

Our copyrights, trademarks, trade secrets, patents and other intellectual property are important to our success. Unauthorized use of any of our intellectual property may adversely affect our business and reputation. We rely on trademark, patent, and copyright law, trade secret protection and confidentiality agreements with our employees, students, business partners and others to protect our intellectual property rights. Nevertheless, it may be possible for third parties to obtain and use our intellectual property without authorization. The unauthorized use of intellectual property is common and widespread in China, and enforcement of intellectual property rights by Chinese regulatory agencies is inconsistent. Moreover, litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our management’s attention and resources, and could disrupt our business, as well as have a material adverse effect on our financial condition and results of operations. Given the relative unpredictability of the PRC legal system and potential difficulties in enforcing a court judgment in mainland China, there is no guarantee that we would be able to halt the unauthorized use of our intellectual property through litigation.

We may be subject to intellectual property infringement claims, which may force us to incur substantial legal expenses and, if determined adversely against us, may materially disrupt our business.

We cannot assure you that our business operations, in particular, our trademarks, software, know-how and other technologies, do not or will not infringe upon trademarks, valid copyrights, patents or other intellectual property rights held by third parties. We may become subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we were found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives. In addition, we may incur substantial expenses, and may be forced to divert management and other resources from our business operations, to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims against us may result in substantial monetary liabilities or may materially disrupt the conduct of our business by restricting or prohibiting our use of the intellectual property in question.

We may need additional capital, and any failure by us to raise additional capital on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our product and service offerings to respond to market demands or competitive challenges.

Capital requirements are difficult to plan in the rapidly changing industries in which we operate. We believe that our current cash and expected future cash flows from operations will be sufficient to meet our anticipated working capital and capital expenditures for the next 12 months and the foreseeable future beyond that point. We may, however, require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our sources of liquidity are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors’ perception of, and demand for, securities of international education companies;

[Table of Contents](#)

- regulatory requirements or restrictions related to and the conditions of the U.S., PRC and other capital markets in which we may seek to raise funds;
- our future results of operations and financial condition;
- Chinese government regulation of foreign investment in mainland China;
- economic, political and other conditions in mainland China; and
- Chinese government policies relating to the borrowing and remittance of foreign currency outside mainland China.

We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our product and service offerings to respond to market demand or competitive challenges.

Increases in labor costs in China may adversely affect our business and our profitability.

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. China's overall economy and the average wage in China are expected to continue to grow. As a result, the average wage level for our employees and part-time teachers has also increased in recent years. Future increases in China's inflation and material increases in the cost of labor may diminish our competitive advantage and, unless we are able to pass on these increased labor costs to our students by increasing prices for our services, our profitability and results of operations could be materially and adversely affected.

We may be unable to maintain an effective system of internal control over financial reporting, and, as a result, we may be unable to accurately report our financial results or prevent fraud.

We are subject to provisions of the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act requires that we include a report from management on the effectiveness of our internal control over financial reporting in our annual reports on Form 20-F. We did not identify any material weakness in our internal control over financial reporting as of December 31, 2023, 2024 and 2025 and will continue to implement the necessary procedures and policies to improve our internal controls over financial reporting and remediate any potential material weaknesses and significant deficiencies. However, we can give no assurance that the implementation of these measures will be sufficient to eliminate material weakness in our internal control over financial reporting in the future.

If we fail to maintain effective internal control over financial reporting in our existing or newly acquired businesses, our management may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. Our failure to maintain effective internal control over financial reporting could result in a loss of investor confidence in the reliability of our reporting processes, which could materially and adversely affect the trading price of our ADSs.

[Table of Contents](#)

Our reporting obligations as a public company will continue to place a significant strain on our management, operational and financial resources and systems for the foreseeable future. Our failure to maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial reporting processes, which in turn could harm our business and negatively impact the trading price of our ADSs.

Disruption to or failures of our or our third-party IT service providers' IT infrastructure and any failure to maintain the satisfactory performance or cyber-security incidents, including data security breaches or viruses, could materially and adversely affect the business, reputation, financial condition and results of operations of us.

The proper functioning and reliability of our and our third-party IT service providers' IT infrastructure is critical to our operations and reputation. We mainly rely on "Software-as-a-Service" products provided by third-party IT service providers to conduct daily operations and management. We also provide some of our training courses and other services to students through online platforms provided by third-party IT service providers. Accordingly, any errors, defects, disruptions or other performance problems with our and the third-party IT service providers' IT infrastructure could damage our reputation, decrease user satisfaction, adversely impact our ability to attract new customers, and materially disrupt our operations. Our and our third-party IT service providers' systems are vulnerable to damage or interruption as a result of fires, floods, earthquakes, power losses, telecommunication failures, undetected errors in software, computer viruses, hacking and other attempts to harm these systems. In addition, we cannot assure you that we and our third-party IT service providers will be able to timely scale up and adjust the existing technology and infrastructure to respond to system interruptions.

Maintaining IT infrastructure security and cybersecurity is of critical importance to our customers because the IT infrastructure stores and transmits certain proprietary and confidential information, which may include sensitive personally identifiable information that may be subject to stringent legal and regulatory obligations. If our security measures are breached or failed as a result of third-party action, employee error, malfeasance or otherwise, we could be subject to liability or our business could be interrupted, potentially over an extended period of time. Any or all of these issues could harm our reputation and adversely affect our ability to attract prospective customers.

We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. holders of our ADSs or common shares.

We believe that we were not a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for the taxable year ended December 31, 2025. PFIC status is tested each year and depends on the composition of our assets and income and the value of our assets from time to time. Since we currently hold, and expect to continue to hold, a substantial amount of cash and other passive assets, and since the value of our assets is to be determined in large part by reference to the market prices of our ADSs and common shares, which is likely to fluctuate over time, there can be no assurance that we will not be a PFIC for any future taxable year.

We note that the portion of our assets that consisted of cash and other passive assets was more significant during the period between our sale of ATA Online Business in 2018, and our acquisition of the 100% equity interest in Huanqiyuimeng in 2019, than before or after this period, although we believe this did not result in our becoming a PFIC for either the taxable year ended December 31, 2018 or the taxable year ended December 31, 2019. There is a change of business exception to PFIC status that, in general terms, applies if a foreign corporation otherwise would be a PFIC for a year because it has disposed of one or more active businesses, so long as the foreign corporation is not a PFIC during the two succeeding years, and that might apply to us if we were found to have been a PFIC for either (but not both) of the taxable years ended December 31, 2018 and December 31, 2019. There is limited guidance as to the application of this exception, including regulations that were promulgated in July 2019 and became effective in January 2021, and it is unclear whether this exception would apply to us if it were determined, absent this exception, that we were a PFIC for either the taxable year ended December 31, 2018 or the taxable year ended December 31, 2019.

If we are deemed an “investment company” under the Investment Company Act of 1940, it would adversely affect the price of our ADSs and ordinary shares and could have a material adverse effect on our business.

As part of our business strategy, we previously made strategic investments in complementary businesses and are still exploring potential investment targets in order to expand our service offerings into new markets. See “— Risks Relating to Our Business — We may face challenges and risks in connection with our strategic investments and acquisitions as well as forming joint ventures, including producing the intended benefits or synergies, identifying suitable opportunities and integrating acquired or new businesses and assets with our existing operations, which could interrupt our business operations or adversely affect our results of operations.” These investments may be deemed to be “investment securities” within the meaning of the Investment Company Act of 1940, as amended (the “Investment Company Act”). We may be deemed to be an “investment company” as defined under the Investment Company Act based on the value of the investment securities we hold in relation to our total assets and on other factors relevant to the definition of “investment company” under the Investment Company Act.

As an issuer not organized under the laws of the United States, we are not eligible to register as an investment company under the Investment Company Act without an order from the SEC permitting such registration. Because such registration orders are rarely obtained, if we are deemed to be an “investment company,” we would either have to obtain an exemption from the SEC, or rely on an existing exemption, waiving registration and compliance generally from the Investment Company Act. Alternatively, we would have to modify our contractual rights or dispose of certain investments in order to fall outside the definition of an investment company in the first instance. On an ongoing basis, we may be required to forego potential future acquisitions of interests in certain companies if those interests were deemed to be “investment securities” and such acquisition or acquisitions would cause us to come within the definition of “investment company.” Failure to avoid being deemed an investment company under the Investment Company Act coupled with our inability as a foreign private issuer to register under the Investment Company Act could make us unable to comply with our reporting obligations as a public company in the United States and lead to our being delisted from Nasdaq, which would have a material adverse effect on the liquidity and value of our ADSs and common shares. We would also be unable to raise capital through the sale of securities in the United States or to conduct business in the United States. In addition, we may be subject to SEC enforcement actions or civil litigation for alleged violations of U.S. securities laws. Defending ourselves against any such enforcement action or lawsuits would require significant attention from our management and divert resources from our existing businesses and could have a material adverse effect on our results of operations and financial condition.

Refunds or potential refund disputes of our course fees may negatively affect our business, financial condition and results of operations.

Students make prepayments of course or service fees to us for most of our program offerings, for which they may request refunds later. Our refund policy varies for different programs and is generally based on a number of factors, including the total length of the course or service to provide, progress of the course or service when the refund request is made, among other things. Although we have not experienced any significant refund requests for prepaid course or service fees in the past, if an increasing number of students request refunds, our cash flows, revenues and results of operations may be materially and adversely affected. A high volume of refunds and refund disputes may also generate negative publicity that could harm our reputation.

Risks Relating to Regulations of Our Business

The approval, filing or other requirements of the CSRC or other PRC government authorities may be required under PRC law in connection with our issuance of securities overseas.

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the Provisions Regarding Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rule, which became effective on September 8, 2006 and was revised on June 22, 2009. The M&A Rule, among other things, requires that an offshore company controlled by PRC companies or individuals that has acquired a PRC domestic company for the purpose of listing the PRC domestic company’s equity interest on an overseas stock exchange must obtain the approval of the CSRC prior to the listing and trading of such offshore company’s securities on an overseas stock exchange. On September 21, 2006, the CSRC, pursuant to the M&A Rule, published on its official website procedures specifying documents and materials required to be submitted to it by offshore companies seeking CSRC approval of their overseas listings.

[Table of Contents](#)

Our PRC counsel, Jincheng Tongda & Neal Law Firm, advised us that CSRC approval was not required for our initial public offering in February 2008 because the CSRC approval required under the M&A Rule only applies to an offshore company that has acquired a domestic PRC company for the purpose of listing the domestic PRC company's equity interest on an overseas stock exchange, while (i) we obtained our equity interest in each of our PRC subsidiaries by means of direct investment other than by acquisition of the equity or assets of a PRC domestic company in 2008, (ii) our former contractual arrangements with ATA Online did not constitute the acquisition of ATA Online, (iii) the M&A Rule did not apply to the acquisition by ATA Learning, which had been a wholly foreign owned enterprise since incorporation until it was reformed into a PRC domestic company in 2018, and (iv) although Article 11 of the M&A Rule prohibits the circumvention of the M&A Rule through establishing foreign-invested enterprises, or FIEs, ATA Learning was established in 2003 before the M&A Rule was promulgated, which makes this acquisition not a circumvention of the M&A Rule. However, if it is determined that CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, or take other actions that could have a material adverse effect on our business, financial condition, and results of operations, reputation and prospects, as well as the trading price of our ADSs.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Crackdown Opinions. The Crackdown Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. The Crackdown Opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. As of the date of this annual report, we believe the permission and approval of the CSRC is not required for the Company, its subsidiaries and the VIE in connection with our listing on Nasdaq, but as the official guidance and interpretation of the Crackdown Opinions remain unclear in several respects at this time, we cannot assure you that the Company, its subsidiaries and the VIE will remain fully compliant with all new regulatory requirements of the Crackdown Opinions or any future implementation rules on a timely basis, or at all. If the Company, its subsidiaries and the VIE are unable to obtain such permission or approval if required in the future, our securities may be delisted from Nasdaq and/or the value of our ADSs may significantly decline or become worthless.

On February 17, 2023, the CSRC issued the Overseas Offering and Listing Measures, which provides principles and guidelines for direct and indirect issuance of securities overseas by a Chinese domestic company. Under the Overseas Offering and Listing Measures, the substance rather than the form of issuance will govern when determining whether an issuance constitutes “indirect issuance of securities overseas by a Chinese domestic company,” and an issuance meeting the following two conditions simultaneously will be deemed as an “indirect issuance of securities overseas by a Chinese domestic company”: (i) the income, total profits, total assets or net assets of the domestic company in the latest financial year accounts for more than 50% of the total financials of the issuer in such year on a consolidated basis, and (ii) the principal business is conducted or the principal business place is within the territory of mainland China, or the majority of senior management in charge of business operations are Chinese citizens or have habitual residence within the territory of mainland China. In the event any listing or issuance of securities has fallen under this definition, the issuer shall assign one of its related major Chinese domestic operating entities to make filings with the CSRC within three business days after its initial public offering or any offerings after the initial public offering. As the Company is a Cayman Islands holding company with nearly all of business operations conducted within the territory of mainland China, we understand the Company’s listing and issuance of securities on Nasdaq constitutes indirect issuance of securities overseas by a Chinese domestic company under the Overseas Offering and Listing Measures. However, according to the Overseas Offering and Listing Notice, an issuer who has completed overseas issuance and listing before March 31, 2023 like us is not required to file with the CSRC for the offering or listing that is already completed but is required to make filings with the CSRC for its follow-on financing activities involving overseas offering or listing after the effective date of the Overseas Offering and Listing Measures. As such, we and the VIE are not required to make filings with CSRC under the Overseas Offering and Listing Measures unless we conduct new overseas offerings of securities in the future. In January 2026, the Company completed a registered direct offering of 11,067,547 ADS to three purchasers, and we have completed the relevant filing with the CSRC. As the interpretations and implementation of the Overseas Offering and Listing Measures still involve uncertainties, we cannot assure you that the Company, its subsidiaries and the VIE can complete the filings with the CSRC if the Company intends to conduct new overseas offerings of securities in the future. In addition, since the regulatory regime of the PRC for securities activities continues to rapidly evolve, we cannot assure you that we will not be required in the future to make filings with or obtain approvals from the CSRC or potentially other regulatory authorities in order to maintain the listing status of our ADSs on Nasdaq due to changes or passing of applicable laws, regulations, or interpretations in the future. In the event that it is determined that the Company, its subsidiaries and the VIE are required to make filings with or obtain approval from the CSRC or any other regulatory authority but fail to make such filings or obtain such approvals timely or at all, the PRC subsidiaries of the Company or the VIE may be subject to a non-compliance rectification order, warning letters or fines, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs, or 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 be worthless.

On December 28, 2021, the CAC published the Cybersecurity Review Measures, pursuant to which, among others, (i) critical information infrastructure operators purchasing network products and services that affect or may affect national security, (ii) internet platform operators engaging in data processing activities that affect or may affect national security, and (iii) any internet platform operator possessing personal information of more than one million users and applying for listing on a foreign exchange shall be subject to the cybersecurity review by the CAC. The Network Data Security Regulations stipulates that where a network data processor carries out network data processing activities that affect or may affect national security, it shall undergo a national security review in accordance with relevant national regulations. We believe the Company, its subsidiaries and the VIE would not be subject to the cybersecurity review by the CAC, given that the Company, its subsidiaries and the VIE do not possess a large amount of personal information in our business operations, and data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. However, there remains uncertainty as to how the Cybersecurity Review Measures will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures. If the relevant laws, regulations or interpretations change in the future and the Company, its subsidiaries and the VIE are subject to mandatory cybersecurity review and other specific actions required by the CAC, we will face uncertainty as to whether any clearance or other required actions can be timely completed, or at all. If not, the Company, its subsidiaries and the VIE may be required to suspend relevant business, shut down relevant website, or face other penalties, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs, or 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 be worthless. As of the date of this annual report, the Company, its subsidiaries and the VIE have not received any notice from regulatory authorities requiring us to go through the cybersecurity review by the CAC.

On February 24, 2023, the CSRC and other PRC governmental authorities issued the Confidentiality Provisions, which came into effect on March 31, 2023. Pursuant to the Confidentiality Provisions, both “direct issuance of securities overseas by a Chinese domestic company” and “indirect issuance of securities overseas by a Chinese domestic company” (i.e., issuance of securities by relevant overseas holding company) shall be subject to the Confidentiality Provisions. Domestic enterprises that provide or publicly disclose files and documents that contain state secrets and work secrets of the authorities to relevant securities companies, securities service agencies, foreign regulatory agencies and other institutions and individuals or do so through its overseas listing entities, shall obtain the approval of the competent authorities, and file with the competent confidentiality administrative authorities. Although the interpretation and implementation of the Confidentiality Provisions remain substantially uncertain, we tend to believe the Company, its subsidiaries and the VIE would not be subject to clearance under the Confidentiality Provisions as the Company, its subsidiaries and the VIE do not possess any document or file that involves state secrets or work secrets of the authorities. As of the date of this annual report, the Company, its subsidiaries and the VIE have not received any notice from regulatory authorities requiring them to obtain the foregoing approval or complete any of the foregoing procedures. However, if the relevant laws, regulations or interpretations change in the future, and the Company, its subsidiaries and the VIE are subject to such clearance, we will face uncertainty as to whether any required approval can be timely obtained and any actions can be timely completed, or at all. If not, the Company, its subsidiaries and the VIE may be subject to investigation, fines and other penalties; and if any related behavior is suspected as a crime, may be subject to criminal penalties, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs.

We have been closely monitoring regulatory developments in China regarding any necessary approvals from the CSRC, the CAC or other PRC regulatory authorities required for overseas listings. As of the date of this annual report, we have not received any inquiries, notices, warnings, sanctions, denials, or regulatory objections from the CSRC, CAC, nor any other PRC regulatory authority related to any approval requirement of overseas listings.

Because we may rely on dividends and other distributions on equity paid by our current and future PRC subsidiaries for our cash requirements, restrictions under PRC law on their ability to make such payments could materially and adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to you, and otherwise fund and conduct our businesses.

We adopt a holding company structure, and our holding companies rely on dividends and other distributions on equity paid by our current and future PRC subsidiaries for their cash requirements, including the funds necessary to service any debt we may incur or financing we may need for operations other than through our PRC subsidiaries. Chinese legal restrictions permit payments of dividends by our PRC subsidiaries only out of their accumulated after-tax profits, if any, determined in accordance with PRC GAAP. Our PRC subsidiaries are also required under PRC laws and regulations to allocate at least 10% of their after-tax profits determined in accordance with PRC GAAP to statutory reserves until such reserves reach 50% of the company’s registered capital. Allocations to these statutory reserves and funds can only be used for specific purposes and are not transferable to us in the form of loans, advances or cash dividends. As of December 31, 2025, our PRC subsidiaries have allocated RMB 25.7 million (\$3.6 million) to the general reserve fund, which is restricted for distribution to the Company. We are in full compliance with PRC laws and regulations relating to such allocations. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, see “Item 3. Key Information — Restrictions on Foreign Exchange and Our Ability to Transfer Cash Between Entities, Across Borders, and to U.S. Investors, and Restrictions and Limitations on Our Ability to Distribute Earnings from Our Businesses” for a more detailed analysis on the restrictions on our ability to transfer cash between entities.

Under the EIT Law, we may be classified as a “resident enterprise” of China. Such classification will likely result in unfavorable tax consequences to us and U.S. holders of our ADSs or common shares.

Under the EIT Law, an enterprise established outside of mainland China with its “de facto management body” in mainland China is considered a “resident enterprise,” meaning that it can be treated the same as a Chinese enterprise for enterprise income tax purposes. In addition, a tax circular issued by the SAT on April 22, 2009 regarding the standards used to classify certain Chinese controlled enterprises established outside of mainland China as “resident enterprises,” or Circular 82, clarified that dividends and other income paid by such “resident enterprises” will be considered to be PRC source income, subject to PRC withholding tax currently at a rate of 10%, when paid to non-PRC enterprise shareholders. Circular 82 also subjects such “resident enterprises” to various reporting requirements with the PRC tax authorities. Under the Implementation Rules to the EIT Law, a “de facto management body” is defined as a body that exercises “substantial and overall management and control over the manufacturing and business operations, personnel, and human resources, finances and properties of an enterprise.” In addition, Circular 82 details that certain Chinese-controlled enterprises will be classified as “resident enterprises” if the following are located or resident in mainland China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights.

Currently, a majority of the members of our management team as well as the management team of some of our offshore holding companies are located in mainland China. However, Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign entities like us. In the absence of detailed implementing regulations or other guidance determining that offshore companies controlled by PRC individuals or foreign entities like us are PRC resident enterprises, we do not currently consider our company or any of our overseas subsidiaries to be a PRC resident enterprise.

However, the SAT may take the view that the determining criteria set forth in Circular 82 reflects the general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises, or additional implementing regulations or guidance may be issued determining that our Cayman Islands holding company is a “resident enterprise” for PRC enterprise income tax purposes. If the PRC tax authorities determine that our Cayman Islands holding company is a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we will be subject to enterprise income tax at a rate of 25% on our worldwide income as well as PRC enterprise income tax reporting obligations. This would mean that income such as interest on offering proceeds and other non-PRC source income would be subject to PRC enterprise income tax rate at 25%, in comparison to no taxation in the Cayman Islands. Second, although under the EIT Law and its implementing rules, dividends paid to us by our PRC subsidiaries would qualify as “tax-exempt income,” we cannot guarantee that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Finally, a 10% withholding tax will be imposed on dividends we pay to our non-PRC enterprise shareholders, and future guidance may extend the withholding tax to dividends we pay to our non-PRC individual shareholders and gains derived by our non-PRC shareholders from transferring our ADSs or common shares. Similar results would follow if our BVI holding company is considered a PRC “resident enterprise.” In addition to the uncertainty in how the “resident enterprise” classification could apply, it is also possible that the rules may change in the future, possibly with retroactive effect. We are closely monitoring the development of this area of rules and are evaluating appropriate arrangements of our management activity to avoid being classified as a PRC “resident enterprise.”

In addition, see “Item 3. Key Information — Restrictions on Foreign Exchange and Our Ability to Transfer Cash Between Entities, Across Borders, and to U.S. Investors, and Restrictions and Limitations on Our Ability to Distribute Earnings from Our Businesses” for a more detailed analysis on the restrictions on our ability to transfer cash across borders, and to U.S. investors.

PRC regulations of loans and direct investments by offshore holding companies to their PRC subsidiaries and consolidated variable interest entity may restrict our ability to execute our business strategy.

In order to execute our business strategy, we must invest funds in our PRC subsidiaries and the VIE through loans or capital contributions. Under applicable PRC laws, any loan made by us to the WFOE and Huanqiyimeng, each an FIE, cannot exceed statutory limits, and all such loans must be registered with SAFE, or its local counterpart. According to a notice issued by the People's Bank of China regarding foreign debt on January 11, 2017 and other PRC laws and regulations regarding foreign debt, the statutory limit for the total amount of foreign debt of a foreign-invested company, which is subject to its own election, is either the difference between the amount of total investment and the amount of registered capital as approved by the Ministry of Commerce or its local counterpart, or two times of their respective net assets. With respect to the VIE or other domestic PRC entities, the limit for the total amount of foreign debt is twice of their respective net assets.

We may also decide to finance the WFOE and Huanqiyimeng by increasing their registered capital through capital contributions. Any capital contributions to the WFOE and Huanqiyimeng are subject to registration with the State Administration for Market Regulation (previously known as State Administration for Industry and Commerce, or SAIC), or SAMR. SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises, or SAFE Circular 19, on March 30, 2015. According to SAFE Circular 19, an FIE will be able to convert foreign exchange in its capital account into RMB at any time. In order to use the converted RMB, the FIE still needs to provide supporting documents and go through the review process with the banks. In June 2016, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement, or SAFE Circular 16, which removed certain restrictions previously provided under several SAFE circulars, including the Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises, in respect of conversion by an FIE of foreign currency registered capital into RMB and the use of such RMB capital. However, SAFE Circular 19 and SAFE Circular 16 continue to prohibit an FIE from, among other things, using RMB funds converted from its foreign exchange capital for expenditure beyond its business scope, and providing loans to non-affiliated enterprises except as permitted in the business scope. On October 23, 2019, SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or SAFE 2019 Circular 28, which, among other things, allows all foreign-invested companies to use RMB 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 Special Administrative Measures for Access of Foreign Investment (Negative List). On April 10, 2020, SAFE promulgated the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business, under which eligible enterprises are allowed to make domestic payments by using their capital funds, foreign loans and the income under capital accounts of overseas listing without providing the evidentiary materials concerning the authenticity of each expenditure in advance, provided that their capital use shall be authentic and conforms to the prevailing administrative regulations on the use of income under capital accounts.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we and the VIE will be able to obtain the necessary government approvals or complete the necessary government registrations or other procedures on a timely basis, or at all, with respect to future loans by us to our PRC subsidiaries or the VIE or its subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. A failure by us to obtain such approvals or complete such registrations may restrict our ability to execute our business strategy, and materially and adversely affect our liquidity and our ability to fund and expand our business.

In addition, see "Item 3. Key Information — Restrictions on Foreign Exchange and Our Ability to Transfer Cash Between Entities, Across Borders, and to U.S. Investors, and Restrictions and Limitations on Our Ability to Distribute Earnings from Our Businesses" for a more detailed analysis on the restrictions on our ability to transfer cash between entities.

A failure by our shareholders who are Chinese citizens or residents in China to comply with regulations issued by SAFE could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities or subject us to liabilities under PRC laws, which could adversely affect our business and prospects.

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, on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires an amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as an increase or decrease of capital contributed by PRC individuals, a share transfer or exchange, a merger, a division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Our Chinese resident shareholder, Mr. Xiaofeng Ma, has previously completed his registration with SAFE and is in the process of updating his registration, and we have urged our other Chinese resident shareholders, including our president Mr. Jun Zhang, to register under SAFE Circular 37, and they are currently in the application process. However, we cannot assure you that their applications will be accepted by SAFE. Failure by such shareholders to comply with SAFE Circular 37 could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects. See "— Risks Relating to Regulations of Our Business — Because we may rely on dividends and other distributions on equity paid by our current and future PRC subsidiaries for our cash requirements, restrictions under PRC law on their ability to make such payments could materially and adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to you, and otherwise fund and conduct our businesses."

Furthermore, as there is uncertainty concerning the reconciliation of these SAFE regulations with other approval requirements, 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 government authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and 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.

We may be subject to fines and legal sanctions imposed by SAFE or other Chinese government authorities if we or our Chinese employees fail to comply with Chinese regulations relating to employee share options granted by offshore listed companies to Chinese citizens.

Under applicable PRC regulations, Chinese citizens who are granted share options by an offshore listed company are required, through a Chinese agent, which can be a Chinese branch or representative of the offshore listed company, a Chinese institution which has a controlling relationship or actual control over the offshore listed company or a Chinese institution qualified for asset custody business, to register with SAFE and complete certain other procedures, including applications for foreign exchange payment quotas and opening special bank accounts. We and our Chinese employees who have been granted share options are subject to such PRC regulations. If we or our Chinese employees fail to comply with these regulations, we or our Chinese employees may be subject to fines and legal sanctions imposed by SAFE or other Chinese government authorities, which may prevent us from further granting options under our share incentive plans to our employees. Such events could adversely affect our business operations. See “Item 4.B. Information on the Company — Business overview — Regulation — SAFE Regulations on Employee Share Options.”

As PRC laws and regulations with respect to certain licenses and permissions are unclear and are subject to interpretations and enforcement of local governmental authorities, the Company, its subsidiaries and the VIE may be required to obtain additional licenses.

As of the date of this annual report, we believe that the Company, its subsidiaries and the VIE have received all requisite licenses and permits from the PRC government authorities to operate their business in the PRC and offer securities to foreign investors, and no permissions or approvals have been denied. However, as PRC laws and regulations with respect to certain licenses and permissions are unclear and are subject to interpretations and enforcement of local governmental authorities, we may inadvertently conclude that certain permissions are not required but the regulators do not take the same view as we do.

According to the Amended Private Education Law and the Amended Implementation Rules, private schools are required to obtain operating permits from relevant PRC authorities for carrying out educational activities. Although the Amended Private Education Law generally states that private education institutions are also included in the category of “private schools,” as of the date of this annual report, relevant implementing rules only require private education institutions providing tutoring services on academic subjects for K-12 students and certain vocational skill education services to obtain private school operating permits. On July 24, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinion, which, among others, requires that local government authorities shall (i) classify non-academic subjects according to the categories of sports, culture and art, science and technology and other non-academic subjects and designate the competent authorities responsible for administering such non-academic after-school tutoring institutions respectively; (ii) formulate standards for different categories of non-academic subjects; and (iii) conduct strict examination before granting any permission. As of the date of this annual report, in order to implement the Opinion, certain local government authorities, including some of the areas where we have training centers such as Guangdong Province, Jiangsu Province, Yunnan Province, Sichuan Province, Liaoning Province and Beijing, have promulgated rules that require non-academic after school tutoring institutions in areas for K-12 students, such as art, music, among others, to obtain a private school operating permit or prior approvals for non-academic after school tutoring institutions from local competent authorities. For example, on August 2, 2021, the Department of Education of Guangdong Province issued a notice which provides that local educational administration authorities shall approve the activities conducted by non-academic after school tutoring institutions involving non-academic subjects such as physical education, art, etc, in accordance with the relevant laws and regulations and issue operating permit accordingly; further, on December 9, 2022, the Department of Education of Guangdong Province and other government authorities jointly issued the Approval Procedure Guidance for Operating Permit Application of Non-academic After School Tutoring Institutions (Trial Implementation), which provides, among others, the non-academic after school tutoring institutions that provide training for primary, middle and high school students may apply for an operating permit if they are meeting the standards provided in the Amended Private Education Law. On November 8, 2023, the Department of Education of Liaoning Province and other government authorities jointly issued the Management Measures for Non-academic After School Tutoring Institutions Targeting Primary and Secondary Middle School Students of Liaoning Province, which came into effect on December 1, 2023 and provides that, among others, the non-academic after school tutoring institutions providing art training to primary and secondary middle school students and pre-school children aged three and above shall apply for an operating permit from local education administration authorities at county level. On March 15, 2024, the Beijing Municipal Bureau of Culture and Tourism and the Beijing Municipal Commission of Education issued the Standards for the Establishment of Cultural and Artistic After School Tutoring Institutions in Beijing (Trial), which provides that, a cultural and artistic after school tutoring institutions that targets to provide training to primary and secondary middle school students and pre-school children aged three to six shall obtain the administrative license from the district level education administrative department for the establishment of offline cultural and artistic after school institutions. However, the interpretation of the foregoing laws, regulations, rules and guidance remain unclear in several respects at this time, and especially, it is unclear if private education institutions mainly focusing on art education for high school and undergraduate students for the purpose of overseas study like us are required to obtain private school operating permits or the approval for non-academic after-school tutoring institution from local competent authorities. Since the related regulatory regime of education industry in the PRC continues to rapidly evolve, the interpretations of relevant regulations and rules are not always uniform, and the enforcement of relevant regulations and rules involve uncertainties, we cannot assure you that our training centers will not be classified as “private schools” and thus be required to obtain the private school operating permits or other relevant approval from local competent authorities by the regulators due to any future and further development, interpretation and enforcement of relevant regulations and rules. To date, our PRC subsidiaries operating our training centers have not received any notifications which require them to obtain private school operating permits or approvals for non-academic after-school tutoring institutions from local competent authorities. As of the date of this annual report, one of our subsidiaries Qingdao Haili has obtained an operating permit for private school, but Qingdao Haili does not operate any of our training centers, and none of our training centers have obtained an operating permit or approvals for non-academic after-school tutoring institutions from local competent authorities. If we inadvertently conclude that such permissions are not required, but the regulators do not take the same view as we do, our training centers may be subject to various penalties, including fines, orders to promptly rectify the non-compliance, return course and service fees collected, pay a multiple of the amount of returned course and/or service fees to regulators as a penalty, and/or cease operations. If this occurs, our business, results of operations, financial condition and the value of our ADSs could be materially and adversely affected.

[Table of Contents](#)

The Tourism Law of the PRC provides that, among other things, to engage in the businesses of outbound tourism, a travel agency shall obtain the corresponding business permit. The Regulations on Travel Agencies and the Implementation Rules of Regulations on Travel Agencies, provide that, among other things, the travel agency shall mean any entity that engages in the business of attracting, organizing, and receiving tourists, providing tourism services for tourists and operating domestic, inbound or outbound tourism. The aforementioned business shall include but not limited to arranging for transport services, arranging for accommodation services, providing services for tour guides or team leaders, providing services of tourism consultation and tourism activities design. According to the Regulations on Travel Agencies and its implementation rules, any tourism agency that engages in domestic and outbound tourism shall apply for corresponding permits to engage in such tourism activities from the administrative department of tourism under the State Council, the governments of provinces, autonomous regions, or municipalities. On November 19, 2024, the General Office of the Ministry of Culture and Tourism issued the Notice on Promoting the Healthy Development of Travel Agency Research-based Tourism Business, providing that travel agencies shall choose qualified suppliers and partners and shall evaluate the service capabilities of the partners, which does not require our PRC subsidiaries to obtain travel agency permits. With respect to our research-based learning services, our PRC subsidiaries cooperate with third-party travel agencies which have travel agency permits for our educational travel activities, such as accommodation and tour guiding. We don't think our PRC subsidiaries engaged in such travel-related activities under their cooperation with third-party travel are also required to obtain travel agency permits under the current law rules, and such PRC subsidiaries have not received any notifications which require them to obtain a travel agency permit. If we inadvertently conclude that such permissions are not required but the regulators do not take the same view as we do, the relevant regulators may order such PRC subsidiaries to rectify the non-compliance, confiscate the illegal income from such business and impose fines on such PRC subsidiaries. If this occurs, our business, results of operations, financial condition and the value of our ADSs could be materially and adversely affected.

Under the Internet Measures, commercial internet information services operators shall obtain an ICP license from the relevant government authorities before engaging in any commercial internet information services operations within the PRC. According to the Special Administrative Measures for Market Access of Foreign Investment (Negative List) (2024 Edition), the provision of information services falls in the restricted category and the percentage of foreign ownership cannot exceed 50%. Some of our courses are provided in online form and provided to our students through online platforms of third-party IT service providers. We believe that our PRC subsidiaries providing such online courses are not required to obtain the ICP license as they have not developed their own platforms but delivered such courses through third-party online platforms. To date, none of our PRC subsidiaries have obtained the ICP license due to the foreign investment restriction for the ICP license and our PRC subsidiaries have not received any notifications from PRC governmental authorities to require them to obtain the ICP license. The VIE once obtained the ICP license to preserve our flexibility to operate relevant business, but such ICP license has expired as of the date of this annual report and the VIE did not apply for the renewal as we believe that, neither the Company and its subsidiaries nor the VIE conducts the businesses where the ICP license is required. However, since the enforcement of relevant regulations and rules involve uncertainties, we cannot assure you that the regulators will take the same view as we do. If we inadvertently conclude that the ICP license is not required for our PRC subsidiaries, our PRC subsidiaries delivering online courses services may be subject to a non-compliance rectification order, confiscation of illegal proceeds, or fines; or if the non-compliance is deemed serious by the regulators, may be ordered to suspend business for rectification. If this occurs, our business, results of operations, financial condition and the value of our ADSs could be materially and adversely affected.

Failure to comply with regulations relating to information security and privacy protection, breaches or perceived breaches of our security measures relating to our service offerings, unauthorized disclosure or misuse of personal data through breaches of our computer systems or otherwise, could result in negative publicity and loss of students, expose us to protracted and costly litigation, and harm our business and results of operations. Additionally, it is unclear whether we will be subject to the oversight of the CAC and how such oversight may impact us.

The PRC regulatory and enforcement regime with regard to data security and data protection has been evolving rapidly in recent years. In July 2013, China's Ministry of Industry and Information Technology (and its predecessors), or 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 services and internet information services in China. In November 2016, the Standing Committee of the NPC promulgated the Cyber Security Law, which originally took effect on June 1, 2017 and was amended on October 28, 2025, to protect cyberspace security and order. The Cyber Security Law tightens control of cyber security and sets forth various security protection obligations for network operators. According to the Cyber Security Law, network operators shall, among others, take security measures to protect networks from unauthorized interference, damage and unauthorized access to prevent data from being divulged, stolen or tampered with. Furthermore, the amended law mandates ethical norms and safety assessments for activities involving artificial intelligence. Notably, the 2025 amendment significantly increased the legal liabilities for violations of network security protection obligations, especially for operators of critical information infrastructure and for activities resulting in severe network security consequences. Since 2019, the CAC and other relevant authorities further issued detailed implementation rules and measures to refine these information security and privacy protection related regulations. On August 20, 2021, the Standing Committee of the NPC promulgated the Personal Information Protection Law, which took effect on November 1, 2021. The Personal Information Protection Law aims at protecting personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. Our business is facing and/or may face significant challenges regarding information security and privacy protection, particularly with regard to the collection, storage, transmission and sharing of confidential information, among others. As part of our service offerings, we may collect, process, transmit and store the personal information of students. We and the VIE have adopted various security measures pertaining to the collection, processing, transmission or storage of user information, and have not experienced any material cyber-attacks on our and the VIE's cyber systems. We cannot assure you, however, that our current security measures will be adequate or sufficient to prevent any theft, misuse, or unauthorized interference, damage, or unauthorized or inappropriate disclosure of personal data of our students. In case of any misuse of information collected from our students or any unauthorized interference, damage, or unauthorized or inappropriate disclosure of such information due to our failure to protect it, we could be subject to negative publicity, liability or regulatory penalties. Any such negative publicity, liability or regulatory penalties could cause us to lose students, expose us to costly litigation and have a material adverse impact on our business and results of operations.

On the other hand, pursuant to the Personal Information Protection Law, personal information processors, who need to transfer personal information out of mainland China for business and other needs, shall satisfy one of the following conditions: (i) passing the security assessment by the national cyberspace authorities; (ii) being certified by professional organizations for personal information protection; (iii) entering into contracts providing the rights and obligations of both parties with overseas recipients in accordance with the standard contract formulated by the national cyberspace authorities; and (iv) other conditions specified by laws, administration regulations and the national cyberspace authorities. The personal information processors shall take necessary measures to ensure that the activities of the overseas recipients handling personal information meet the standards of personal information protection stipulated in the Personal Information Protection Law. If a personal information processor provides personal information across the border of mainland China, it shall inform the information owners of the name and contact information of the overseas recipients, the purpose and manner of information processing, the type of personal information, and the manner and procedure for the information owners to exercise their rights under the Personal Information Protection Law over the overseas recipients, and obtain consent of the information owners. On July 7, 2022, the CAC issued the Security Assessment Measures, which took effect on September 1, 2022. On March 22, 2024, the CAC issued the Cross-border Data Flow Provisions, which took effect on the same date and shall supersede the provisions under the Security Assessment Measures and the Model Contract Provisions that are not consistent with those under the Cross-border Data Flow Provisions. In accordance with the Security Assessment Measures and the Cross-border Data Flow Provisions, the following cross-border transfers of important data or personal information generated from or collected in mainland China should be subject to a security assessment, which includes (i) a critical information infrastructure operator to transfer personal information or important data; (ii) a data processor other than a critical information infrastructure operator to transfer important data overseas; (iii) a data processor other than a critical information infrastructure operator who has, since January 1 of the current year, transferred personal information of more than 1 million individuals overseas cumulatively, or transferred sensitive personal information of more than 10,000 individuals overseas cumulatively; or (iv) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration. The Network Data Security Regulations stipulates that where it is necessary to provide important data generated or collected by a network data processor during its operation within the territory of the PRC to overseas parties, such provision shall pass the security assessment for data cross-border transmission organized by the state cyberspace administration. As of the date of this annual report, the amount of personal information (including sensitive personal information) transmitted by the Company, its subsidiaries and the VIE across the border is relatively small. The data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. Additionally, none of the Company, its subsidiaries and the VIE has received any notice from the national cyberspace authorities requiring them to conduct security assessment. However, if the relevant laws, regulations or interpretations change in the future and the Company, its subsidiaries and the VIE are subject to security assessment, we will face uncertainty as to whether any required actions can be timely completed, or at all. Under the Personal Information Protection Law, the Company, its subsidiaries and the VIE may meet the requirements by either completing personal information protection certification or entering into the standard contract formulated by the national cyberspace authorities as the amount of personal information we or the VIE transfer across the border is relatively small. On November 4, 2022, the CAC and the State Administration for Market Regulation jointly issued the Announcement in relation to the Implementation of Personal Information Protection Certification with an exhibit of Implementation Rules for Personal Information Protection Certification, according to which, the professional organizations authorized to conduct personal information protection certification shall comply with the Implementation Rules for Personal Information Protection Certification. On February 22, 2023, the CAC issued the Model Contract Provisions with an exhibit of model contract, which came into effect on June 1, 2023. According to the Model Contract Provisions and the Cross-border Data Flow Provisions, the personal information processor meeting all of the following four conditions may transfer personal information out of mainland China by way of entering into the model contract: (i) non-critical information infrastructure operator; (ii) a personal information processor who has, since January 1 of the current year, transferred personal information of more than 100,000 but less than one million individuals overseas cumulatively; and (iii) a personal information processor who has, since January 1 of the current year, transferred sensitive personal information of less than 10,000 individuals overseas cumulatively. Also, the personal information processor shall conduct personal information protection influence assessment before transferring any personal information out of mainland China. The personal information processor shall file the signed model contract within 10 days after the effective date of such model contract with the local competent authority. The Cross-border Data Flow Provisions provides exemptions, under which a data processor that transfers personal information overseas can be exempted from applying for a security assessment, completing personal information protection certification or entering into a standard contract for the outbound transfer of personal information. A data processor that transfers personal information overseas can be exempted when (i) it is necessary to provide personal information overseas to enter into or perform a contract to which the individual is a party, such as cross-border shopping, cross-border delivery, cross-border remittance, cross-border payment, cross-border account opening, flight and hotel booking, visa processing, examination services, etc.; (ii) it is necessary to provide personal information overseas for cross-border human resource management under the labor rules and regulations and any collective contract executed in accordance with the law; (iii) it is necessary to provide personal information overseas to protect the life, health, or property safety of natural persons under emergency circumstances; and (iv) a data processor, other than a

[Table of Contents](#)

critical information infrastructure operator, has cumulatively provided the personal information (excluding sensitive personal information) of less than 100,000 individuals overseas since January 1 of the current year. That said, a data processor that transfers personal information overseas shall fulfill its legal obligations, such as notifying the relevant individuals, obtaining the individuals' separate consent, and completing a personal information protection impact assessment. As the regulations are still evolving, we are still evaluating and monitoring whether and how to complete the personal information protection certification or enter into the standard contract formulated by the national cyberspace authorities. The Network Data Security Regulations provides that a network data processor may transmit personal information abroad if they have completed a security assessment for data cross-border transmission or personal information protection certification or complied with the provisions in relation to model contract for cross-border transfer of personal information. As of the date of this annual report, we have not received any inquiries, notices, warnings, sanctions, denials, or regulatory objections from the CAC or any other regulatory authority in relation to the foregoing issues. In the event of any failure to comply with the Personal Information Protection Law, the Company, its subsidiaries and the VIE may be subject to non-compliance rectification, warning, confiscation of illegal income or fines, or if the non-compliance is deemed serious by the regulators, suspension of relevant business and revocation of relevant business operation permissions or business licenses, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs.

On July 1, 2015, the Standing Committee of the NPC promulgated the National Security Law (the "New National Security Law"), which took effect on the same date and replaced the former National Security Law promulgated in 1993. Under the New National Security Law, we are obligated to safeguard national security by, for example, providing evidence related to activities endangering national security, providing assistance for national security work and providing necessary support for national security institutions, public security institutions and military institutions. As such, we may have to provide data to PRC government authorities and military institutions to ensure compliance with the New National Security Law. Complying with such regulations could cause us to incur substantial costs, require us to change our data practices in a manner adverse to our business, or even subject us to negative publicity, which could harm our reputation with users and negatively affect our business operations and the trading price of our ADSs.

On December 28, 2021, the CAC published the Cybersecurity Review Measures, which became effective on February 15, 2022. Under the Cybersecurity Review Measures, critical information infrastructure operators purchasing network products and services and internet platform operators engaging in data processing activities that affect or may affect national security shall be subject to cybersecurity review. The Cybersecurity Review Measures further requires that any internet platform operator applying for listing on a foreign exchange must go through cybersecurity review if it possesses personal information of more than one million users. The review focuses on several factors, including, among others, (i) the risk of theft, leakage, corruption, illegal use or export of any core or important data, or a large amount of personal information, and (ii) the risk of any critical information infrastructure, core or important data, or a large amount of personal information being affected, controlled or maliciously exploited by a foreign government after a company is listed. The Network Data Security Regulations stipulates that where a network data processor carries out network data processing activities that affect or may affect national security, it shall undergo a national security review in accordance with relevant national regulations. We believe we would not be subject to the cybersecurity review by the CAC, given that: (i) we do not possess a large amount of personal information in our business operations; and (ii) data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. However, we cannot assure you that PRC regulatory agencies, including the CAC, would take the same view as we do, and there remains uncertainty as to how the Cybersecurity Review Measures will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures. In the event that we are subject to any mandatory cybersecurity review and other specific actions required by the CAC, we will face uncertainty as to whether any clearance or other required actions can be timely completed, or at all. Given such uncertainty, we may be further required to suspend our relevant business, shut down our website, or face other penalties, which could materially and adversely affect our business, financial condition, and results of operations, and/or the value of our ADSs or could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. As of the date of this annual report, we have not received any notice from such authorities requiring us to go through cybersecurity review by the CAC.

Although we do not anticipate our business to be materially impacted by the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education, certain types of our ancillary services may fall under the coverage of the Opinion and its local implementing measures, which may adversely affect our business, financial condition and results of operations, and we cannot assure you that any future development, interpretation and enforcement of Opinion and relevant regulations would not materially and adversely impact our business and financial outlook.

On July 24, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinion, which sets out a series of operating requirements on after-school tutoring institutions focusing on compulsory education, including, among other things, (i) local government authorities shall no longer approve any new after-school tutoring institutions providing tutoring services on academic subjects for students in compulsory education, or the Academic AST Institutions, and all the existing Academic AST Institutions shall be registered as non-profit entities, and local government authorities shall no longer approve any new after-school tutoring institutions providing tutoring services on academic subjects for pre-school-age children and students in grades 10 to 12; (ii) online Academic AST Institutions that have filed with the local education administration authorities will be subject to review and re-approval procedures by competent government authorities, and any failure to obtain such approval will result in the cancellation of its previous filing and ICP license; (iii) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities, and listed companies are prohibited from investing in Academic AST Institutions through capital markets fund raising activities, or acquiring assets of Academic AST Institutions by paying cash or issuing securities; (iv) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities; (v) after-school tutoring institutions shall not provide tutoring services on academic subjects during national holidays, weekends and school breaks, or engage foreign teachers residing overseas to carry out training activities; (vi) fees charged for academic subjects tutoring in compulsory education will need to follow the guidelines from the government to prevent any excessive charging or excessive profit-seeking activity; and (vii) government authorities will implement risk management and control for the pre-collection of fees by after-school tutoring institutions with requirements such as setting up third-party custodians and risk reserves, and strengthen supervision over loans regarding tutoring services. The Opinion further provides that administration and supervision over academic after-school tutoring institutions for students in grades 10 to 12 shall be implemented by reference to the relevant provisions of the Opinion.

On July 28, 2021, the PRC Ministry of Education, or the MOE, issued a notice, or the Notice, to further clarify the scope of academic subjects in China's compulsory education system. The Notice states that academic subjects include the following courses provided in accordance with the learning content of the national curriculum standards: Morality and Law, Chinese Language, History, Geography, Mathematics, foreign languages (English, Japanese, and Russian), Physics, Chemistry and Biology. The Notice also states that sports (or sports and health), art (or music, fine arts) subjects, and comprehensive practical activities (including technical education, labor and technical education), etc. shall be managed as non-academic subjects. On August 25, 2021, the MOE issued the Administrative Measures on Materials for After-School Tutoring for Primary and Secondary School Students (for Trial Implementation). After-school tutoring materials refer to the learning materials independently compiled by after-school tutoring institutions approved and registered for the purpose of primary and secondary school students, including the tutoring materials used for both academic and non-academic subjects, whether online or offline. The tutoring materials shall be reviewed as required. It is imperative to establish the internal review and external review system for tutoring materials under the principle of reviewing every compilation and use. The training materials used for academic subjects shall be reviewed through dual review by combining internal review by the after-school tutoring institutions and the external review by the education administrative authorities.

On September 9, 2021, the MOE and the Ministry of Human Resources and Social Security jointly formulated the Administrative Measures for Employees of After-School Tutoring Institutions (Trial). The employees of after-school tutoring institutions refer to the staff in the institutions that carry out after-school tutoring for primary and secondary school students and preschool children over the age of three according to regulations, including: teaching staff, teaching and research staff and other staff. In principle, the full-time teaching, teaching and research staff of after-school tutoring institutions shall not be less than 50% of the total number of employees in the institution. For offline tutoring for primary and secondary school students, in principle, the full-time teaching staff per class shall not be less than 2% of the number of students; for offline training for preschool children over three years old, in principle, full-time training staff per class shall not be less than 6% of the number of children. After-school tutoring institutions shall publicly make a written commitment that the recruitment of practitioners complies with the provisions of relevant measures.

[Table of Contents](#)

Based on our understanding of the Opinion, the Notice and relevant local implementing measures for the Opinion, our major business, including portfolio training services and other art-related services, is not academic subjects tutoring for students in compulsory education, and thus is not subject to the Opinion, the Notice and relevant local implementing measures. However, one type of our ancillary services, i.e., some art-related academic educational learning services carried out by foreign teachers residing overseas, may fall under the coverage of the Opinion and its local implementing measures, which together only constitute a very small portion of our business operations and contributed around 1.66% of our net revenues for the fiscal year ended December 31, 2025. Although the Opinion states that after-school tutoring institutions shall not engage foreign teachers residing overseas to carry out training activities and does not specifically limit this restriction to Academic AST Institutions, the Opinion itself is focused on regulating Academic AST Institutions, therefore, it is unclear whether our services will fall under such restriction. As of the date of this annual report, we have not received any notifications for rectification or administrative measures which require us to rectify any of our business in accordance with the Opinion. Overall, we do not believe the Opinion and the relevant regulations would have a material adverse impact on our business. We are closely monitoring the evolving regulatory environment and are making efforts to seek guidance from and cooperate with the government authorities to comply with the Opinion, and if there is no other available option, we may elect to change the business model of or dispose of the foregoing art training services carried out by foreign teachers to ensure compliance, which may adversely affect our business, financial condition and results of operations.

Although currently we do not believe the Opinion and relevant regulations would have a material adverse impact on our business, since the interpretations of these regulations and rules are not always uniform, and the enforcement of these regulations and rules involve uncertainties, we cannot assure you that any future development, interpretation and enforcement of the Opinion and relevant regulations would not materially and adversely impact our business and financial outlook.

In addition, the PRC government authorities are also enhancing regulation on the non-academic after school tutoring institutions. On March 3, 2022, the MOE, National Development and Reform Commission, or NDRC, and SAMR jointly issued the Notice on Regulating Non-Academic After School Tutoring Institutions, which provide that, among others, (i) non-academic after school tutoring institutions shall have the corresponding qualifications and their staffs shall have the corresponding proofs for their profession; (ii) non-academic after school tutoring institutions shall ensure that training contents and training methods are suitable for the age, mental and physical characteristics and cognitive level of students; (iii) the training contents, training hours, charging items, charging standards and other information of non-academic after school tutoring institutions shall be made public and subject to public supervision; (iv) non-academic after school tutoring institutions shall use a model service contract, strictly perform contractual obligations and self-regulate their own charging behaviors; (v) non-academic after school tutoring institutions' unfair competition by fictitious original prices, false discounts, false publicity, monopolistic behaviors and any form of price fraud are prohibited; (vi) the pre-collection of fees by non-academic after school tutoring institutions shall be deposited to the special account for fee collection and tuition fees shall not be collected in a lump sum, or in disguised form of recharging or measured cards for more than 60 classes or for a course length of more than three months; and (vii) non-academic after school tutoring institutions shall comply with requirements relating to premise, facilities and fire safety. Further, on November 30, 2022, the MOE and other 12 PRC government authorities jointly issued the Opinions on Regulating Non-Academic After School Tutoring Institutions for Primary, Middle and High School Students, which provides and reiterates that, among others, (i) local government authorities shall classify non-academic subjects according to the categories of sports, culture and art, science and technology and other non-academic subjects and designate the competent authorities responsible for administering such non-academic after-school tutoring institutions respectively; (ii) non-academic after school tutoring institutions shall meet certain conditions in respect of training place, training staff and operations; (iii) online non-academic after-school tutoring institutions shall obtain the approval from competent government authority at the provincial level before incorporation registration and obtain approval from telecommunication authority at the provincial level for conducting internet information services; offline non-academic after-school tutoring institutions shall obtain the approval from competent government authority at the county level before incorporation registration; (iv) non-academic after school tutoring institutions shall ensure that training contents are suitable for the age, mental and physical characteristics and cognitive level of students; and (v) all the pre-collection of fees by non-academic after school tutoring institutions shall be deposited to the special account for fee collection. Moreover, as of the date of this annual report, certain local government authorities (including some of the areas where we have training centers, such as Guangdong Province, Jiangsu Province, Yunnan Province, Sichuan Province, Liaoning Province and Beijing) have promulgated specific rules to regulate the market access and operation activities of non-academic after school tutoring institutions, which typically specify the various requirements in relation to market access, training place, teachers, teaching materials, pre-collection of training fees, etc. However, the interpretation of the foregoing notice, opinions and rules remain unclear in several respects, and especially, it is unclear if the foregoing notice, opinions and rules are applicable to private education institutions mainly focusing on art education for high school and undergraduate students for the purpose of overseas study like us. If the foregoing notice, opinions and rules also apply to us, failure to comply with the relevant provisions therein may lead to administrative measures by the competent authorities and thus may materially and adversely impact our business and financial outlook. In addition, if the foregoing notice, opinions and rules also apply to us, we would be subject to the limitation for the pre-collection of training fees and the cost of our training centers would increase to meet various requirements for training place, teachers and teaching materials and our financial condition may therefore be adversely impacted.

Risks Relating to Doing Business in the People's Republic of China

China's economic, political and social conditions, as well as changes in any government policies, laws and regulations, could adversely affect the overall economy in China or the prospects of the industries in which we operate, which in turn could impact our financial performance.

Substantially all of our operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are subject, to a significant extent, to economic, political and social developments in China.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. Although the Chinese economy has been transitioning from a planned economy to a more market-oriented economy since the late 1970s, 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 the allocation of resources, controlling the incurrence and payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Changes in any of these policies, laws and regulations could adversely affect the overall economy in China or the prospects of the industries in which we operate, which could harm our business.

China's social and political conditions are also not as stable as those of the United States and other developed countries. Any sudden changes to China's political system or the occurrence of widespread social unrest could have negative effects on our business and results of operations. In addition, China has contentious relations with some of its neighbors. A significant further deterioration in such relations could have negative effects on the Chinese economy and lead to changes in governmental policies that would be adverse to our business interests.

The PRC legal system has inherent uncertainties that could limit the legal protections available to you and us and the VIE, and rules and regulations in China can change quickly with little advance notice.

Unlike common law systems, the PRC legal system is based on written statutes and decided legal cases have little precedential value. Since 1979, the PRC government has promulgated a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has been to significantly enhance the protections afforded to various forms of foreign investment in China. Each of our PRC operating subsidiaries is a foreign investment enterprise, which is an enterprise incorporated in China and wholly or partially owned by foreign investors, and is subject to PRC laws and regulations in general and laws and regulations applicable to foreign investment in particular. PRC laws, regulations and legal requirements can change quickly with little advance notice and their interpretation and enforcement involve uncertainties. In addition, we and the VIE may have to resort to administrative and court proceedings to enforce the legal protection that we and the VIE enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we and the VIE enjoy than in more developed legal systems. Such uncertainties, including the inability to enforce our and the VIE's contracts and intellectual property rights, could materially and adversely affect our and the VIE's business and operations. Accordingly, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and the VIE and other foreign investors, including you.

For example, on July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Crackdown Opinions, which 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 facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. On December 28, 2021, the CAC published the Cybersecurity Review Measures which, among others, require that any internet platform operator applying for listing on a foreign exchange must go through cybersecurity review if it possesses personal information of more than one million users. On February 17, 2023, the CSRC issued the Overseas Offering and Listing Measures, which provides principles and guidelines for direct and indirect issuance of securities overseas by a Chinese domestic company. As of the date of this annual report, we believe the permission and approval of the CSRC or the CAC is not required for our operations, but as these rules and regulations were newly issued or are still in the process of being formulated, official guidance and interpretation of such rules and regulations remain unclear in several respects at this time, we cannot assure you that we will remain fully compliant with all new regulatory requirements of such rules and regulations or any future implementation rules on a timely basis, or at all.

PRC government may exert substantial influence over our operations, and may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers like us, and any actions by Chinese government, including any decision to intervene or influence our operations or to exert control over any offering of securities conducted overseas and/or foreign investment in China-based issuers, may cause us to make material changes to our operation, may limit or completely hinder our ability to offer or continue to offer securities to investors, and may cause the value of such securities to significantly decline or be worthless.

The PRC government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be impaired by changes in its laws and regulations, including those relating to foreign investment limitations, taxation, data security, education regulation, land use rights and other matters. The central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure compliance with such regulations or interpretations. As such, our business segments may be subject to various government and regulatory interference in the provinces in which they operate. We could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. We may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply.

In recent years, the Chinese government has stepped up its supervision of Chinese companies listed offshore and may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers in the future. For example, on July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Crackdown Opinions, which 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 facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. On December 28, 2021, the CAC published the Cybersecurity Review Measures, which, among others, require that any internet platform operator applying for listing on a foreign exchange must go through cybersecurity review if it possesses personal information of more than one million users. On February 17, 2023, the CSRC issued the Overseas Offering and Listing Measures, which provides principles and guidelines for direct and indirect issuance of securities overseas by a Chinese domestic company. On February 24, 2023, the CSRC and other PRC governmental authorities issued the Confidentiality Provisions, which came into effect on March 31, 2023 and provides that domestic enterprises that issue securities overseas directly or indirectly and that provide publicly disclose files and documents containing state secrets and work secrets of the authorities to relevant securities companies, securities service agencies, foreign regulatory agencies and other institutions and individuals or do so through its overseas listing entities, shall obtain the approval of the competent authorities, and file with the competent confidentiality administrative authorities. Although we believe we are currently not required to obtain permission from any of the PRC central or local government and have not received any notice of denial of permission to list on the U.S. exchange, it is uncertain when and whether we will be required to obtain permission from the PRC government to list on U.S. exchanges if the relevant laws, regulations or interpretations change in the future, and even when such permission is obtained, whether it will be denied or rescinded. As a result, you, the Company, its subsidiaries and the VIE all face uncertainty about future actions by the PRC government that could significantly affect our business operations and our ability to offer or continue to offer securities to investors, and any such future actions may cause the value of our securities to significantly decline or be worthless.

If the PCAOB determines that it is unable to inspect or investigate completely our auditor, trading in our securities may be prohibited and our ADSs may be delisted under the HFCAA. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct full inspections deprives you of the benefits of such inspections.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards.

[Table of Contents](#)

On December 18, 2020, the HFCAA was enacted, according to which, among others, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years, the SEC shall prohibit our common 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 29, 2022, the Accelerating Holding Foreign Companies Accountable Act as a part of the Consolidated Appropriations Act was signed into law, amending the HFCAA and requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchange if its auditor is not subject to PCAOB inspections for two consecutive years instead of three consecutive years.

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCAA. On September 22, 2021, the PCAOB adopted a final rule implementing the HFCAA, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCAA, whether the PCAOB is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. On December 2, 2021, the SEC adopted amendments to finalize rules implementing the submission and disclosure requirements in the HFCAA. The rules apply to registrants the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB is unable to inspect or investigate (the "Commission-Identified Issuers"). The final amendments require Commission-Identified Issuers to submit documentation to the SEC establishing that, if true, it is not owned or controlled by a governmental entity in the public accounting firm's foreign jurisdiction. The amendments also require that a Commission-Identified Issuer that is a "foreign issuer," as defined in Rule 3b-4 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, provide certain additional disclosures in its annual report for itself and any of its consolidated foreign operating entities. Further, the amendments provide notice regarding the procedures the SEC has established to identify issuers and to impose trading prohibitions on the securities of certain Commission-Identified Issuers, as required by the HFCAA. A Commission-Identified Issuer will be required to comply with the submission and disclosure requirements in the annual report for each year in which it was identified. On December 16, 2021, the PCAOB issued a report on its determination that the PCAOB was unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in mainland China or Hong Kong because of positions taken by PRC authorities in those jurisdictions. Because our former auditor, KPMG, who issued our audit report for the fiscal year ended December 31, 2021, is located in mainland China, it is subject to such PCAOB determination. On May 26, 2022, the Company was identified on SEC's "Conclusive list of issuers identified under the HFCAA" (available at <https://www.sec.gov/hfcaa>).

On August 26, 2022, the CSRC, the MOF and the PCAOB signed a Statement of Protocol governing inspections and investigations of audit firms based in mainland China and Hong Kong, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. While the Protocol remains unpublished, pursuant to the fact sheet with respect to the Statement of Protocol issued by the PCAOB, the PCAOB shall have sole discretion to select any issuer audits for inspection or investigation in addition to other provisions that are intended to provide the PCAOB with complete access. The SEC also indicated in its fact sheet regarding the Protocol that the PCAOB may transfer information to the SEC for all SEC purposes, including administrative or civil enforcement actions. On December 15, 2022, the PCAOB determined that it was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong (including our former auditor) and vacated its previous determinations to the contrary. As a result, the Company was not identified as a Commission-Identified Issuer under the HFCAA upon the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2022, and thus the calculation of the consecutive period to trigger trade prohibition was interrupted. However, should PRC authorities obstruct or otherwise fail to facilitate the PCAOB's access in the future, the PCAOB may consider the need to issue a new determination. The PCAOB continues to demand complete access in mainland China and Hong Kong moving forward as well as to continue pursuing ongoing investigations and initiating new investigations, as needed. The PCAOB has also indicated that it will act immediately to consider the need to issue new determinations under the HFCAA, if necessary.

On June 30, 2023, we dismissed KPMG as the Company's independent registered public accounting firm and appointed Audit Alliance as the Company's independent registered public accounting firm and to issue our audit report for the fiscal year ended December 31, 2023. Audit Alliance is located in Singapore and is subject to inspection by the PCAOB on a regular basis. However, if, in the future, the PCAOB determines that it is unable to inspect or investigate completely our auditor, trading in our securities may be prohibited and our ADSs may be delisted under the HFCAA. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. In addition, if the PCAOB is unable to conduct full inspections over our auditor in the future, the PCAOB will not be able to fully evaluate the audits and quality control procedures of our auditor, and, as a result, we and investors in our ADSs or common shares will be deprived of the benefits of such PCAOB inspections.

Moreover, the SEC may also propose additional rules or guidance that could impact us if our auditor is not subject to PCAOB inspection. For example, on August 6, 2020, the President’s Working Group on Financial Markets, or the PWG, issued the Report on Protecting United States Investors from Significant Risks from Chinese Companies to the then President of the United States. This report recommended the SEC implement five recommendations to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfill its statutory mandate. Some of the concepts of these recommendations were implemented with the enactment of the HFCAA. However, some of the recommendations were more stringent than the HFCAA. The SEC announced that the SEC staff would prepare a single, consolidated proposal for the rules regarding the implementation of the HFCAA and to address the recommendations in the PWG report. The implications of possible additional regulation in addition to the requirements of the HFCAA are uncertain. Such uncertainty could cause the market price of our ADSs to be materially and adversely affected, and our securities could be delisted or prohibited from being traded “over-the-counter” earlier than would be required by the HFCAA. If our securities are unable to be listed on another securities exchange by then, such a delisting would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with a potential delisting would have a negative impact on the price of our ADSs.

Other than the foregoing, U.S. public companies that have substantially all of their operations in China have been the subject of intense scrutiny, criticism and negative publicity by investors, financial commentators and regulatory agencies centered on financial and accounting irregularities and mistakes, a lack of effective internal controls over financial accounting, and inadequate corporate governance policies or a lack of adherence thereto. For example, in September 2025, Nasdaq filed proposals with the SEC to (i) apply a minimum offering size requirement for companies primarily operating in a “Restrictive Market,” and (ii) prohibit Restrictive Market companies from directly listing on Nasdaq Capital Market, and only permit them to list on Nasdaq Global Select or Nasdaq Global Market in connection with a direct listing. These scrutiny, criticism and negative publicity could add uncertainties to and may adversely affect our future offerings, business and share price.

Restrictions on currency exchange may limit our ability to utilize our cash generated from sales of our services effectively and the ability of our PRC subsidiaries to obtain financing.

The majority of our revenues and operating expenses are denominated in Renminbi. Restrictions on currency exchange imposed by the Chinese government may limit our ability to utilize cash generated from sales of our services in Renminbi to fund our business activities outside mainland China, if any, or expenditures denominated in foreign currencies. Under current Chinese regulations, Renminbi may be freely converted into foreign currency for payments relating to “current account transactions,” which include, among other things, dividend payments and payments for the import of goods and services, by complying with certain procedural requirements. Cash generated from sales of our services in mainland China can be converted into foreign currency to pay salaries of employees located outside of mainland China upon the employee completing certain registration procedures. Cash generated from sales of our services in mainland China can also be used to pay off debt generated outside of mainland China, provided that we comply with the applicable foreign debt registration or approval requirements. Although the Renminbi has been fully convertible for current account transactions since 1996, we cannot assure you that the relevant Chinese government authorities will not limit or eliminate our ability to purchase and retain foreign currencies for current account transactions in the future.

Conversion of Renminbi into foreign currencies and of foreign currencies into Renminbi for payments relating to “capital account transactions,” which include, among other things, investments, loans and acquisitions of land and other fixed assets overseas, generally requires the approval of or registration or filing with SAFE or its authorized banks and other relevant Chinese governmental authorities. Restrictions on the convertibility of Renminbi for capital account transactions could affect the ability of our PRC subsidiaries to make investments overseas or to obtain foreign currency through debt or equity financing, including by means of loans or capital contributions from us.

In addition, see “Item 3. Key Information — Restrictions on Foreign Exchange and Our Ability to Transfer Cash Between Entities, Across Borders, and to U.S. Investors, and Restrictions and Limitations on Our Ability to Distribute Earnings from Our Businesses” for a more detailed analysis on the restrictions on our ability to transfer cash between entities and across borders.

Fluctuations in exchange rates could result in foreign currency exchange losses.

Because the majority of our revenues and expenditures are denominated in Renminbi, fluctuations in the exchange rate between U.S. dollar and Renminbi will affect our balance sheet and earnings per share in U.S. dollars. In addition, appreciation or depreciation in value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in exchange rate will also affect the relative value of any dividends we issue that are exchanged into U.S. dollars and the earnings from and the value of any U.S. dollar-denominated investments we make in the future.

The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. It is difficult to predict how economic conditions, or PRC or U.S. government policy, in particular, the outbreak of trade war between PRC and U.S. and the imposition of additional tariffs on goods sold to each other beginning in 2018, may impact the exchange rate between the Renminbi and the U.S. dollar in the future. The People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy goals. Very limited hedging transactions 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 hedging transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by Chinese exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

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

We are vulnerable to natural disasters, health epidemics (such as the COVID-19 pandemic), and other calamities. Any of such occurrences could cause severe disruption to the daily operations of us, and may even require a temporary closure of our training centers and facilities, which may disrupt our business operations and adversely affect our results of operations. In addition, our results of operations could be adversely affected to the extent that any of these catastrophic events harm the Chinese economy in general.

Our business, financial performance and results of operations may be adversely affected by deterioration of the relation between China and the United States.

Recent international trade disputes, including those between the United States and China, and the uncertainty created by these disputes could seriously destabilize the global and Chinese economies, which could be detrimental to our business. Any escalation of existing trade tensions or the emergence of a trade war, or news and rumors of a potential trade war escalation, could affect consumer confidence, which could adversely affect our business, results of operations and ultimately the trading price of our ADSs.

An increase in political, economic and trade tensions could reduce the level of trade, investment, technology exchanges and other economic activity between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our business, financial performance and results of operations. Such tense relations may also discourage students from studying in the United States or make it more difficult for Chinese students to obtain visas to study in the United States, as well as discourage U.S. persons and organizations to work for, provide services to or cooperate with Chinese companies, which could make it difficult for us and the VIE to hire or retain qualified personnel and find suitable partners for our business. The regulations adopted by either government of the United States or China could negatively affect certain investors' willingness to invest in or hold our ADSs and consequently may have a negative influence on the trading price of our ADSs. If any such deliberations or policies were to materialize, there might also be a material adverse effect on the stock performance of China-based companies listed in the United States.

Risks Relating to Our Corporate Structure

The Company is not a Chinese operating company but a Cayman Islands holding company primarily operating in China through its PRC subsidiaries and may conduct business through the VIE in the future. Investors purchasing our ADSs are not purchasing, and may never directly hold, equity interests in the VIE. There are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations, and rules relating to such agreements, including potential future actions by the PRC government, which could affect the enforceability of our contractual arrangements with the VIE and consequently significantly affect our financial condition and results of operations.

The Company is not a Chinese operating company but a Cayman Islands holding company with operations primarily conducted through its PRC subsidiary Huanquiuyimeng and its subsidiaries. 69.04% of the equity interests of Huanquiuyimeng is indirectly owned by the Company through a wholly owned subsidiary, and 30.96% of the equity interests of Huanquiuyimeng is owned by the VIE.

The VIE is 90% owned by Mr. Xiaofeng Ma, our Chairman of the Board of Directors and Chief Executive Officer, and 10% owned by Mr. Jun Zhang, our President and director. Mr. Ma and Mr. Zhang are PRC citizens. We entered into a series of contractual arrangements with the VIE and its shareholders, which enable us to:

- exercise all rights of shareholders of the VIE;
- exclusively provide specified technical and consulting services to the VIE and receive consulting fees from the VIE; and
- have an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by PRC law.

Pursuant to such contractual arrangements, the Company has power to direct activities of the VIE through the WFOE, and consolidates the VIE into its consolidated financial statements under U.S. GAAP. For a detailed discussion of these contractual arrangements, see “Item 4.A. History and Development of the Company — Contractual Arrangements with the VIE.”

In the opinion of Jincheng Tongda & Neal Law Firm, our PRC legal counsel, the abovementioned contractual arrangements are legally binding and enforceable and do not violate current PRC laws and regulations. However, such contractual arrangements have not been tested in a court of law, and uncertainties in the PRC legal system could limit our ability to enforce the contractual arrangements, and we cannot assure that the PRC regulatory authorities will not ultimately take a contrary view to our opinion. If our current ownership structure and contractual arrangements with the VIE are found to be in violation of any existing or future PRC laws and regulations, the PRC government could:

- revoke our and the VIE’s business and operating licenses;
- levy fines on us and the VIE;
- confiscate any of our and the VIE’s income that they deem to be obtained through illegal operations;
- shut down a portion or all of our or the VIE’s servers or block a portion or all of our or the VIE’s websites;
- discontinue or restrict our and the VIE’s operations in China;
- impose conditions or requirements with which we and the VIE may not be able to comply;
- require us and the VIE to restructure its corporate and contractual structure; and
- take other regulatory or enforcement actions that could be harmful to our and the VIE’s business.

In addition, these contractual arrangements may not be as effective as direct ownership in providing us with operational control over the VIE. See “— Risks Relating to Our Corporate Structure — We rely on contractual arrangements with the VIE and its shareholders to consolidate the VIE, which may not be as effective in providing operational control as direct ownership, and the VIE’s shareholders may fail to perform their obligations under the contractual arrangements.” In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over the VIE and may lose control over the assets owned by the VIE for accounting purposes. Our financial performance may be adversely and materially affected as a result, and we may not be eligible to consolidate the financial results of the VIE into the Company’s consolidated financial results.

We rely on contractual arrangements with the VIE and its shareholders to consolidate the VIE, which may not be as effective in providing operational control as direct ownership, and the VIE’s shareholders may fail to perform their obligations under the contractual arrangements.

We rely on the contractual arrangements with the VIE and its shareholders to consolidate the VIE. Pursuant to the contractual arrangements, the Company has the power to direct activities of the VIE through the WFOE, and consolidates the VIE into its consolidated financial statements under U.S. GAAP.

Although we have been advised by our PRC legal counsel that our contractual arrangements constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, the contractual arrangements may not be as effective in providing operational control over the VIE as direct ownership. If we had direct ownership of the VIE, we would be able to exercise our rights as a shareholder to vote with respect to matters subject to shareholder approval and also to effect changes in the VIE’s board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management 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 exercise control over the VIE for accounting purpose. The shareholders of the VIE may not act in the best interests of the Company or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate our business through the contractual arrangements with the VIE. If the VIE or its shareholders fail to perform their obligations under our contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. For example, if the shareholders of the VIE were to refuse to transfer their equity interest in the VIE to us or our designee when we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, we may have to take legal actions to compel them to perform their contractual obligations. All of these contractual arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these contractual arrangements will be resolved through arbitration or litigation in the PRC. However, the legal system in the PRC is not as developed as in other jurisdictions, such as the United States. See “— Risks Relating to Doing Business in the People’s Republic of China — The PRC legal system has inherent uncertainties that could limit the legal protections available to you and us and the VIE, and rules and regulations in China can change quickly with little advance notice.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law, and as a result it may be difficult to predict how an arbitration panel would view such contractual arrangements. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Additionally, 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. Therefore, our contractual arrangements with the VIE may not be as effective in ensuring our control over the VIE for accounting purpose as direct ownership would be. In the event we are unable to enforce our contractual arrangements, we may not be able to exert effective control over the VIE for accounting purpose, and we may not be eligible to consolidate the financial results of the VIE into the Company’s consolidated financial results.

The shareholders of the VIE may have conflicts of interest with us, which may materially and adversely affect our business. 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 effectively direct activities of the VIE and receive economic benefits from the VIE. 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.

Mr. Xiaofeng Ma and Mr. Jun Zhang are the shareholders of the VIE. Mr. Xiaofeng Ma is our Chairman and Chief Executive Officer, and Mr. Jun Zhang is our President. 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 which would materially and adversely affect our ability to effectively control the VIE, and hence enjoy substantially all the economic benefits received by the VIE. For example, the shareholders may cause our agreements with the VIE to not be performed or be performed in a manner adverse to us by, among other things, failing to remit payments due to us under the contractual arrangements on a timely basis. We cannot assure you that when conflicts of interest arise, either of these shareholders will act in the best interests of our company or that 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. Mr. Xiaofeng Ma is also the Chairman of the Board of Directors and Chief Executive Officer of the Company and Mr. Jun Zhang is also one of the directors and President of our Company. We rely on Mr. Ma and Mr. Zhang to abide by the laws of the Cayman Islands and China, where directors owe fiduciary duties to the company that require them to act in good faith and in what they believe to be the best interests of the company and not to use their positions for personal gain. If we cannot resolve any conflicts of interest or dispute between us and the shareholders of the VIE, we would have to rely on legal proceedings, which could result in the disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Contractual arrangements relating 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. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among the WFOE, the VIE and the VIE's shareholders were not entered into on an arm's length basis and in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and to adjust the VIE's income 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 tax liabilities. In addition to a transfer pricing adjustment, the PRC tax authorities may also enquire about the substance of the consulting fee to be paid to the WFOE pursuant to applicable PRC laws. If the consulting fees do not have business substance or are not authentic, they may not be deductible and may result in additional tax liability to the VIE.

Moreover, the PRC tax authorities may impose punitive interest on the VIE for adjusted taxes according to the applicable regulations. Our financial position could be materially and adversely affected if the VIE's tax liabilities increase or if they are required to pay punitive interest.

Economic substance legislation of the Cayman Islands may impact us and our operations.

Pursuant to the International Tax Cooperation (Economic Substance) Act (2026 Revision) of the Cayman Islands, or the ES Act, a “relevant entity” carrying on a relevant activity is required to satisfy the economic substance test set out in the ES Act. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is ATA Creativity Global. Based on the current interpretation of the ES Act, we believe that our company, ATA Creativity Global, is a pure equity holding company since it only holds equity participation in other entities and only earns dividends and capital gains. Accordingly, for so long as our company, ATA Creativity Global, is a “pure equity holding company,” it is only subject to reduced substance requirements, which require us to (i) comply with all applicable filing requirements under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, or the Companies Act; and (ii) where necessary, have adequate human resources and adequate premises in the Cayman Islands for holding and managing equity participations in other entities. However, there can be no assurance that ATA Creativity Global will not be subject to more requirements under the ES Act. Although it is presently anticipated that the ES Act will have little material impact on us and our operations, as the legislation remains subject to further interpretation, it is not currently possible to ascertain the precise impact of such legislation on us and our operations.

The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.

Under the PRC law, legal documents for corporate transactions, including agreements and contracts such as the leases and business contracts, are executed using the chop or seal of the signing entity or with the signature of a legal representative, whose designation is registered and filed with the relevant local branch of the market supervision administration.

For the purpose of maintaining the security of our chops and the chops of our PRC subsidiaries and the VIE, we have established internal control procedures and rules for using these chops and seals, and we generally store these items in secured locations accessible only by the authorized personnel of each of our PRC subsidiary and the VIE. Even with all procedures aforementioned, we cannot guarantee that such procedures will prevent all instances of abuse or negligence. If any of our authorized personnel misuses or misappropriates the chops or seals of our PRC subsidiaries and the VIE, or such chops or seals are not kept safely, stolen or otherwise used by unauthorized persons or for unauthorized purposes, it would be difficult to maintain control over the relevant entities, and we may experience a significant disruption to our and the VIE’s business operations. If a designated legal representative obtains control of the chops in an effort to obtain control over any of our PRC subsidiaries or the VIE, we may need to take legal actions as well as pass new resolutions to regain control of those companies. In addition, there is a risk that we may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a *bona fide* third party relies on the apparent authority of the representative.

Risks Relating to Our ADSs

Our ADS prices and the ADS or stock prices of other educational services providers with business operations primarily in China have fluctuated widely in recent years, which fluctuations could result in substantial losses to investors.

The trading prices of our ADSs are volatile, and this volatility may continue. For instance, between January 1, 2025 and December 31, 2025, our ADS prices as reported on Nasdaq ranged between a low of \$0.71 and a high of \$2.58. Numerous factors that are beyond our control may cause the market price of our ADSs to fluctuate significantly. In particular, the performance and fluctuation of the market prices of other educational services providers with business operations mainly in China that have listed their securities in the United States may affect the volatility in the price of and trading volumes for our ADSs. The trading performance of these Chinese companies’ securities at the time of or after their offerings may affect the overall investor sentiment towards Chinese companies listed in the United States and consequently may impact the trading performance of our ADSs. These broad market and industry factors may significantly affect the market price and volatility of our ADSs, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for specific business reasons. Factors such as variations in our revenues, earnings and cash flow, announcements of new investments, cooperation arrangements or acquisitions, and fluctuations in market prices for our services could cause the market price of our ADSs to change substantially. Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade. We cannot give any assurance that these factors will not occur in the future.

Techniques employed by short sellers may drive down the market price of our ADSs.

Public companies listed in the United States that conduct most of their business in China have been the subject of short selling. Short selling refers to the sale of securities that the seller does not own, but rather has borrowed from a third party with the intent of buying back the same securities at a later date to pay back to the lender. The short seller expects to profit from the decline in the value of the security between the sale of the borrowed security and the purchase of the replacement security, because the short seller expects to pay less when he or she purchases than when he or she sells. In the short seller's interest in the falling price of the security, many short sellers publish, or arrange to publish, negative opinions about the issuer and its business prospects after short selling the security in order to create negative market momentum and generate profits for themselves. In the past, these attacks from short sellers have led to a market sell-off of stocks. Much of the scrutiny and negative coverage has focused on allegations of a lack of effective internal controls over financial reporting, which have resulted in financial and accounting irregularities and mistakes, inadequate corporate governance policies or failure to comply with those policies, and in many cases, allegations of fraud. As a result, many of these companies are currently conducting internal and external investigations into these allegations and have been subject to shareholder litigations and/or SEC enforcement actions in the interim.

We may be the subject of adverse allegations from short sellers in the future. Any such allegation may be accompanied by periods of instability in the market price of our ADSs. If we become the subject of any adverse allegation, whether proven to be true or not, we may need to expend significant resources to investigate the allegation and/or defend ourselves. While we will vigorously defend ourselves against any such attack by short sellers, the manner in which we bring a lawsuit against the relevant short sellers may be limited by free speech principles, applicable federal or state laws, or trade secret issues. This situation can be costly and time consuming and may divert our management's attention from growing our business. Even if such allegations ultimately prove unfounded, the allegations against us could have a material impact on our business operations and shareholders' equity, and the value of any investment in our ADSs could be substantially diminished.

Although publicly traded, the trading market in our ADSs has been substantially less liquid than the ADSs or stock of many companies quoted on Nasdaq, and this low trading volume may adversely affect the price of our ADSs.

Although our ADSs are traded on Nasdaq, the trading volume of our ADSs has generally been very low. Reported average daily trading volume of our ADSs for the three-month period ended February 28, 2026 was approximately 16,305 ADSs. Limited trading volume will subject our ADSs to greater price volatility and may make it difficult for our shareholders to sell their ADSs at a price that is attractive to them, if at all.

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 future ability to raise capital through offerings of our ADSs.

As of March 20, 2026, there were 86.1 million common shares outstanding. In addition, there were issued options to purchase an aggregate of 1,810,298 common shares, including options to purchase an aggregate of 1,735,173 common shares immediately exercisable as of March 20, 2026. All of the ADSs sold in our initial public offering are freely tradable without restriction or further registration under the U.S. Securities Act of 1933, as amended, or the Securities Act, unless held by our "affiliates" as that term is defined in Rule 144 under the Securities Act. If ADSs representing the shares held by our affiliates or that were privately placed are registered for resale or sold in compliance with Rule 144, such sales or the perception of the possibility of such sales may depress the trading prices of our ADSs. In addition, the common shares subject to options for the purchase of our common shares will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, and Rules 144 and 701 under the Securities Act. If these additional shares are sold, or if it is perceived that they will be sold in the public market as ADSs, the trading price of our ADSs could decline.

Our ADSs may be delisted as a result of our failure to meet the Nasdaq continued listing requirements.

On November 27, 2024, the Company received a letter from The Nasdaq Stock Market LLC advising us that we no longer satisfied the \$10 million stockholders' equity requirement for continued listing on the Nasdaq Global Market, as set forth in the Nasdaq Listing Rule 5450(b)(1)(A). The Company regained compliance with this matter by transferring from the Nasdaq Global Market to the Nasdaq Capital Market, effective on May 19, 2025.

[Table of Contents](#)

On May 9, 2025, the Company received a notification letter from The Nasdaq Stock Market LLC advising us that the bid price of the Company's ADSs had closed below the minimum \$1.00 per ADS for 30 consecutive business days and thus no longer met the minimum bid price requirement set forth in Nasdaq Listing Rule 5450(a)(1). On August 7, 2025, the Company was informed by The Nasdaq Stock Market LLC that the Company regained compliance with the minimum bid price requirement.

Even if the abovementioned stockholders' equity deficiency is cured, there can be no assurance that we will maintain our compliance with the stockholders' equity requirement, or the minimum bid price requirement, or any other listing standards of Nasdaq in the future. We cannot guarantee that our ADSs will be eligible for trading on any such alternative exchanges or markets in the United States. If we fail to list our ADSs on other stock exchanges or find alternative trading venues for our ADSs, the market liquidity and the price of our ADSs and our ability to obtain financing for our operations could be materially and adversely affected. As a result, holders of our ADSs could find it difficult to sell their shares.

A significant percentage of our outstanding common shares are held by a small number of our existing shareholders, and these shareholders may have significant influence on us and our corporate actions by virtue of the size of their shareholdings relative to our public shareholders.

One of our existing shareholders, Mr. Xiaofeng Ma, beneficially owns approximately 29.2% of our outstanding common shares as of March 20, 2026. Accordingly, Mr. Ma has had, and may continue to have, significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, the election of directors and other significant corporate actions. In addition, without the consent of Mr. Ma, we could be prevented from entering into transactions that could be beneficial to us.

In addition, as of the date of this annual report, Mr. Xiaofeng Ma owns substantial equity interest in ATA Online. Mr. Xiaofeng Ma also acts as the chairman of the board of directors of ATA Online. A potential conflict of interest may exist as the businesses of ATA Online may require the time and attention of Mr. Xiaofeng Ma and, as a result, his interest may not be well aligned with the interest of our shareholders.

Anti-takeover provisions in our organizational documents may discourage our acquisition by a third party, which could limit your opportunity to sell your shares at a premium.

Our fourth amended and restated memorandum and articles of association include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change of control transactions, including, among other things, the following:

- provisions that provide for a staggered board which operates to prevent a third party from obtaining control of our board in a relatively short period of time because at least two annual shareholders' meetings, instead of one, would generally be required to effect a change in the majority of the board;
- provisions that restrict the ability of our shareholders to call meetings and to propose special matters for consideration at shareholder meetings; and
- provisions that authorize our board of directors, without action by our shareholders but subject to there being authorized and unissued shares or undesignated shares, to issue preferred shares and to issue additional common shares, including common shares represented by ADSs.

These provisions could have the effect of depriving you of an opportunity to sell your ADSs at a premium over prevailing market prices by discouraging third parties from seeking to acquire control of us in a tender offer or similar transactions.

The voting rights of holders of ADSs must be exercised in accordance with the terms of the deposit agreement, the American Depositary Receipts, or ADRs, and the procedures established by the depositary. The process of voting through the depositary may involve delays that limit the time available to you to consider proposed shareholders' actions and also may restrict your ability to subsequently revise your voting instructions.

A holder of ADSs may exercise its voting rights with respect to the underlying common shares only in accordance with the provisions of the deposit agreement and the ADRs. We do not recognize holders of ADSs representing our common shares as our shareholders; instead, we recognize the ADS depositary as our shareholder.

When the depositary receives notice of a shareholders' meeting from us, it will distribute the information in the meeting notice and any proxy solicitation materials to you. The depositary will determine the record date for distributing these materials, and only ADS holders registered with the depositary on that record date will, subject to applicable laws, be entitled to instruct the depositary to vote on the underlying common shares. The depositary will also determine and inform you of the manner in which to give your voting instructions, including instructions to give discretionary proxies to a person designated by us. Upon the receipt of voting instructions of a holder of ADSs, if voting is by poll, the depositary will endeavor to vote on the underlying common shares in accordance with these instructions; if voting is by show of hands, the depositary will vote on the underlying common shares in accordance with these instructions received from a majority of holders of ADSs who provide voting instructions. You may not receive sufficient notice of a shareholder meeting for you to withdraw your common shares and cast your vote with respect to any proposed resolution as a holder of our common shares. In addition, the depositary and its agents may not be able to send materials relating to the meeting and voting instruction forms to you, or to carry out your voting instructions, in a timely manner. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. The additional time required for the depositary to receive from us and distribute to you meeting notices and materials, and for you to give voting instructions to the depositary with respect to the underlying common shares, will result in your having less time to consider meeting notices and materials than holders of common shares who receive such notices and materials directly from us and who vote their common shares directly. If you have given your voting instructions to the depositary and subsequently decide to change those instructions, you may not be able to do so in time for the depositary to vote in accordance with your revised instructions. The depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote.

Except in limited circumstances, the depositary for our ADSs will give us a discretionary proxy to vote our common shares underlying your ADSs if you do not vote at shareholders' meetings, which could adversely affect your interests.

Under the deposit agreement for the ADSs, the depositary will give us a discretionary proxy to vote our common shares underlying your ADSs at shareholders' meetings if you do not vote, unless we notify the depositary that:

- we do not wish to receive a discretionary proxy;
- we think there is substantial shareholder opposition to the particular question; or
- we think the subject of the particular question would have a material adverse impact on our shareholders.

The effect of this discretionary proxy is that, absent the situations described above, you cannot prevent our common shares underlying your ADSs from being voted and it may make it more difficult for shareholders to influence the management of our company. Holders of our common shares are not subject to this discretionary proxy.

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

The depository of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian for our ADSs receives on our common shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our common shares your ADSs represent. However, the depository is not responsible to make a distribution available to any holders of ADSs if it decides that it is unlawful to make such distribution. For example, it would be unlawful to make a distribution to a holder of ADSs if it consisted of securities that required registration under the Securities Act but that were not properly registered or distributed pursuant to an applicable exemption from registration. The depository is not responsible for making a distribution available to any holders of ADSs if any government approval or registration required for such distribution cannot be obtained after reasonable efforts made by the depository. We have no obligation to take any other action to permit the distribution of our ADSs, common shares, rights or anything else to holders of our ADSs. This means that you may not receive the distributions we make on our common shares or any value for them if it is unlawful or unreasonable from a regulatory perspective for us to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

You may be subject to limitations on transfer of your ADSs.

Your ADSs represented by ADRs are transferable on the books of the depository. However, the depository 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 depository 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 depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of our ADSs generally when the books of the depository are closed, or at any time if we or the depository thinks it is advisable to do so because of any requirement of law or any government or government body, or under any provision of the deposit agreement, or for any other reason.

The Company is not a Chinese operating company but a Cayman Islands company, and because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under U.S. federal or state laws, you may have less protection of your shareholder rights than you would under U.S. federal or state laws.

Our corporate affairs are governed by our fourth amended and restated memorandum and articles of association, the Cayman Islands Companies Act and the common law of the Cayman Islands. The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) are made available by the Registrar of Companies in the Cayman Islands for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members. Shareholders of Cayman Islands companies like us have no general rights under the Cayman Islands law to inspect corporate records, or to obtain copies of lists of shareholders of these companies. Under our fourth amended and restated memorandum and articles of association, no member (other than a director) shall have any right of inspecting any of our accounting record or book or document except as conferred by the Companies Act or authorized by the board of directors or the members in general meeting. Under our fourth amended and restated memorandum and articles of association, our register of members shall be open for inspection by members without charge and any other person (for a fee) at such place at which the register is kept in accordance with the Companies Act for such times and on such days as the board of directors shall determine. And as a Cayman Islands exempted company, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq corporate governance requirements; therefore, we may provide less protection to shareholders compared with U.S. domestic issuers.

The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial 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. In addition, some jurisdictions, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a U.S. company.

Certain judgments obtained against us, the VIE or our directors and executive officers by our shareholders may not be enforceable.

The Company is not a Chinese operating company but a Cayman Islands company, and the majority of our assets are located outside of the United States. Substantially all of our current operations are conducted in mainland China. Our directors and executive officers are located in mainland China or Hong Kong, among which, Xiaofeng Ma, our Chairman of the board of directors and Chief Executive Officer, Jun Zhang, our President and director, Ruobai Sima, our Chief Financial Officer, and Haoyu Wang and Zhiping Feng, each an independent director of ours, are located in mainland China, and Andrew Y Yan, our independent director, is located in Hong Kong. A substantial portion of the assets of these individuals are located outside the United States. As a result, it may be difficult, impractical or impossible for you to effect service of process within the United States upon us, the VIE or our directors and executive officers, or to bring an action under the civil liability provisions of the U.S. federal securities laws against us, the VIE or our directors and executive officers in the United States in the event that you believe your rights have been infringed under the U.S. federal securities laws. Even if you are successful in bringing an action of this kind, it may also be difficult, impractical or impossible for you to enforce judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us, the VIE and our directors and executive officers, none of whom is resident in the United States and the majority of whose assets is located outside of the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or China would recognize or enforce judgments of U.S. courts against us, the VIE or our directors and executive officers predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, there is uncertainty as to whether such Cayman Islands or Chinese courts would be competent to hear original actions brought in the Cayman Islands or China against us, the VIE or our directors and executive officers predicated upon the securities laws of the United States or any state. See “Item 3. Key Information — Enforceability of Civil Liabilities” for a more detailed analysis on the enforceability.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

In September 2006, we incorporated ATA Inc. in the Cayman Islands, which became our ultimate holding company in November 2006. We completed our initial public offering in 2008, with ADSs listed on the Nasdaq Global Market with the trading symbol of “ATAI”.

In 2019, we completed the acquisition of 100% equity interests of Huanqiyuimeng, a leading provider of educational services for students in China interested in applying for overseas art study, and in connection with such acquisition, we changed the name of our Cayman holding company from “ATA Inc.” to “ATA Creativity Global” and the trading symbol for our ADSs listed on Nasdaq from “ATAI” to “AACG.”

In May 2025, we transferred the listing of our ADSs from the Nasdaq Global Market to the Nasdaq Capital Market.

In January 2026, we completed a registered direct offering of 11,067,547 ADS at the price of \$0.8 per ADS (equivalent to \$0.4 per Common Share) to three purchasers. The gross proceeds to the Company from the registered direct offering were approximately \$8.85 million before deducting offering expenses payable by the Company.

For an organizational structure of the Company, its subsidiaries and the VIE and a detailed description of the Company’s significant subsidiaries, see “Item 3. Key Information — Our Corporate Structure.”

Corporate Information

The Company is a Cayman Islands exempted company limited by shares, operating under the Companies Act of the Cayman Islands. The principal executive offices of our China businesses is Rm. 507, Bldg. 3, BinhuzhuoyueCheng, WenhuaKechuangYuan, Huayuan Blvd. 365, Baohe, Hefei, Anhui 230051, China, and our telephone number is (86-551) 6513-5763. Our primary website address is <http://www.atai.net.cn>. The information on our websites does not form a part of this annual report. On February 1, 2008, the Company completed the initial public offering, which involved the sale by the Company of 4,874,012 of our ADSs, representing 9,748,024 of the Company's common shares. Our agent for service of process in the United States is CT Corporation System, located at 111 Eight Avenue, New York, New York 10011. The SEC maintains an internet site at <http://www.sec.gov> that contains electronic reports, proxy and information statements, and other information regarding us and other issuers that file electronically with the SEC. For information regarding our principal capital expenditures, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures."

Our Consolidated Variable Interest Entity

The VIE was established in March 2018 to preserve our flexibility to operate, invest in or hold businesses that are restricted from receiving foreign investments. As of the date of this annual report, the VIE is not engaged in any business operations itself. Our primary business operations, including our portfolio training business, research-based learning services, overseas study counselling services and other educational services, are conducted primarily through our PRC subsidiary Huanqiuyimeng and its subsidiaries. 69.04% of the equity interests of Huanqiuyimeng is indirectly owned by the Company through a wholly owned BVI holding company, and 30.96% equity interests of Huanqiuyimeng is owned by the VIE. Currently, the VIE also holds 70% equity interests in Beijing Zhenwu, a PRC company established in August 2021 for purposes of developing and marketing our project-based learning services in the form of short-term art courses but has no business operations as of the date of this annual report. Other than holding 30.96% equity interests in Huanqiuyimeng and 70% equity interests in Beijing Zhenwu, the VIE also holds minority investments in two other PRC companies.

We, through the WFOE, entered into a series of contractual arrangements with the VIE and the shareholders of the VIE, which we refer to as the VIE Agreements. As a result of the VIE Agreements, we have the power, through the WFOE, to direct activities of the VIE that most significantly impact the economic performance of the VIE; and the obligation to absorb the losses and the right to receive benefits of the VIE that could potentially be significant to the VIE. As such, we became the primary beneficiary of the VIE for accounting purposes and must consolidate the VIE under U.S. GAAP.

The VIE Agreements allow us to:

- exercise all rights of shareholders of the VIE;
- exclusively provide specified technical and consulting services to the VIE and receive consulting fees from the VIE; and
- have an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by PRC law.

In the opinion of Jincheng Tongda & Neal Law Firm, our PRC legal counsel:

- the ownership structures of the VIE and our wholly owned subsidiaries in China are in compliance with existing published PRC laws and regulations;
- our contractual arrangements among our wholly owned subsidiaries in China and the VIE and its shareholders, are valid and binding, will not result in any material violation of published PRC laws or regulations currently in effect, and are enforceable in accordance with their terms and conditions; and
- the business operations of our Company and all of our PRC subsidiaries, as described in this annual report, are in compliance with existing published PRC laws and regulations in all material aspects.

However, operational control through these contractual arrangements may be less effective than direct ownership as the VIE's shareholders may fail to perform their obligations under the contractual arrangements, and we could incur substantial costs in enforcing these contractual arrangements if we are able to enforce these contractual arrangements at all. Our rights under the VIE Agreements have not been tested in a court of law, and we cannot assure you that a court would enforce our contractual rights. In addition, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations, and rules relating to such contractual arrangements, including potential future actions by the PRC government, which could affect the enforceability of our contractual arrangements with the VIE and consequently significantly affect our financial condition and results of operations. If the PRC government finds such agreements non-compliant with relevant PRC laws, regulations, and rules, we could be subject to severe penalties or be forced to relinquish our interests in the VIE or forfeit our rights under the contractual arrangements. See "Item 3.D. Risk Factors — Risks Relating to our Corporate Structure."

Contractual Arrangements with the VIE

The following is a summary of the currently effective VIE Agreements.

Agreements that Allow Us to Exclusively Exercise All Rights of Shareholders of the VIE

Powers of Attorney. On March 15, 2018, Xiaofeng Ma and Haichang Xiong, both of which were the then shareholders of the VIE, granted an irrevocable power of attorney to the WFOE. On August 12, 2020, the power of attorney granted by Haichang Xiong to the WFOE terminated as a result of the equity interest transfer by Haichang Xiong to Jun Zhang in the VIE. On the same day, Jun Zhang, as the new shareholder of the VIE, granted an irrevocable power of attorney to the WFOE on the same terms as the power of attorney previously granted by Haichang Xiong to the WFOE. Pursuant to the irrevocable powers of attorney granted by Xiaofeng Ma and Jun Zhang to the WFOE, each of the shareholders of the VIE appointed the WFOE or any eligible person designated by the WFOE as his attorney-in-fact to exercise all voting rights and other shareholder rights of the VIE, including but not limited to, appointing or electing their directors and executive officers. The person designated by the WFOE is entitled to sign the transfer documents necessary for the fulfillment of the exclusive technical consulting and services agreement and the call option and cooperation agreement, and to join the liquidation group and participate in the liquidation of the VIE. The term of the powers of attorney shall be consistent with the terms of the equity interest pledge agreements and call option and cooperation agreement and shall be extended along with the equity interest pledge agreements and call option and cooperation agreement.

Agreements that Allow Us to Have Sole and Exclusive Rights to Provide Specified Technical and Consulting Services to the VIE and Receive Certain Consulting Fees from the VIE

Exclusive Technical Consulting and Services Agreement. On March 15, 2018, the WFOE and the VIE entered into an exclusive technical consulting and services agreement. Pursuant to the exclusive technical consulting and services agreement, the WFOE has the sole and exclusive right to provide specified technical and consulting services to the VIE. The WFOE and the VIE agreed that the intellectual property rights created by the WFOE in the course of performing this agreement, including, without limitation, any copyrights, trademarks or logos, registered or not, patents and proprietary technology, shall belong to the WFOE. The consulting fee payable by the VIE to the WFOE shall be confirmed by the WFOE in writing and be calculated based on the actual time spent by the WFOE in providing services to the VIE on a quarterly basis. The consulting fee shall be settled on a quarterly basis, and at the end of each year, the WFOE shall confirm the total consulting and other fees incurred for the year in writing, and the VIE shall settle any outstanding fees on a timely basis. This agreement shall continue for a period of 30 years from March 15, 2018 and shall be automatically extended for another 10 years unless the WFOE gives written notice terminating this agreement three months before the expiration of this agreement.

Agreements that Provide Us with the Option to Purchase the Equity Interest in or the Assets of the VIE

Call Option and Cooperation Agreement. On March 15, 2018, the WFOE, the VIE and Xiaofeng Ma and Haichang Xiong, both of which were the then shareholders of the VIE, entered into a call option and cooperation agreement, or the Prior Call Option and Cooperation Agreement. On August 12, 2020, the Prior Call Option and Cooperation Agreement terminated as a result of the equity interest transferred by Haichang Xiong to Jun Zhang in the VIE. On the same day, Jun Zhang, as the new shareholder of the VIE, together with Xiaofeng Ma, the WFOE and the VIE entered into a new call option and cooperation agreement on the same terms as the Prior Call Option and Cooperation Agreement. Pursuant to the new call option and cooperation agreement, when permitted by applicable law, the WFOE (or any eligible party designated by the WFOE) shall have the right to acquire, at any time, all of the VIE's assets or its share equity owned by the shareholders of the VIE, at a price equal to the sum of the principal amounts of the loans from the WFOE to the shareholders of the VIE. If the WFOE elects to purchase a portion of the VIE's share equity or assets, the exercise price for such purpose shall be adjusted accordingly based on the percentage of such share equity or assets to be purchased relative to the total share equity or assets. Without the prior written consent of the WFOE, the VIE may not sell or otherwise dispose of its assets or interests in its business, create or allow any encumbrance on its assets or interests in its business, enter into any material contracts (except those contracts entered into in the ordinary course of business), or distribute dividends to the shareholders. The new call option and cooperation agreement was effective upon the execution date and remain effective thereafter.

Loan Agreements. On March 15, 2018, Xiaofeng Ma and Haichang Xiong, both of which were the then shareholders of the VIE, respectively entered into a loan agreement with the WFOE. Pursuant to the loan agreements, the WFOE made loans in an aggregate principal amount of RMB10.0 million to the shareholders of the VIE solely for the capitalization of the VIE. The shareholders of the VIE can only repay the loans by transferring all their equity interest in the VIE to the WFOE or its designated persons. In the event that the shareholders of the VIE transfer their equity interests to the WFOE or its designee at a price equivalent to or less than the principal amount of the loans, the loans will be interest free. If the price is higher than the principal amount of the loan, the excess amount will be paid to the WFOE as loan interest. The maturity date of the loans is on the tenth anniversary of the execution date of the relevant loan agreement. The terms of the loans can be extended with the written consent of the WFOE and the VIE. On March 19, 2019 and April 20, 2019, the WFOE, the VIE and each of Xiaofeng Ma and Haichang Xiong entered into two supplementary agreements to such VIE Agreements, pursuant to which the aggregate principal amount of loans made by the WFOE to the shareholders of the VIE for the capitalization of the VIE increased from RMB10.0 million to RMB50.0 million with all other terms and conditions under such VIE Agreements remaining unchanged. On August 12, 2020, the loan agreement entered by Haichang Xiong with the WFOE, and the rights and obligations of Haichang Xiong under the two supplementary agreements terminated as a result of the equity interest transfer by Haichang Xiong to Jun Zhang in the VIE, and Haichang Xiong repaid his borrowing of RMB5.0 million under such agreements to the WFOE on August 17, 2020. On August 12, 2020, Jun Zhang, as the new shareholder of the VIE, entered into a new loan agreement with the WFOE on the same terms as the loan agreement and the two supplementary agreements previously entered by Haichang Xiong and borrowed RMB5.0 million from the WFOE on August 17, 2020 pursuant to the aforementioned loan agreement.

Agreements that Guarantee the Performance of the VIE and Its Shareholders' Obligations

Equity Interest Pledge Agreements. On March 15, 2018, Xiaofeng Ma and Haichang Xiong, both of which were the then shareholders of the VIE, respectively entered into an equity interest pledge agreement with the WFOE and the VIE. Pursuant to the equity interest pledge agreements, each of the shareholders of the VIE has pledged all of his equity interest in the VIE to guarantee his and the VIE's performance of obligations under, where applicable, the exclusive technical consulting and services agreement and the call option and cooperation agreement. If the VIE or the shareholders of the VIE breach their contractual obligations under these agreements, the WFOE, as pledgee, will have the right to acquire the pledged equity interests. The shareholders of the VIE agree that, during the term of the equity interest pledge agreements, they will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests, and they also agree that the WFOE's rights relating to the equity pledge should not be suspended or hampered by the shareholders, their successors or their designees. During the term of the equity interest pledge agreements, the WFOE has the right to receive all of the dividends and profits distributed on the pledged equity. The term of the equity interest pledge agreements commenced on March 15, 2018 and shall expire on the earlier of (a) the date on which all outstanding secured obligations are paid in full or otherwise satisfied (as applicable); (b) the WFOE enforces the equity interest pledge agreements, pursuant to the terms and conditions, to satisfy its rights regarding the secured obligations and pledged collateral in full; or (c) the shareholders of the VIE complete their transfer of the equity interest to another party (individual or legal entity) pursuant to the applicable call option and cooperation agreement and no longer hold any equity interests in the VIE (together with (a) and (b), the "Expiration Conditions"). The VIE has registered these equity interest pledge agreements with the competent SAMR on April 27, 2018. The registration of the equity pledge enables the WFOE to enforce the equity pledges against third parties who acquire the equity interests of the VIE in good faith. According to the equity transfer agreement entered into by Haichang Xiong and Jun Zhang on August 12, 2020, Haichang Xiong transferred all his equity interest in the VIE to Jun Zhang, as well as his obligations and rights under the equity interest pledge agreement entered into by himself. On the same day, Jun Zhang, as the new shareholder of the VIE, entered into a new equity interest pledge agreement with the WFOE and the VIE on the same terms as the equity pledge agreement previously entered into by Haichang Xiong. The term of the equity interest pledge agreements entered into by Jun Zhang commenced on August 12, 2020 and shall expire on the earlier of the Expiration Conditions. The VIE has registered the equity interest pledge agreement entered into by Jun Zhang with SAMR on February 26, 2021.

B. Business Overview

Overview

We are an international educational services provider focusing on providing quality international educational experiences related to the cultivation and improvement of students' creativity. Currently, our principal product and service are portfolio training services which we provide to students in China who are interested in studying art overseas. We believe we are one of the leading players in the portfolio training market in many regards, including geographic coverage, product breadth and student enrollment, among others. To achieve our one-stop service strategy, we also provide research-based learning services, overseas study counselling services, in-school art classes through cooperation with high schools and training organizations, junior art education and other related educational services to our students. We have successfully helped around ten thousand students in China gain entry into art universities and colleges in the U.S., UK, Europe, Japan, Australia and other countries as of December 31, 2025, among which quite a few gained entry into top art universities and colleges in these countries. In December 2024, we were honored with the title of "Annual Reputable International Education Brand" at the Sina Weibo 2024 Education Awards, which recognized our impact and influence in the industry. While working on developing new international education related products and services, we are also exploring acquisition opportunities in the international education sector to broaden our product spectrum. In 2025, we were recognized by Forbes China as a Leading Brand in the Study-Abroad Industry.

For the fiscal year ended December 31, 2025, we had 4,127 students enrolled, of which 56.6% were enrolled in our portfolio training programs and the remainder were enrolled in our other programs. We deliver educational services to students primarily through our extensive network of training centers in China.

Our total net revenues for the fiscal year ended December 31, 2025 were RMB 268.11 million (\$38.3 million). Net revenues from our portfolio training services, research-based learning services, overseas study counselling services, and other educational services accounted for 70.1%, 7.3%, 13.4% and 9.2%, respectively, of our total net revenues in the fiscal year ended December 31, 2025. Our total net loss for the fiscal year ended December 31, 2025 was RMB 48.0 million (\$6.87 million). Our total net revenues for the fiscal year ended December 31, 2024 were RMB268.1 million. Net revenues from our portfolio training services, research-based learning services, overseas study counselling services, and other educational services accounted for 74.4%, 5.6%, 12.0% and 8.0%, respectively, of our total net revenues in the fiscal year ended December 31, 2024. Our total net loss for the fiscal year ended December 31, 2024 was RMB36.1 million. Our total net revenues for the fiscal year ended December 31, 2023 were RMB221.6 million. Net revenues from our portfolio training services, research-based learning services, overseas study counselling services, and other educational services accounted for 75.1%, 2.9%, 13.1% and 8.9%, respectively, of our total net revenues in the fiscal year ended December 31, 2023. Our total net loss for the fiscal year ended December 31, 2023 was RMB33.7 million.

Our Programs, Services and Products

We provide a wide variety of creative arts-related international educational services to our students. Our services include portfolio training services, research-based learning services, overseas study counselling services and other educational services. Catering to the different needs of our customers, these services can be offered in a bundle setting or separately. We update and expand our service offerings frequently in response to the evolving market needs and the relationship between China and the U.S. or other countries related to our services and business.

Portfolio Training Services

In addition to meeting the academic and language proficiency requirements, overseas art universities and colleges typically require a practical art portfolio as part of the application process. A portfolio is a collection of artwork that shows how a candidate's skills and ideas have developed over a period of time and helps universities and colleges evaluate the candidate's potential. A portfolio can be in digital or hardcopy reproductions or original artwork, depending on the requirements of overseas art schools and personal preference of students. A portfolio usually consists of three to five sections, of which requirements and expectations vary by schools and programs; some have strict criteria while others are open and flexible. The variation in requirements and expectations may leave students with uncertainty about how to proceed with the preparation of their portfolios. Even when criteria are clear, applicants may feel overwhelmed and wonder what to draw, paint, make or create, which media to use and how to best select and present their artwork. Compared to other requirements, portfolio preparation is the most difficult but important step in overseas art subject's application, and thus has generated market needs for professional portfolio training services.

The portfolio training market in China has witnessed growth in recent years, primarily due to increasing ability of Chinese families to afford overseas education, higher recognition of the value of art, more career opportunities for art specialists, the low admission rates of top domestic art universities and colleges, and growing market awareness and recognition of professional portfolio training services. For these reasons, we believe that portfolio training market has room to grow going forward. In addition to being one of the leading players in the portfolio training market, we have gained a strong reputation in the market for our professional services and premier offer rates.

Our Portfolio Training Courses

We provide customized and systematic portfolio training services to our beginner, intermediate and advanced students. When a student applies for our portfolio training program, a study mentor will be assigned to such student to assess his or her educational background, art-related skills, creativity and innovation abilities and personal interests. Based on the assessment results and preferences of the student, the study mentor will help the student select an area of art to specialize in, configure a tailored training plan and assign one or more professional art teachers in the specialization for his or her training. The training plan will outline what types of programs to attend, how many credit hours are needed and whether research-based learning programs and overseas education application consulting services are needed. After the training plan is completed, the assigned professional art teachers (including domestic and international professors and masters in relevant art industry) will structure and develop a tailored program schedule and curriculum for the student and guide him or her through the preparation of a portfolio step by step. Generally, our programs are structured to include fundamental courses, creativity courses and professional courses. Credit hours needed to finish each type of course may vary by student due to differences in their educational background, art-related skills, creativity and level of innovation as well as class performance.

[Table of Contents](#)

Fundamental courses. In fundamental courses, students will learn and practice the basic skills required in the specialization they have selected under the instructions and supervision of our teachers. For example, students in fashion design, architectural design or fine arts area will learn and practice elementary drawing skills and techniques in their fundamental courses.

Creativity courses. In creativity courses, our teachers will guide and instruct students to practice observational drawing or other forms of artwork that can be included in a portfolio, and work with them to select the materials and media to present in a portfolio. Observational drawing is a realistic representation of an object or scene that has been viewed directly in real life, as opposed to something that has been imagined or drawn from a photograph. It can be produced using any medium or combination of media such as graphite pencil, charcoal, pen, ink and/or paint. Observational drawing is essential for applicants in many specializations. Our teachers will give guidance on the selection of subject matter, as well as advice on the different angles, media and styles of observational drawing. Apart from observational drawing, there are other forms of artwork that can be included in a portfolio; for example, three-dimensional sculptures, installations, casts and/or model constructions made from cardboard, paper, wire, wood or other materials can be included in a portfolio for architectural design. Our teachers will guide students through the selection of materials and media to work on their artwork.

Professional Courses. In professional courses, students will learn how to create a portfolio step by step under the guidance and supervision of our teachers. The whole process primarily includes theme development, research, artwork creation and refinement, artwork selection, and portfolio presentation and composition. Students will first develop a theme for their portfolio, and then drill down to develop the theme into more detailed and symbolic ideas. Students will conduct research to explore and refine the ideas generated previously. After research, they will make preliminary pieces reflecting the content and structure of their ideas and refine such artwork in subsequent rounds. Students will make a few pieces of artwork for the purpose of selecting the best ones to be included in their portfolios. When the selected pieces are in place, students will put them together in a professional, coherent and aesthetically pleasing layout. Our teachers will give advice and directions to students along the whole process to ensure that their portfolios are creative, well-developed and meet the admission requirements and expectations of the universities or colleges for which the students apply.

Currently, the majority of our creativity and professional courses are delivered through a one-on-one model. We plan to develop more small-sized classes going forward to improve our teaching efficiency and profit margin, especially for fundamental courses where most of the course content can be standardized.

Generally, our courses are conducted offline and delivered through our nation-wide training center network. We also conduct online courses for certain portfolio training programs through third-party platforms when offline courses are less accessible; as an example, we provide online courses for students applying for art schools in Japan.

Generally, our portfolio training programs vary from one to three years in duration, primarily depending on the needs of the students, which are driven by the admission deadlines of the schools they plan to apply for. Our portfolio training programs consist of time-based programs and project-based programs. Students who elect the time-based program enroll in a certain number of consulting/training hours, whereas students who elect the project-based programs have no consulting/training hour constraint but will be guided through a certain number of projects needed to complete a portfolio. Under project-based programs, the number of credit hours required to complete a project may vary depending on the background and requirements of the students.

Our Portfolio Training Specializations

We provide customized portfolio training services in different creative arts related specializations. Portfolio requirements for different specializations may share some common criteria but are different in many perspectives. For example, although observational drawing is required or useful for both architecture and fashion design, architecture design students will focus more on observational drawings of city scenes or building interiors, while students in fashion design will focus more on drawing clothing on models. For digital arts, such as animation and games, the admission staff of overseas art schools like to see candidates' technological awareness and the capability to work with a range of digital platforms, along with traditional observational drawing. We primarily provide portfolio training in the following nine art specializations.

Architectural & Space. Our architectural & space portfolio training mainly includes training in the areas of architecture and landscape design, interior and spatial design and city planning. An architectural space portfolio typically includes evidence of creativity using a range of media, such as 3D composition, installations, models of buildings, 3D modeling, spatial plans, design blueprints and strong observational drawing skills showing a student's ability to represent space, perspective and 3D form.

[Table of Contents](#)

Visual Communication. Our visual communication portfolio training mainly includes training in the areas of graphic design, brand visual identity design, user interface design and illustration. A visual communication portfolio typically includes visual identity design, web/user interface design, font design, package design, illustration design, logo design, book design and poster design.

Industrial & Interaction Design. Our industrial & interaction design portfolio training mainly focuses on product design, furniture design, user experience design, game design, service design, human/computer interaction, information design, virtual reality and interactive media. An industrial & interaction design portfolio typically includes artwork in both 2D and 3D that showcases strong practical, analytical and communication skills, as well as the technical and conceptual ideas and self-motivation capability of the student.

Film & Drama. Our film & drama portfolio training mainly includes training in the areas of stage design, property design, film making, film & television production, film editing, screen writing, theatre directing, film directing and performance studies. Making film and drama combines many different skills including performing arts, music, literature and writing. As a result, the requirements and format of a film & drama portfolio may be quite different from other specializations. For example, a film portfolio may be submitted in the format of a short video via DVD or flash drives or as URL links to YouTube, or embedded on a personal website or blog.

Digital Arts. Our digital arts portfolio training mainly includes training in the areas of animation, computer art, visual effects, game design, concept design and digital comics. A digital arts portfolio typically includes storyboards, character designs, 3D character modeling, scene design, design sketches, figure drawing, short animated films, short essays regarding games and finished key frames.

Music. Our music portfolio training mainly includes training in the areas of vocal music, instrumental music and music education. A music portfolio typically includes videos or recordings of musical work.

Fine Arts. Our fine arts portfolio training mainly includes training in the areas of sculpture, printmaking, painting & drawing, photography, performance art, artistic installation, ceramics & glass, imaging art and contemporary curating. A fine arts portfolio typically includes a series of paintings and drawings, crafts, contemporary installations or a series of photographs showing the foregoing.

Art theory & administration. Our art theory & administration portfolio training mainly includes training in the areas of art history, art education, art curating, arts administration and art management. An art theory & administration portfolio typically includes an arts study proposal and an art history writing sample.

Fashion & Jewelry. Our fashion & jewelry portfolio training mainly includes training in the areas of fashion design, fashion management, fashion merchandising, jewelry design, metalsmithing and accessories design. A fashion & jewelry portfolio typically includes fashion illustration, design sketches, pattern cutting & tailoring, textiles design, metalsmithing, jewelry design, accessory design and a final photo shoot.

Undergraduate Foundation Course Programs

As most students applying for undergraduate studies at art universities and colleges in the U.K. and other European countries need to take foundation courses offered by such universities and colleges before formal admission, to provide students with flexibility and convenience, and as an extension to our portfolio training services, since 2021, we have developed foundation courses recognized by certain overseas art universities and colleges that allow students to fulfill such requirements locally in China. As of the date of this annual report, our foundation courses have been recognized by 12 overseas universities, including Bath Spa University, Bournemouth University, De Montfort University, Kingston School of Art of Kingston University, Manchester Metropolitan University, Nottingham Trent University, Teesside University, Winchester School of Art of University of Southampton, Middlesex University, Brunel University London, Arts University Bournemouth, and Raffles College of Higher Education (Singapore).

Research-Based Learning Services

We have offered research-based learning, mainly including overseas educational travel services, to our portfolio training students and other students since 2014. Over time, we have expanded our offerings to include domestic educational travel services and other research-based learning programs, as well as online components for certain programs. The research-based learning market in China enjoyed an increase over the past several years, mainly due to the growing demand for high-quality out-of-classroom education and the increasing affluence of Chinese families. The art-themed research-based learning market in China is still developing and has high growth potential. We are looking to expand our overseas and domestic partnerships to develop more overseas and domestic educational travel and other research-based learning programs with different destinations and themes at variable length of time to match the needs of the growing market.

By providing research-based study through different learning styles in our research-based learning services, we bring art-related learning experiences to students of all ages and backgrounds. Traveling while researching and learning will help broaden students' horizons, enrich students' experiences, develop students' interest in art, and improve students' practical skills in art industry. Most applicants for overseas art programs have research-based learning experience or have showed interest in research-based learning services, as including valuable research-based learning experience or recommendation letters received after completing the projects creates highlights in their applications for overseas studies. Our research-based learning services currently are more directed towards students who are interested in studying art overseas, which enhance their skills and background while taking our portfolio training programs and overseas study counselling services simultaneously. We intend to expand our research-based learning services to serve a broader range of students who are interested in art going forward.

[Table of Contents](#)

The types of research-based learning services provided by us mainly include academic educational learning, workshop experience, themed educational travel and other research-based learning programs. Typically, the duration of the services is from one to four weeks. Our overseas travel-related services focus on destinations such as the United States, the United Kingdom, Japan, Italy and other European countries, while we also offer domestic educational travel services within China. In 2025, we held various overseas programs, destinations of which included the United States, Japan, and the United Kingdom. Similar to 2024, we held the University of the Arts London (UAL) Summer School Program. The program included various short courses for students to choose from, and tours to prestigious universities and well-known museums and art galleries. Apart from the UAL Summer School Program, we conducted two campus study tour activities in the United States in August 2025. Among these, the “Berklee Music Performance Summer Program” provided students with the most comprehensive music performance experience, gathering musicians from over 70 countries in Boston for an unforgettable summer. The August Ivy League Art Campus Tour included visits to 10 universities and arts institutions, such as Harvard University and Yale University, with premium college access session, and four mentor luncheons with industry leaders such as Warner Bros. and Netflix. These programs aimed to help students get the most authoritative application guidance, lay a solid foundation for their future application to their dream schools, and be able to experience the practice and wisdom of the industry.

Academic Educational Learning. We provide students with learning experience in reputable art schools, or chances to learn from famous professors or masters from various art industries through our multiple academic educational learning programs. Our academic educational learning services target high school or undergraduate students who intend to study abroad. Typically, our programs include summer camp and winter camp programs where students will visit reputable art schools and take specialized art courses taught by famous professors. We also invite admissions officers who are in charge of recruiting candidates to meet and communicate with students. We also provide online certificate programs where students attend courses jointly delivered by us and overseas prestigious art schools we have partnered with, and at the end of which, students will receive certificates from these art schools indicating their completion of the online certificate programs.

Workshop Experience. We provide students with on-site and online workshop experiences in professionals’ studios or by working on art projects at our partner universities. Students practice in the areas they are interested in during the workshop and gain practical experience. Our workshop experience targets high school or undergraduate students who intend to study abroad.

Themed Educational Travel. We organize and guide students to local or overseas museums, art galleries, cultural relics, etc. in themed educational travel programs, during which we teach relevant knowledge to cultivate students’ interest in art, or guide students to conduct research online or on-site on specific art themes. For example, in July 2025, we organized students to conduct field research in Dunhuang, Gansu Province, visiting Mogao Caves, studying the skillful sculpture and mural paintings, and creating painted sculptures and mineral ore paintings. In August 2025, we also organized students for a field trip in west Sichuan Province, learning from inheritors of intangible cultural heritage about Thangka painting, admiring the murals and sculptures of ethnic minority group, and experiencing stone carving and coloring. Students also had the chance to talk to sky burial masters and learn about different views of life. Themed educational travel is suitable for students at all ages, and especially attractive to lower age groups where the primary goals are to broaden their horizons, cultivate their interest in art and help them acquire art-related knowledge and appreciations.

Overseas Study Counselling Services

We primarily offer art-related overseas study counselling services to students as part of our comprehensive service package. The overseas study counselling market in China has witnessed growth in recent years, driven by the rapid growth of students looking to study overseas. Riding on the demand of overseas study, we believe art-related overseas study counselling services will have considerable growth potential as well. Being a portfolio training service provider, we possess professional knowledge in choosing art schools and programs and will better serve students applying in this area. We provide counselling advice in both academic and practical aspects and help students make decisions from the application stage through to the admission stage. Typically, our services include the following:

- *Background Development.* We set a customized timetable for applicants, which mainly includes scheduling for portfolio preparation, language tests, internships and paperwork preparation. We also recommend and introduce our other services to the applicants according to the needs of such applicant.
- *University and Program Selection.* We offer guidance on university and program selection based on the individual academic background, personality, career goal and other factors of each student.

[Table of Contents](#)

- *Paper Writing.* We help students develop professional content and logical layout of their personal statements, resume, recommendation letters and other paperwork for art school applications.
- *Interview Simulation.* We provide sample interview questions that have previously been used and help students practice the interview process.
- *Application Preparation.* We present a checklist of documents required in school applications for students to prepare, such as graduation certificate and proof of deposits.

Other Educational Services

In-School Classes. In order to attract potential students at younger ages and expand our array of products, we partner with international schools to establish in-school art-related classes. We typically provide professional art teachers and customized art course content in these partnerships. Our goal is to cultivate and enhance students' interest in art at an early age and foster purchasing our products of portfolio training services, research-based learning services, overseas study counselling services and other educational services. In addition, we also seek to partner with domestic universities to carry out joint art education programs with overseas universities or colleges for undergraduate students, where we are typically responsible for student admission, program application and filing with governmental authority in mainland China, and establishment of connection with overseas art universities or colleges.

Our Teachers

We are equipped with a team of professional art teachers who are specialists in different areas and who work either full-time or part-time for the delivery of our programs. As of December 31, 2025, we have a total of 1130 teachers, including 142 full-time employees and 988 part-time teachers who are academics from universities and colleges or designers with private studios within their respective specializations. Most of our teachers have graduated from reputable domestic or overseas universities with master's degrees in China, the United Kingdom, the United States, Japan or other countries. Around 47.2% of our full-time teachers have over five years of related experience in the art industry, while around 57.8% of our full-time teachers have over three years of related experience. Our part-time teachers are generally experienced and have been working in the art industry for years. Most of our part-time teachers are experts in the relevant industries or teachers from prestige art schools and institutions who are familiar with the latest development in the relevant industries.

We have adopted a quantitative approach to comprehensively assess our teacher candidates on a wide set of criteria, including, among others, educational background, professional abilities, teaching skills, previous teaching experience and communication skills. Since 2020, we have established a centralized management system to allocate the national teaching resources for our domestic training center network, through which we manage and oversee the procurement sharing and development of teaching resources as well as to ensure consistency in the quality of our education. Currently, we rank our full-time teachers of portfolio training services in 10 levels, classified by educational background, social experience, teaching completion efficiency and teaching quality, and we offer different salary and compensation for teachers at different levels. The top five levels constitute around 86.7% of our full-time teachers. During the daily operations, we will flexibly adjust the teaching form and course arrangement of different levels of teachers to meet the actual needs of different students.

Our teachers deliver courses to students to equip them with fundamental knowledge and skills, aesthetic appreciation for art, creative thinking capabilities, critical thinking abilities, professional skills, craftsmanship, software techniques and studio practice skills. We have also developed a systematic orientation training program and on-the-job training sessions, which reinforce the capabilities of our instructors to deliver our services effectively and assist students with learning efficiently. Our teachers' retention, compensation and promotion are largely based on their performance. We offer our teachers performance-based compensation packages and provide them with career advancement prospects within ACG. We intend to continue leveraging our teaching resources within our nationwide network to ensure consistency in teaching quality.

Research and Curriculum Development

We have devoted significant resources to continuous research and curriculum development. We have a dedicated and experienced research and curriculum development team composed of a number of curriculum development specialists and professional art teachers who analyze market demand, study cutting-edge developments and related techniques, and develop the most appropriate curriculum and teaching methods to provide up-to-date and quality education services to our students.

Our research and curriculum development process mainly includes the following:

Research. Our R&D team periodically conducts market research to study market needs, the cutting-edge knowledge required in each field of the creative arts, and information of similar or related services and products in the market, which are then used to tailor our curriculum and education plans. Our R&D team also pays visits to domestic universities and professional art colleges and researches their courses to capture the knowledge or technical skills that are not covered in their curriculum but are expected in overseas art subjects' applications. In addition, our R&D team will research the requirements and admission focuses of overseas art schools to tailor our services and products to closely match such requirements and admission focuses.

Curriculum Design and Development. After comprehensive market research and study, our R&D team converts the information they collect into new portfolio training themes, curricula and training materials after extensive discussion with our professional art teachers. We also establish new training courses to fill the knowledge and technical skill gap between the art courses provided by domestic universities and professional art colleges and the requirements and expectation on applications for overseas art programs.

Curriculum Test and Optimization. After completing the design and development process, our R&D team tests the new themes, curricula or teaching materials within a relatively small range of classes and collects feedbacks from teachers, students and parents to revise and upgrade new content before we bring it to market. Our R&D team also regularly revises and upgrades our training materials and curricula post-development to better serve market needs and improve the quality of our services.

Our Customers

Our customers primarily consist of high school and undergraduate students who intend to pursue overseas undergraduate or graduate art studies. For our portfolio training services, research-based learning services and overseas study counselling services, our customers are mainly high school and undergraduate students. We also provide services to certain other students. For in-school classes, we mainly target junior-level high school students, who may be interested in pursuing creative art studies in the future. For junior art education, our primary customers are junior students from ages three to 12. We plan to extend our service life-cycle and expand our customer range, through adjusting our products and introducing new services, such as internships, opportunities or employment referrals for job-hunting candidates, interest-based learning courses for the younger market, etc.

High School Student Customers. We provide portfolio training services, research-based learning services, overseas study counselling services and other educational services to high school students who aim to pursue overseas undergraduate studies in art. High school students enrolled in our services are mainly from private bilingual high schools or the international classes of public high schools. Compared with undergraduate students, high school students generally have relatively weaker foundations of art-related knowledge and skills, and possess less information on how to apply for overseas art programs; thus many of them prefer purchasing a full set of our services, which can comprehensively enrich their artistic knowledge, improve their artistic thinking and perception, enhance their professional skills and provide them with information on applying for overseas art programs. Without their own source of income, almost all high school students are sponsored by their families who tend to be less price sensitive but more concerned with application results.

Undergraduate Student Customers. We primarily provide portfolio training services, research-based learning services, overseas study counselling services and other educational services to undergraduate students who aim to pursue overseas graduate studies in art. The majority of the undergraduate students enrolled in our services have studied art-related majors in domestic universities or professional art colleges and aim to pursue overseas graduate studies in the arts, while the remaining have studied in other majors but desire to transfer to art programs in overseas graduate schools. Most undergraduate students have gained a certain amount of art-related expertise during their undergraduate art studies. As a result, while they still rely on our services, resources and guidance to improve their applications for overseas art programs, they tend to care more about the cost-effectiveness of our services and products and usually only purchase the types of our services they need instead of purchasing for the full package.

Other Customers. For the fiscal year ended December 31, 2025, we also had enrollments from other students and non-student customers besides high school and undergraduate students. These customers covered a wide range in age and primarily enrolled in our research-based learning and junior art education programs.

Our Training Center Network

We operate 19 training centers in 18 major cities in China as of March 20, 2026. We deliver our educational services to students primarily through our training center network, and we may further expand our training center network in China and abroad to increase our market penetration and market share depending on the operation needs in the future.



* *Domestic business footprint of ACG as of March 20, 2026*

Our training center network covers 19 major cities, 15 provinces and municipalities in China, including:

Northern China: Beijing, Tianjin, Jinan, Qingdao, Dalian and Shenyang, accounting for 35.0% of our total student enrollment. Beijing has two training centers representing 25.3% of our total student enrollment in fiscal year ended December 31, 2025.

Southern China: Shenzhen, Wuhan, Changsha and Guangzhou, accounting for 19.1% of our total student enrollment in fiscal year ended December 31, 2025.

Eastern China: Shanghai, Hangzhou, Nanjing, Hefei and Suzhou, accounting for 28.7% of our total student enrollment in fiscal year ended December 31, 2025.

Western China: Xi'an, Kunming, Chongqing and Chengdu, accounting for 17.2 % of our total student enrollment in fiscal year ended December 31, 2025.

Marketing, Sales and Business Development

As an international educational services provider, we focus on providing international education experiences that enrich and cultivate students' creativity. We believe our quality services and products, unique and practical curricula, and our "ACG" brand, teachers and resources generally play a significant role in attracting our prospective students.

We employ a variety of marketing and student recruiting methods to attract prospective students, including:

Partnership with Sales Channels. We acquire potential student leads through our partnership with overseas study counselling, foreign language training service, or other education related service providers. Currently, our partnerships with such sales channels are an essential marketing method to acquire new students.

Internet and Mobile Advertisement. We advertise on the mainstream online search engines to promote our services to potential students and to those who actively search keywords relevant to portfolio training, art study, etc. We also advertise through social media platforms to potential students, including, without limitation, Dianping, TikTok and Little Red Book. Internet and mobile advertising are also important marketing methods for us to acquire new students. For example, we produce some free or low-price short teaching videos which introduce art-related knowledge, and upload them to internet platforms, such as our official WeChat account, official website, and other third-party platforms, to attract potential students.

Word of Mouth Referral. Due to our high-quality services and products as well as strong rate of admissions to reputed institutions for our students, our existing and previous students frequently recommend our services and products to others who are in need of similar services and products. We believe our brand is recognized in the portfolio training market and has a competitive advantage from word of mouth referrals.

Marketing Events and Activities. We frequently participate in educational seminars, art workshops and on-campus events and give free speeches and lectures in order to introduce and promote our brand name and services. We also periodically participate and host educational expositions and other community events in addition to distributing informational brochures or addressing queries from potential interested students.

Competition

The market for art-related educational services, and portfolio training services in particular, has quickly ramped up in recent years and is currently undergoing fierce competition with all players aggressively up-scaling. Market players can be classified into leading players, other organized players and individual studios.

We believe we are one of the leading players in the portfolio training market in terms of, among others, geographic coverage, product breadth, and student enrollment. In research-based learning services and other creative arts-related international education services, we are also a player with competitive edges. Our main competitors are other domestic and international art training institutions and organizations, which focus on some of our targeted markets. We also face potential competition from small to middle-sized organized players and individual studios.

We compete primarily on the basis of branding and student acquisition, training quality, faculty, training center coverage, product breadth and pricing, among which, branding and training quality is generally regarded as the most important factor. We believe that we increased our competitive edges with our brand and reputation, which typically tend to engender the trust of clients, and play a role in helping us maintain and recruit prominent teachers and employees. We believe that our competitive advantages include our "ACG" brand, high admission rate to art institutions, qualified faculty, competitive training quality and comprehensive product mix. However, our competitors may establish brands that have wider recognition than us, develop marketing and sales methods that are more effective than ours, introduce new products and services that have better performance and hence gain broader acceptance, hire and retain more qualified teachers, offer more satisfactory training center environments or lower prices to students, which may cause us to lose our market share.

Seasonality

We have experienced and expect to continue to experience slight seasonal fluctuations in our revenues and results of operations, with the quarter ending March 31 typically having relatively lower revenues compared with the other quarters primarily for our portfolio training services. This is primarily because fewer students take classes in January and February due to spring festival holidays in China, and some students have already completed their application to study art overseas in December of the previous year.

Intellectual Property

Intellectual property protections, including copyrights, trademarks, patents, and trade secrets are important to our success. We rely on copyright, trademark and patent law, trade secret protection and confidentiality agreements with our employees, clients, business partners and others to protect our intellectual property rights. All of our senior management and R&D employees are required to sign agreements acknowledging that all inventions, trade secrets, works of authorship, innovations and other processes generated by them that relate to our business are our property, and to assign to us any ownership rights in those works. Despite our efforts, it may be possible for third parties to obtain and use our intellectual property without authorization.

As of March 20, 2026, we and the VIE have registered 152 trademarks for our products and services with the Trademark Office of the SAMR in China.

As of March 20, 2026, we have registered 66 software copyrights and 5 work copyrights relevant to our product and service offerings with the National Copyright Administration of the People's Republic of China.

As of March 20, 2026, we and the VIE have also registered 40 domain names relating to our websites, including www.atai.net.cn, www.acgedu.cn and www.acgorg.com, the primary URLs for our three main websites, with the Internet Corporation for Assigned Names and Numbers and the China Internet Network Information Center, a domain name registration service provider in China.

Regulation

This section sets forth a summary of the most significant laws, regulations, policies and requirements that affect our business activities in China, the industries in which we operate, and our shareholders' right to receive dividends and other distributions from us.

Education Law of the PRC

On March 18, 1995, the NPC, enacted the Education Law of the PRC, or the Education Law, which was first amended on August 27, 2009. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising kindergarten education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education and establishes and operates schools and other education institutions. Furthermore, it provides that in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of education institutions in accordance with PRC laws and regulations. Meanwhile, no organization or individual may establish or operate a school or any other education institution for profit-making purposes. The Education Law was further amended on December 27, 2015, which became effective on June 1, 2016, and was subsequently amended on April 29, 2021, which became effective on April 30, 2021. The amended Education Law repudiates a specific paragraph of the old law, which prohibits any organization or individual from establishing or operating a school or any other education institution for profit-making purposes. Nevertheless, schools and other education institutions sponsored wholly or partially by government financial funds and donated assets remain prohibited from being established as for-profit organizations.

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

The Law for Promoting Private Education of the PRC became effective on September 1, 2003 and was respectively amended on June 29, 2013, November 7, 2016 and December 29, 2018, and the Implementation Rules for the Law for Promoting Private Education of the PRC became effective on April 1, 2004 and was amended on April 7, 2021. Under these regulations, “private schools” are defined as schools established by social organizations or individuals using non-government funds. The operations of a private school are highly regulated, for example, private schools providing academic qualifications education, kindergarten education, education for self-study examination and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare 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 with the applicable competent authorities.

According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as “sponsors” rather than “owners” or “shareholders.” The economic substance of “sponsorship” with respect to private schools is substantially similar to that of shareholder’s ownership with respect to companies in terms of legal, regulatory and tax matters. For example, the name of the sponsor shall be entered into the private schools’ articles of association and Permit for Operating a Private School, similar to that of shareholders where their names shall be entered into the company’s articles of associations and corporate records filed with relevant authority. From the perspective of control, the sponsor of a private school also has the right to exercise ultimate control over the school by means such as adopting the private school’s constitutional documents and electing the school’s decision-making bodies, including the school’s board of directors and principals. The sponsor can also profit from the private schools by receiving “reasonable returns,” as explained in detail below, or disposing its sponsorship interests in the schools for economic gains. However, the rights of sponsors vis-à-vis private schools also differ from the rights of shareholders vis-à-vis companies. For example, under the PRC laws, a company’s ultimate decision-making body is its shareholders meeting, while for private schools, it is the board of directors, though the members of which are substantially appointed by the sponsor. The sponsorship interest also differs from the ownership interests with regard to the right to the distribution of residual properties upon liquidation of a private school, mainly because private education is treated as a public welfare undertaking under the current regulations. While private education is treated as a public welfare undertaking under the current regulations, sponsors of a private school may choose to require “reasonable returns” from the annual net balance of the school after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. Private schools whose sponsor does not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools whose sponsors require reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. To date, however, no regulations have been promulgated by such authorities in this regard.

The Decision of the Standing Committee of the NPC on Amending the Law for Promoting Private Education of the PRC, or the Amendment, has been promulgated by Order No. 55 of the President of the PRC on November 7, 2016 and has come into force on September 1, 2017.

Under the Amendment, the term “reasonable return” is no longer used, and sponsors of private school may choose to establish non-profit or for-profit private schools at their own discretion, while before the Amendment, all private schools shall not be established for for-profit purposes. Nonetheless, school sponsors are not allowed to establish for-profit private schools that are engaged in compulsory education. In other words, the schools engaged in compulsory education should retain their non-profit status after the Amendment comes into force.

The Amendment further establishes a new classification system for private schools to be classified by whether they are established and operated for profit-making purposes.

According to the Amendment, the key features of the aforesaid new classification system for private schools include the following:

- sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations;
- sponsors of non-profit private schools are not entitled to the distribution of profits or proceeds from the non-profit schools, and all operation surplus of non-profit schools shall be used for the operation of the schools;

[Table of Contents](#)

- 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 government;
- private schools (for-profit and non-profit) may enjoy preferential tax treatments. Non-profit private schools will be entitled to the same tax benefits as public schools. Taxation policies for for-profit private schools after the Amendment taking effect are still unclear as more specific provisions are yet to be introduced;
- where there is construction or expansion of a non-profit private school, the school may acquire the required land use rights in the form of allocation by the government as a preferential treatment. Where there is construction or expansion of a for-profit private school, the school may acquire the required land use rights by purchasing them from the government;
- the remaining assets of non-profit private schools after liquidation shall continue to be used for the operation of non-profit schools. The remaining assets of for-profit private schools shall be distributed to the sponsors in accordance with the PRC Company Law; and
- people's governments at or above the county level may support private schools by subscribing to their services, provision of student loans and scholarships, and leases or transfers of unused state assets. The governments may further take such measures as government subsidies, bonus funds and incentives for donation in support of non-profit private schools.

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, or the State Council Opinions, which requires to ease the access to the operation of private schools and encourages social forces to enter the education industry. The State Council Opinions also provides that each level of the people's governments shall increase their support to the private schools in terms of financial investment, financial support, autonomy policies, preferential tax treatments, land policies, fee policies, autonomy operation, protecting the rights of teachers and students, etc. Further, the State Council Opinions require each level of the people's governments to improve its local policies on government support to for-profit and non-profit private schools by ways of preferential tax treatments, etc. In addition, under the State Council Opinions, private schools shall strengthen its construction of the Chinese Communist Party, or the CCP, and further the theoretical system of Socialism with Chinese Characteristics by introducing such system into textbooks and teaching programs. The construction of the CCP's organizations by the private schools as well as the CCP's leadership to private schools shall constitute an important part of such schools' annual inspections.

On December 30, 2016, the MOE, MCA, SAMR, the Ministry of Human Resources and Social Welfare and the State Commission Office of Public Sectors Reform jointly issued the Implementation Rules on the Classification Registration of Private Schools to reflect the new classification system for private schools as set out in the Amendment. Generally, if a private school established before promulgation of the Amendment chooses to register as a non-profit school, it shall amend its articles of association, continue its operation and complete the new registration process. If such private school chooses to register as a for-profit school, it shall conduct a financial liquidation process, have the property rights of its assets such as lands, school buildings and net balance authenticated by relevant government authorities, pay up relevant taxes, apply for a new Permit for Operating a Private School, re-register as for-profit schools and continue its operation. Specific provisions regarding the above registrations are yet to be introduced by people's governments at the provincial level.

On December 30, 2016, the MOE, SAMR and the Ministry of Human Resources and Social Welfare jointly issued the Implementation Rules on the Supervision and Administration of For-profit Private Schools, pursuant to which the establishment, division, merger and other material changes of a for-profit private school shall first be approved by the education authorities or the authorities in charge of labor and social welfare, and then be registered with the competent branch of SAMR.

On September 1, 2017, SAMR and MOE jointly issued the Notice of Relevant Work on the Registration and Management of the Name of For-Profit Private Schools, which specifies the requirements on the names of for-profit private schools.

On December 29, 2018, the Decision of the Standing Committee of the NPC on Amending the Seven Laws of the Labor Law of the People's Republic of China was promulgated by Order No. 24 of the President of the PRC and took effect on the same date, which made two minor adjustments to Article 26 and Article 64 of the Law for Promoting Private Education of the PRC. These minor adjustments do not materially affect our business and operations.

On April 7, 2021, the State Council promulgated the Amended Implementation Rules for the Private Education Law, or the Amended Implementation Rules, which became effective on September 1, 2021. The Amended Implementation Rules provides, among others, that private schools are required to obtain operating permits from relevant PRC authorities for carrying out educational activities. Under the Law for Promoting Private Education, as private education institutions established under the PRC law are also included in the category of “private schools,” we cannot assure you that our training centers will not be classified as “private schools” and thus be required to obtain private school operating permits by the regulators. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — As PRC laws and regulations with respect to certain licenses and permissions are unclear and are subject to interpretations and enforcement of local governmental authorities, the Company, its subsidiaries and the VIE may be required to obtain additional licenses.”

Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education

On July 24, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinion, which sets out a series of operating requirements on after-school tutoring institutions focusing on compulsory education, including, among other things, (i) local government authorities shall no longer approve any new Academic AST Institutions, and all the existing Academic AST Institutions shall be registered as non-profit entities, and local government authorities shall no longer approve any new after-school tutoring institutions providing tutoring services on academic subjects for pre-school-age children and students in grade 10 to 12; (ii) online Academic AST Institutions that have filed with the local education administration authorities will be subject to review and re-approval procedures by competent government authorities, and any failure to obtain such approval will result in the cancellation of its previous filing and ICP license; (iii) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities, and listed companies are prohibited from investing in Academic AST Institutions through capital markets fundraising activities, or acquiring assets of Academic AST Institutions by paying cash or issuing securities; (iv) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities; (v) after-school tutoring institutions shall not provide tutoring services on academic subjects during national holidays, weekends and school breaks, or engage foreign teachers residing overseas to carry out training activities; (vi) fees charged for academic subjects tutoring in compulsory education will need to follow the guidelines from the government to prevent any excessive charging or excessive profit-seeking activity; and (vii) government authorities will implement risk management and control for the pre-collection of fees by after-school tutoring institutions with requirements such as setting up third-party custodians and risk reserves, and strengthen supervision over loans regarding tutoring services. The Opinion further provides that administration and supervision over academic after-school tutoring institutions for students in grades 10 to 12 shall be implemented by reference to the relevant provisions of the Opinion.

On July 28, 2021, the MOE issued the Notice to further clarify the scope of academic subjects in China’s compulsory education system. The Notice states that academic subjects include the following courses provided in accordance with the learning content of the national curriculum standards: Morality and Law, Chinese Language, History, Geography, Mathematics, foreign languages (English, Japanese, and Russian), Physics, Chemistry and Biology. The Notice also states that sports (or sports and health), art (or music, fine arts) subjects, and comprehensive practical activities (including technical education, labor and technical education), etc. shall be managed as non-academic subjects.

On August 25, 2021, the MOE issued the Administrative Measures on Materials for After-School Tutoring for Primary and Secondary School Students (Trial Implementation). After-school tutoring materials refer to the learning materials independently compiled by after-school tutoring institutions approved and registered for the purpose of primary and secondary school students, including the tutoring materials used for both academic and non-academic subjects, whether online or offline. The tutoring materials shall be reviewed as required. It is imperative to establish the internal review and external review system for tutoring materials under the principle of reviewing every compilation and use. The training materials used for academic subjects shall be reviewed through dual review by combining internal review by the after-school tutoring institutions and the external review by the education administrative authorities.

On September 9, 2021, the MOE and the Ministry of Human Resources and Social Security jointly formulated the Administrative Measures for Employees of After-School Tutoring Institutions (Trial Implementation). The employees of after-school tutoring institutions refer to the staff in the institutions that carry out after-school tutoring for primary and secondary school students and preschool children over the age of three according to regulations, including teaching staff, teaching and research staff and other staff. In principle, the full-time teaching, teaching and research staff of after-school tutoring institutions shall not be less than 50% of the total number of employees in the institution. For offline tutoring for primary and secondary school students, in principle, the full-time teaching staff per class shall not be less than 2% of the number of students; for offline training for preschool children over three years old, in principle, full-time training staff per class shall not be less than 6% of the number of children. After-school tutoring institutions shall publicly make a written commitment that the recruitment of practitioners complies with the provisions of relevant measures.

The Opinion requires that local government authorities shall (i) classify non-academic subjects according to the categories of sports, culture and art, science and technology and other non-academic subjects and designate the competent authorities responsible for administering such non-academic after-school tutoring institutions respectively; (ii) formulate standards for different categories of non-academic subjects; and (iii) conduct strict examination before granting any permission. As of the date of this annual report, in order to implement the Opinion, certain local government authorities, including some of the areas where we have training centers such as Guangdong Province, Jiangsu Province, Yunnan Province, Sichuan Province and Liaoning Province, have promulgated rules that require non-academic after school tutoring institutions in areas for K-12 students, such as art, music, among others, to obtain private school operating permit or prior approvals for non-academic after school tutoring institutions from local competent authorities. For example, on August 2, 2021, the Department of Educational of Guangdong Province issued a notice which provides local educational administration authorities shall approve the activities conducted by non-academic after school tutoring institutions involving non-academic subjects such as physical education, art, etc, in accordance with the relevant laws and regulations and issue operating permit accordingly; further, on December 9, 2022, the Department of Educational of Guangdong Province and other government authorities jointly issued the Approval Procedure Guidance for Operating Permit Application of Non-academic After School Tutoring Institutions (Trial Implementation), which, provides, among others, the non-academic after school tutoring institutions that provide training for primary, middle and high school students may apply for an operating permit if they meet the standards provided in the Amended Private Education Law. On November 8, 2023, the Department of Education of Liaoning Province and other government authorities jointly issued the Management Measures for Non-academic After School Tutoring Institutions Targeting Primary and Secondary Middle School Students of Liaoning Province, which came into effect on December 1, 2023, and provides that, among others, the non-academic after school tutoring institutions providing art training to primary and secondary middle school students and pre-school children aged three and above shall apply for an operating permit from local education administration authorities at county level. On March 15, 2024, the Beijing Municipal Bureau of Culture and Tourism and the Beijing Municipal Commission of Education issued the Standards for the Establishment of Cultural and Artistic After School Tutoring Institutions in Beijing (Trial), which provides that, a cultural and artistic after school tutoring institutions that targets to provide training to primary and secondary middle school students and pre-school children aged three to six shall obtain the administrative license from the district level education administrative department for the establishment of offline cultural and artistic after school institutions.

In addition, the PRC government authorities are also enhancing regulation on the non-academic after school tutoring institutions. On March 3, 2022, the MOE, National Development and Reform Commission, or NDRC, and SAMR jointly issued the Notice on Regulating Non-Academic After School Tutoring Institutions, which provide that, among others, (i) non-academic after school tutoring institutions shall have the corresponding qualifications and their staffs shall have the corresponding proofs for their profession; (ii) non-academic after school tutoring institutions shall ensure that training contents and training methods are suitable for the age, mental and physical characteristics and cognitive level of students; (iii) the training contents, training hours, charging items, charging standards and other information of non-academic after school tutoring institutions shall be made public and subject to public supervision; (iv) non-academic after school tutoring institutions shall use model service contract, strictly perform contractual obligations and self-regulate their own charging behaviors; (v) non-academic after school tutoring institutions' unfair competition by fictitious original prices, false discounts, false publicity, monopolistic behaviors and any form of price fraud are prohibited; (vi) the pre-collection of fees by non-academic after school tutoring institutions shall be deposited to the special account for fee collection and tuition fees shall not be collected in a lump sum, or in disguised form of recharging or measured cards for more than 60 classes or for a course length of more than three months; and (vii) non-academic after school tutoring institutions shall comply with requirements relating to premise, facilities and fire safety. Further, on November 30, 2022, the MOE and other 12 PRC government authorities jointly issued the Opinions on Regulating Non-Academic After School Tutoring Institutions for Primary, Middle and High School Students, which provides and reiterates that, among others, (i) local government authorities shall classify non-academic subjects according to the categories of sports, culture and art, science and technology and other non-academic subjects and designate the competent authorities responsible for administering such non-academic after-school tutoring institutions respectively; (ii) non-academic after school tutoring institutions shall meet certain conditions in respect of training place, training staff and operations; (iii) online non-academic after-school tutoring institutions shall obtain the approval from competent government authority at provincial level before incorporation registration and obtain approval from telecommunication authority at provincial level for conducting internet information services, and offline non-academic after-school tutoring institutions shall obtain the approval from the competent government authority at county level before incorporation registration; (iv) non-academic after school tutoring institutions shall ensure that training contents are suitable for the age, mental and physical characteristics and cognitive level of students; and (v) all the pre-collection of fees by non-academic after school tutoring institutions shall be deposited to the special account for fee collection. Moreover, as of the date of this annual report, certain local government authorities (including some of the areas where we have training centers, such as Guangdong Province, Jiangsu Province, Shandong Province, Yunnan Province, Sichuan Province and Liaoning Province) have promulgated specific rules to regulate the market access and operation activities of non-academic after school tutoring institutions, which typically specify the various requirements in relation to market access, training place, teachers, teaching materials, pre-collection of training fees, etc. On August 23, 2023, the MOE issued Provisional Measures of Administrative Penalty for After School Training, which came into effect on October 15, 2023, and set out the general requirements for administrative penalties for illegal after school tutoring operated by any natural person, legal person or other organization that is offered to preschool children over three years of age, and primary and secondary school students. Such measures provide that, among others, any natural person, legal person or other organization that conducts after school training without obtaining approval and meets all of the following conditions is subject to an order of competent government authorities to cease the operation and refund the fees and fines: (i) there are special training place(s) for offline training and specific website(s) or application(s) for online training; (ii) there are more than two training staff members; and (iii) there are corresponding organizational structure and division of labor. However, the interpretation of the foregoing notice, opinions and rules remain unclear in several respects at this time, and especially, it is unclear if the foregoing notice, opinions and rules are applicable to private education institutions mainly focusing on art education for high school and undergraduate students for the purpose of overseas study like us. If the foregoing notice, opinions and rules also apply to us, failure to comply with the relevant provisions therein may lead to administrative measures by the competent authorities and thus may materially and adversely impact our business and financial outlook. In addition, if the foregoing notice, opinions and rules also apply to us, we would be subject to the limitation for the pre-collection of training fees, and the cost of our training centers would increase to meet various requirements for training place, teachers and teaching materials, and our financial condition may therefore be adversely impacted.

Although we do not anticipate our business to be materially impacted by the Opinion and related rules and regulations, certain types of our ancillary services may fall under the coverage of the Opinion and its local implementing measures, which may adversely affect our business, financial condition and results of operations. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Although we do not anticipate our business to be materially impacted by the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education, certain types of our ancillary services may fall under the coverage of the Opinion and its local implementing measures, which may adversely affect our business, financial condition and results of operations, and we cannot assure you that any future development, interpretation and enforcement of Opinion and relevant regulations would not materially and adversely impact our business and financial outlook.”

Guidelines for Overseas Educational Travel Participated by Primary and Middle School Students (Trial)

On July 15, 2014, the MOE promulgated the Guidelines for Overseas Educational Travel Participated by Primary and Middle School Students (Trial), or the Guidelines, which became effective on July 15, 2014. Under the Guidelines, overseas educational travels participated in by primary and middle school students means, by adapting to the characteristics of primary and middle school students and the educational needs, programs that organize primary and middle school students to go overseas to learn foreign languages and other short-term curriculum, perform art shows, compete in contests, visit schools, attend summer/winter school programs, or take part in other activities that help students expand their horizon and promote enrichment and enhancement, in the manner of group travel and group accommodation during the academic semesters or vacations. Overseas educational travels attended by primary and middle school students shall follow the principles of safety, civility and efficiency. The schedule for study, from the perspective of both the content and the duration, shall be no less than one-half of the total schedule. The organizer shall choose legitimate and qualified cooperation institutions, stress the importance of safe education, and appoint a guiding teacher for each group. The organizer shall apply the rules of cost accounting, notify the students and their supervisors of the composition of the fees and expenses, and enter into an agreement as required by law. The school and its staff shall not seek any economic benefit from organizing its own students to attend an overseas educational travel.

Regulations on Tourism

The Tourism Law of the PRC, which was promulgated by the Standing Committee of the NPC and most recently amended on October 26, 2018, provides that, among other things, to engage in the businesses of outbound tourism, a travel agency shall obtain the corresponding business permit, and the specific conditions shall be provided for by the State Council and that when organizing an outbound touring group, or organizing or receiving an inbound touring group, a travel agency shall, in accordance with the relevant provisions, arrange for a tour leader or tour guide to accompany the touring group throughout the whole tour. Regulations on Travel Agencies promulgated by the State Council, revised on November 29, 2020, and the implementation rules of Regulations on Travel Agencies, provide that, among other things, “travel agent” shall mean any entity that engages in the business of attracting, organizing, and receiving tourists, providing tourism services for tourists and operating domestic, outbound or border tourism; the aforementioned business shall include, but not limited to, arranging for transport services, arranging for accommodation services, providing services for tour guides or team leaders, providing services of tourism consultation and tourism activities design. According to the Regulations on Travel Agencies and its implementation rules, any tourism agent that engages in domestic and outbound tourism shall apply for corresponding permits to engage in such tourism activities from the administrative department of tourism under the State Council, the governments of provinces, autonomous regions, or municipalities. In the event that any person is engaged in tourism business without holding the permits required, the competent administrative department or branch of SAMR may order such person to obtain the permits required, confiscate the illegal income from such business and impose fines to such person. On November 19, 2024, the General Office of the Ministry of Culture and Tourism issued the Notice on Promoting the Healthy Development of Travel Agency Research-based Tourism Business, providing that travel agencies shall choose qualified suppliers and partners and shall evaluate the service capabilities of the partners, which does not require our PRC subsidiaries to obtain travel agency permits. With respect to our research-based learning services, we cooperate with third-party travel agencies which have travel agency permits for our educational travel activities, such as accommodation and tour guiding, while we are also engaged in certain travel-related activities ourselves, such as attracting and organizing students and arranging for some transport services. Under the current law rules, it is not clear whether we are required to obtain a travel agency permit.

Regulations Relating to Internet Content and Information Security

Internet content in China is regulated and restricted by the PRC government. The Administrative Measures on Internet Information Services, which were amended in 2011 and 2024 respectively, specify that internet information services regarding news, publications, education, medical and health care, pharmacy and medical appliances, among other things, are to be examined, approved and regulated by the relevant authorities. Internet information providers are prohibited from providing services beyond those included in the scope of their ICP licenses or filings. Furthermore, these measures clearly specify a list of prohibited content. Internet information providers are prohibited from producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes the lawful rights and interests of others. Internet information providers that violate the prohibition may face criminal charges or administrative sanctions by the PRC authorities. Internet information providers must monitor and control the information posted on their websites. If any prohibited content is found, they must remove the offending content immediately, keep a record of it and report it to the relevant authorities.

[Table of Contents](#)

Internet information in China is also regulated and restricted from a national security standpoint. In 2009, the Standing Committee of the NPC enacted the Decision of the Standing Committee of the NPC on Preserving Computer Network Security, which may subject violators to criminal punishment for any effort to (i) gain improper entry into a computer or system of strategic importance, (ii) disseminate politically disruptive information, (iii) leak state secrets, (iv) spread false commercial information, or (v) infringe intellectual property rights.

In addition, the Standing Committee of the NPC promulgated the Cyber Security Law, which originally took effect on June 1, 2017 and was amended on October 28, 2025, to protect cyberspace security and order. Pursuant to the Cyber Security Law, any individual or organization using the network must comply with the constitution and the applicable laws, follow the public orders and respect social moralities, and must not endanger cyber security, or engage in activities by making use of the network that endanger the national security, honor and interests, or infringe on the fame, privacy, intellectual property and other legitimate rights and interests of others. The Cyber Security Law sets forth various security protection obligations for network operators, which are defined as “owners and administrators of networks and network service providers,” including, among others, complying with a series of requirements of tiered cyber protection systems, verifying users’ real identities, localizing the personal information and important data gathered and produced by key information infrastructure operators during operations within China, and providing assistance and support to government authorities where necessary for protecting national security and investigating crimes. On May 28, 2019, the CAC promulgated the Draft Data Security Administrative Measures. According to the Draft Data Security Administrative Measures, cyberspace operators shall, in accordance with relevant laws and administrative regulations, with reference to national cyber security standards, fulfill the obligation for data security protection, establish data security management responsibility as well as evaluation and appraisal systems, develop data security plans, implement data security technology protection, and carry out assessment of data security risks, develop emergency plans for cyber security incidents, promptly handle security incidents and organize data security-related education and training. On June 10, 2021, the Standing Committee of the NPC promulgated the Data Security Law, which became effective on September 1, 2021. The Data Security Law, among others, provides for security review procedures for data activities that may affect national security.

On April 13, 2020, the CAC, the MIIT and certain other government authorities jointly promulgated the Measures for Cybersecurity Reviews, which took effect on June 1, 2020, or the Prior Cybersecurity Review Measures. The Prior Cybersecurity Review Measures requires that critical information infrastructure operators purchasing network products and services, which affects or may affect national security, shall apply for cybersecurity review to the cyberspace administrations in accordance with the provisions thereunder. On December 28, 2021, CAC published the Cybersecurity Review Measures, which became effective on February 15, 2022 and replaced the Prior Cybersecurity Review Measures. Under the Cybersecurity Review Measures, the scope of cybersecurity reviews is extended to also cover internet platform operators engaging in data processing activities that affect or may affect national security. The Cybersecurity Review Measures further requires that any internet platform operator applying for listing on a foreign exchange must go through cybersecurity review if it possesses personal information of more than one million users. The review focuses on several factors, including, among others, (i) the risk of theft, leakage, corruption, illegal use or export of any core or important data, or a large amount of personal information; and (ii) the risk of any critical information infrastructure, core or important data, or a large amount of personal information being affected, controlled or maliciously exploited by a foreign government after a company is listed. We believe we would not be subject to the cybersecurity review by the CAC, given that (i) we do not possess a large amount of personal information in our business operations, and (ii) data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. However, we cannot assure you that PRC regulatory agencies, including the CAC, would take the same view as we do, and there remains uncertainty as to how the Cybersecurity Review Measures will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Failure to comply with regulations relating to information security and privacy protection, breaches or perceived breaches of our security measures relating to our service offerings, unauthorized disclosure or misuse of personal data through breaches of our computer systems or otherwise, could result in negative publicity and loss of students, expose us to protracted and costly litigation, and harm our business and results of operations. Additionally, it is unclear whether we will be subject to the oversight of the CAC and how such oversight may impact us.”

On January 8, 2021, the CAC published the Amended Measures for the Administration of Internet Information Services (Draft for Comments), which requires that any organization or individual within the territory of the People's Republic of China that provides internet information services to users in China using network resources at home and abroad shall abide by the provisions of these measures. To engage in internet information services, which belong to the operation of telecommunications business, an ICP license from the competent telecommunications department shall be obtained. Internet information service providers shall establish an information release review system.

As the Amended Measures for the Administration of Internet Information Services (Draft for Comments) has not been adopted, and it remains unclear whether the formal versions to be adopted in the future will have any further material changes, it is uncertain how the measures will be enacted, interpreted, or implemented, or how they will affect us.

On September 24, 2024, the State Council promulgated the Network Data Security Regulations, which took effect on January 1, 2025. These regulations refine the Cyber Security Law, the Data Security Law, and the Personal Information Protection Law, and introduce supplementary or innovative provisions that can be further detailed in administrative regulations. The Network Data Security Regulations also add new rules for the notification and reporting of network data security risks and incidents, as well as enhanced security protection requirements for data flow and important data security.

Regulation of Domain Names and Website Names

PRC laws require owners of Internet domain names to register their domain names with qualified domain name registration agencies approved by MIIT and obtain a registration certificate from such registration agencies. A registered domain name owner has an exclusive usage right over its domain name. Unregistered domain names may not receive proper legal protections and may be misappropriated by unauthorized third parties. As of March 20, 2026, we have registered 40 domain names relating to our websites, including www.atai.net.cn, www.acgedu.cn and www.acgorg.com, the primary URL for our website, with the Internet Corporation for Assigned Names and Numbers and the China Internet Network Information Center, a domain name registration service provider in China.

PRC law requires entities operating commercial websites to register their website names with SAMR or its local offices and obtain a commercial website name registration certificate. If any entity operates a commercial website without obtaining such certificate, it may be charged a fine or suffer other penalties imposed by the SAMR or its local offices.

Regulation of Privacy Protection

PRC law does not prohibit internet content providers from collecting and analyzing personal information from their users. PRC law prohibits internet content providers from disclosing to third parties any information transmitted by users through their networks unless otherwise permitted by law. If an internet content provider violates these regulations, MIIT or its local offices may impose penalties and the internet content provider may be liable for damages caused to its users.

On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information. Most requirements under the order that are relevant to internet content provision operators are consistent with pre-existing requirements, but the new requirements are often more stringent and have a wider scope. If an internet content provision operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, it must disclose to its users the purpose, method and scope of any such collection or use and must obtain consent from its users whose information is being collected or used. Internet content provision operators are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential, and take technological and other measures to maintain the security of such information. Internet content provision operators are required to cease any collection or use of the user personal information and de-register the relevant user account when a given user stops using the relevant internet service. Internet content provision operators are further prohibited from divulging, distorting or destroying any such personal information, or unlawfully selling or providing such information to other parties. In addition, if an internet content provision operator appoints an agent to undertake any marketing and technical services that involve the collection or use of personal information, the internet content provision operator is still required to supervise and manage the protection of such information. As for penalties, violators may face warnings, fines, and disclosure to the public and, in most severe cases, criminal liability under the order.

Pursuant to the Ninth Amendment to the Criminal Law issued by the Standing Committee of the NPC in August 2015, which became effective in November 2015, any internet service provider that fails to fulfill the obligations related to the internet information security administration as required by applicable laws and refuses to rectify upon orders, shall be subject to a criminal penalty for the result of (i) any dissemination of illegal information in large scale; (ii) any severe effect due to the leakage of the client's information; (iii) any serious loss of criminal evidence; or (iv) other severe situation. And any individual or entity that (i) sells or provides personal information to others in a way violating the applicable law, or (ii) steals or illegally obtains any personal information, shall be subject to criminal penalty in severe situations.

On November 7, 2016, the Standing Committee of the NPC issued the Cyber Security Law of the People's Republic of China, or the Cyber Security Law, which originally took effect on June 1, 2017 and was amended on October 28, 2025. The Cyber Security Law requires providers of services over internet networks to keep user information that they have collected in strict confidence and to establish improved systems for the protection of user information. Such service providers must provide notice of the purpose, methods and scope of their collection and use of user information, and obtain the consent of each person whose personal information will be collected. Providers of services over internet networks may not collect any personal information that is not related to the services they provide, or disclose or tamper with personal information that they have collected, unless such information is encoded to prevent identification of individuals whose information is so disclosed or tampered with. Furthermore, the amended law mandates ethical norms and safety assessments for activities involving artificial intelligence. Notably, the 2025 amendment significantly increased the legal liabilities for violations of network security protection obligations, especially for operators of critical information infrastructure and for activities resulting in severe network security consequences. Service providers who do not comply with the Cyber Security Law may be subject to significantly increased fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretations on Several Issues concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information, which further clarified the meaning of certain terms of Article 253A of the Criminal Law, including, but not limited to, the terms of "personal information of a citizen," "one providing citizen's personal information" and "serious case."

On August 20, 2021, the Standing Committee of the NPC promulgated the Personal Information Protection Law, which took effect on November 1, 2021. The Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. According to the Personal Information Protection Law, personal information includes all kinds of identified or identifiable information related to natural persons recorded by electronic or other means, but excludes de-identified information. The Personal Information Protection Law also specified the rules for handling sensitive personal information, which includes biometrics, religious beliefs, specific identities, medical health, financial accounts, trails and locations, and personal information of teenagers under 14 years old and other personal information, which, upon leakage or illegal usage, may easily infringe the personal dignity or harm of safety of livelihood and property. Personal information handlers shall bear responsibility for their personal information handling activities and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered for rectification or suspension or termination of provision of services, confiscation of illegal income, subject to fines or other penalties. On the other hand, pursuant to the Personal Information Protection Law, personal information processors who transfer personal information out of mainland China for business and other needs shall satisfy one of the following conditions: (i) passing the security assessment by the national cyberspace authorities; (ii) being certified by professional organizations for personal information protection; (iii) entering into contracts providing the rights and obligations of both parties with overseas recipients in accordance with the standard contract formulated by the national cyberspace authorities; and (iv) other conditions specified by laws, administration regulations and the national cyberspace authorities.

On July 7, 2022, the CAC issued the Security Assessment Measures, which took effect on September 1, 2022. The measures provide that the following four types of cross-border transfers of important data or personal information generated from or collected in mainland China should be subject to a security assessment, which include (i) a data processor to transfer important data overseas; (ii) either a critical information infrastructure operator, or a data processor processing personal information of more than one million individuals, transfers personal information overseas; (iii) a data processor who has, since January 1 of the previous year, transferred personal information of more than 100,000 individuals overseas cumulatively, or transferred sensitive personal information of more than 10,000 individuals overseas cumulatively; or (iv) other circumstances under which a security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration. As of the date of this annual report, the amount of personal information (including sensitive personal information) transmitted by the Company, its subsidiaries and the VIE across the border is relatively small, and none of them has received any notice from the national cyberspace authorities requiring them to conduct a security assessment. On November 4, 2022, the CAC and the State Administration for Market Regulation jointly issued the Announcement in relation to the Implementation of Personal Information Protection Certification with an exhibit of Implementation Rules for Personal Information Protection Certification, according to which, the professional organizations authorized to conduct personal information protection certification shall comply with the Implementation Rules for Personal Information Protection Certification. On February 22, 2023, the CAC issued the Model Contract Provisions with an exhibit of model contract, which came into effect on June 1, 2023. According to the Model Contract Provisions, the personal information processor meeting all of the following four conditions may transfer personal information out of mainland China by way of entering into the model contract: (i) non-critical information infrastructure operator; (ii) possessing personal information of less than one million users; (iii) a personal information processor who has, since January 1 of the previous year, transferred personal information of less than 100,000 individuals overseas cumulatively; and (iv) a personal information processor who has, since January 1 of the previous year, transferred sensitive personal information of less than 10,000 individuals overseas cumulatively. Also, the personal information processor shall conduct a personal information protection influence assessment before transferring any personal information out of mainland China. The personal information processor shall file the signed model contract within ten days after the effective date of such model contract with the local competent authority. The Model Contract Provisions stipulates a six-month period starting from June 1, 2023 to rectify noncompliance prior to June 1, 2023.

On March 22, 2024, the CAC issued the Cross-border Data Flow Provisions, which took effect on the same date. The Cross-border Data Flow Provisions provide updated thresholds for the four types of cross-border transfers of important data or personal information generated from or collected in mainland China that should be subject to a security assessment, which include: (i) a critical information infrastructure operator to transfer personal information or important data; (ii) a data processor other than a critical information infrastructure operator to transfer important data overseas; (iii) a data processor who has, since January 1 of the current year, transferred personal information of more than 1 million individuals overseas cumulatively; or (iv) other circumstances under which a security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration.

Regulation of Foreign Investment

According to the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, foreign invested enterprises can be established in the form of a Sino-foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly foreign-owned enterprise. Prior to its registration, the enterprise must be approved by the commerce authorities, upon which a certificate of approval for an FIE will be issued.

On September 6, 2024, the Ministry of Commerce, or MOFCOM, and the National Development and Reform Commission, or NDRC, jointly promulgated the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2024 Edition) (the “2024 Negative List”), which came into effect on November 1, 2024 and replaced the negative list provided under the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Edition). The 2024 Negative List remains unchanged with respect to the education industry.

On March 15, 2019, Second Session of the 13th National People’s Congress adopted the Foreign Investment Law of the People’s Republic of China, and came into effect as of January 1, 2020. On December 26, 2019, State Council promulgated the Implementation Rules of Foreign Investment Law, effective from January 1, 2020. On December 26, 2019, Supreme People’s Court promulgated the Interpretations of the Supreme People’s Court on Certain Issues on Application of the Foreign Investment Law, effective from January 1, 2020. After the Foreign Investment Law became effective, the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations, were abolished.

After the formal implementation of the Foreign Investment Law, the organization form and institutional framework of a newly established foreign-funded enterprise are subject to the relevant provisions of the Company Law of the People’s Republic of China or the Partnership Enterprise Law of the People’s Republic of China. Foreign-funded enterprises established in accordance with the laws on the foregoing three types of foreign-funded enterprises before the implementation of the Foreign Investment Law may continue to retain their original organizational forms for five years after the implementation of the Foreign Investment Law. In other words, existing foreign-funded enterprises will have a transition period of five years to modify their existing organizational forms and organizational structure to meet and abide by the relevant provisions of the Company Law of the People’s Republic of China or the Partnership Enterprise Law of the People’s Republic of China.

Regulation of Foreign Exchange

The PRC government imposes restrictions on the convertibility of the Renminbi and on the collection and use of foreign currency by PRC entities. Under current regulations, the Renminbi is convertible for current account transactions, which include dividend distributions, interest payments, and the import and export of goods and services. Conversion of Renminbi into foreign currencies and foreign currencies into Renminbi for payments relating to “capital account transactions,” which include, among other things, investment, loans and acquisitions of land and other fixed assets overseas, generally require the approval of or registration or filing with SAFE or its authorized banks and other relevant Chinese governmental authorities.

Under current PRC regulations, FIEs such as our PRC subsidiaries are required to apply to the banks by SAFE for Foreign Exchange Registration. With such a registration, an FIE may open foreign exchange bank accounts at banks authorized to conduct foreign exchange business by SAFE and may buy, sell and remit foreign exchange through such banks, subject to documentation and approval requirements. FIEs are required to open and maintain separate foreign exchange accounts for capital account transactions and current account transactions. In addition, there are restrictions on the amount of foreign currency that FIEs may retain in such accounts.

According to Article 22 of the Regulations on the Foreign Exchange System of the People’s Republic of China, if the Company’s PRC subsidiaries liquidate, the Renminbi distributable to its foreign shareholders after the liquidation and payment of relevant taxes can be freely converted into foreign currency and remitted abroad. Therefore, there are no legal impediments to remitting the proceeds from a liquidation of our PRC subsidiaries outside of China to investors who are not PRC nationals.

Further, SAFE promulgated a new circular (known as Circular 142) in August 2008 with respect to the administration of conversion of foreign exchange capital contributions of a foreign invested enterprise. The circular clarifies that Renminbi converted from foreign exchange capital contributions can only be used for the activities within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investments unless otherwise permitted.

In addition, SAFE also strengthened its oversight over the flow and use of Renminbi converted from the foreign currency denominated capital of a foreign-invested company. The use of such Renminbi may not be changed without approval from SAFE, and such Renminbi may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used. Violations of Circular 142 may result in severe penalties, including substantial fines as set forth in the related foreign exchange administration rules. In addition, SAFE promulgated a circular on November 9, 2010, or Circular 59, which tightens the regulation over settlement of the fund which is raised from overseas offerings such as our initial public offering and follow-on public offering and is transferred back to China and requires that the settlement of such fund must be consistent with the description in the prospectuses for the initial public offering and follow-on public offering. Furthermore, SAFE issued an internal guideline to its local counterparts, referred to as Circular 45, in November 2011. Circular 45 has never been formally announced by SAFE to the public or posted on SAFE's website. Based on the version made publicly available by certain local governmental authorities on their websites, we understand that Circular 45 requires SAFE's local counterparts to strengthen the control imposed by Circulars 142 and 59 over the conversion of a foreign-invested company's capital contributed in foreign currency into RMB. Circular 45 stipulates that a foreign-invested company's RMB funds, if converted from such company's capital contributed in foreign currency, may not be used by such company to (i) extend loans (in the form of entrusted loans), (ii) repay borrowings between enterprises, or (iii) repay bank loans it has obtained and on-lent to third parties.

On May 10, 2013, SAFE released Circular 21, which came into effect on May 13, 2013. According to Circular 21, SAFE has simplified the foreign exchange administration procedures with respect to the registration, account openings and conversions, receipt and payment, settlements and sale of foreign exchange in relation to foreign direct investment.

SAFE promulgated the SAFE Circular 19 on March 30, 2015, which abolished Circular 142. According to SAFE Circular 19, up to all of the foreign exchange capital in the capital account of FIEs can be settled at the banks based on the actual operation needs of the FIEs. The capital in Renminbi obtained by FIEs from the discretionary settlement of foreign exchange capital shall be managed under the account pending foreign exchange settlement payment. The expenditure scope of such account includes the expenditure within the scope of business, the payment of the capital of domestic equity investment and deposits in Renminbi, the repayment of the used loans in Renminbi, the purchase payment of foreign exchange or direct external repayment of foreign debts or other expenditure approved by the foreign exchange bureaus, but the capital of FIEs and capital in Renminbi obtained by them from a foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by laws and regulations; (iii) directly or indirectly used for granting the entrusted loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and (iv) paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, or SAFE Circular 13, which became effective on June 1, 2015. Pursuant to SAFE Circular 13, an annual foreign exchange inspection of direct investment is not required anymore, and the registration of existing equity is required. SAFE Circular 13 also grants the authority to banks to directly examine and process foreign exchange registration with respect to both domestic and overseas direct investment. SAFE issued the SAFE Circular 16, effective from 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, SAFE issued SAFE 2019 Circular 28. Among others, SAFE 2019 Circular 28 relaxes the prior restrictions and allows the FIEs without having equity investment in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investment as long as the investments are real and in compliance with the foreign investment-related laws and regulations. In addition, SAFE 2019 Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments.

On April 10, 2020, SAFE promulgated the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business, under which eligible enterprises are allowed to make domestic payments by using their capital funds, foreign loans and the income under capital accounts of overseas listing without providing the evidentiary materials concerning the authenticity of each expenditure in advance, provided that their capital use shall be authentic and conforms to the prevailing administrative regulations on the use of income under capital accounts.

On December 4, 2023, SAFE issued the Notice for Further Deepening Reform and Promoting Cross-Border Trade and Investment Facilitation, or SAFE 2023 Circular 28. Among others, SAFE 2023 Circular 28 stipulates measures to facilitate the payment and use of funds from equity transfer under domestic reinvestment and proceeds from overseas listing by FIEs, which provision came into effect on June 3, 2024.

On April 3, 2024, SAFE issued the Notice for Optimizing the Management of Trade Foreign Exchange Business, or SAFE 2024 Circular 11, which became effective on June 1, 2024. Among others, SAFE 2024 Circular 11 stipulates measures to optimize the management of foreign exchange business trade, simplify and relax the procedures of cross-border trade business for business entities.

On July 7, 2024, MOFCOM, the People's Bank of China, the National Financial Regulatory Administration and SAFE promulgated the Opinion on Strengthening Business and Financial Coordination to More Greatly Support High-Quality Development of Cross-Border Trade and Investment, which proposed to facilitate cross-border trade and investment development, and optimize the payment and settlement environment for enterprises.

On September 12, 2025, SAFE issued the Notice on Deepening the Reform of Foreign Exchange Administration for Cross-Border Investment and Financing, which explicitly canceled the basic information registration for preliminary expenses in foreign direct investment and abolished the domestic reinvestment registration for FIEs, thereby further facilitating foreign investment.

Regulation of Foreign Exchange in Certain Onshore and Offshore Transactions

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, on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Our Chinese resident shareholder, Xiaofeng Ma, has previously completed his registration with SAFE and has submitted relevant materials to update his registration, and we have urged our other Chinese resident shareholders to register under SAFE Circular 37, and they are preparing for such application. However, we cannot assure you that the application will be accepted by SAFE.

Failure by such shareholders to comply with SAFE Circular 37 could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

Regulation of Overseas Listings

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the M&A Rule, which became effective on September 8, 2006 without retroactive effect and was amended by the PRC Ministry of Commerce on June 22, 2009. The M&A Rule, among other things, requires that an offshore company controlled by PRC companies or individuals that has acquired a PRC domestic company for the purpose of listing the PRC domestic company's equity interest on an overseas stock exchange must obtain the approval of the CSRC prior to the listing and trading of such offshore company's securities on an overseas stock exchange. On September 21, 2006, the CSRC, pursuant to the M&A Rule, published on its official website procedures specifying documents and materials required to be submitted to it by offshore companies seeking CSRC approval of their overseas listings.

We believe CSRC approval was not required for our initial public offering in February 2008 because the CSRC approval required under the M&A Rule only applies to an offshore company that has acquired a domestic PRC company for the purpose of listing the domestic PRC company's equity interest on an overseas stock exchange, while (i) we obtained our equity interest in each of our PRC subsidiaries by means of direct investment other than by acquisition of the equity or assets of a PRC domestic company in 2008, (ii) our former contractual arrangements with ATA Online do not constitute the acquisition of ATA Online, (iii) the M&A Rule does not apply to the acquisition by ATA Learning, which had been a wholly foreign owned enterprise since incorporation until it was reformed into a PRC domestic company in 2018, and (iv) although Article 11 of M&A Rule prohibits the circumvention of the M&A Rule through establishing FIEs, ATA Learning was established in 2003 before the M&A Rule was promulgated, which makes this acquisition not a circumvention of the M&A Rule.

On December 28, 2021, the CAC published the Cybersecurity Review Measures, which became effective on February 15, 2022. Under the Cybersecurity Review Measures, the scope of cybersecurity reviews is extended to internet platform operators engaging in data processing activities that affect or may affect national security. The Cybersecurity Review Measures further requires that any internet platform operator applying for listing on a foreign exchange must go through cybersecurity review if it possesses personal information of more than one million users.

On February 24, 2023, the CSRC and other PRC governmental authorities issued the Confidentiality Provisions, which came into effect on March 31, 2023 and provides that domestic enterprises that issue securities overseas directly or indirectly and that provide publicly disclose files and documents containing state secrets and work secrets of the authorities to relevant securities companies, securities service agencies, foreign regulatory agencies and other institutions and individuals or do so through its overseas listing entities, shall obtain the approval of the competent authorities, and file with the competent confidentiality administrative authorities. Although we believe we are currently not required to obtain permission from any of the PRC central or local government and have not received any notice of denial of permission to list on the U.S. exchange, it is uncertain when and whether we will be required to obtain permission from the PRC government to list on U.S. exchanges if the relevant laws, regulations or interpretations change in the future, and even when such permission is obtained, whether it will be denied or rescinded.

On February 17, 2023, the CSRC issued the Overseas Offering and Listing Measures, which provides principles and guidelines for direct and indirect issuance of securities overseas by a Chinese domestic company.

Under the Overseas Offering and Listing Measures, the substance rather than the form of issuance will govern when determining whether an issuance constitutes “indirect issuance of securities overseas by a Chinese domestic company,” and an issuance meeting the following two conditions simultaneously will be deemed as an “indirect issuance of securities overseas by a Chinese domestic company”: (i) the income, total profits, total assets or net assets of the domestic company in the latest financial year accounts for more than 50% of the total financials of the issuer in such year on a consolidated basis; and (ii) the principal business is conducted or the principal business place is within the territory of mainland China, or the majority of senior management in charge of business operations are Chinese citizens or have habitual residence within the territory of mainland China. In the event any listing or issuance of securities has fallen under this definition, the issuer shall assign one of its related major Chinese domestic operating entities to make filings with the CSRC within three business days after its initial public offering or any offerings after the initial public offering. For the filings after the initial public offering, the issuer’s designated Chinese domestic entity shall submit relevant requisite documents, including, but not limited to, the filing report and legal opinion, and provide the true, accurate and complete information of shareholders. Noncompliance of the filing requirements will lead to penalties imposed on the Chinese domestic companies, the controlling shareholder and the actual controller of the Chinese domestic companies, and officers in charge and other related responsible persons. The potential penalties for the Chinese domestic companies include fines within the range from RMB1 million to RMB10 million. As the Company is a Cayman Islands holding company with nearly all of business operations conducted within the territory of mainland China, we understand the Company’s listing and issuance of securities on Nasdaq constitutes indirect issuance of securities overseas by a Chinese domestic company under the Overseas Offering and Listing Measures. However, according to the Overseas Offering and Listing Notice, an issuer who has completed overseas issuance and listing before March 31, 2023 like us is not required to file with the CSRC for the offering or listing that is already completed but is required to make filings with the CSRC for its follow-on financing activities involving overseas offering or listing after the effective date of the Overseas Offering and Listing Measures. As such, we and the VIE are not required to make filings with CSRC under the Overseas Offering and Listing Measures unless we conduct new overseas offerings of securities in the future. In January 2026, the Company completed a registered direct offering of 11,067,547 ADS to three purchasers, and we have completed the relevant filing with the CSRC. As the interpretations and implementation of Overseas Offering and Listing Measures involve uncertainties, we cannot assure you that the Company, its subsidiaries and the VIE can complete the filings with the CSRC if the Company intends to conduct new overseas offerings of securities in the future.

We have been closely monitoring regulatory developments in China regarding any necessary approvals from the CSRC, the CAC or other PRC regulatory authorities required for overseas listings. As of the date of this annual report, we have not received any inquiries, notices, warnings, sanctions, denials, or regulatory objections from the CSRC, CAC, nor any other PRC regulatory authority related to any approval requirement of overseas listings. See “Item 3. Key Information — Government Regulations and Permissions” and “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — The approval, filing or other requirements of the CSRC or other PRC government authorities may be required under PRC law in connection with our issuance of securities overseas.”

SAFE Regulations on Employee Share Options

On February 15, 2012, SAFE issued the Notice on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, or the Stock Option Rules. According to the Stock Option Rules, PRC residents who participate in an employee share incentive plan of an overseas publicly-listed company are required to register with SAFE and complete certain other procedures. These participants should retain a PRC agent, which can be a branch or representative office of the overseas listed company in China, a Chinese institution which has controlling relationship or actual control relationship with the offshore listed company, or a Chinese institution qualified for asset custody business, to handle various foreign exchange matters associated with their employee share incentive plan. The PRC agent should file on behalf of the PRC resident an application with SAFE to register such employee share incentive plan, apply annually for a quota for the payment of foreign currencies in connection with the exercise of the employee share options by the PRC resident and open a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with the share incentive plan. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the employee share incentive plan, PRC agent or overseas entrusted institution.

In addition, the SAT has issued a few circulars concerning employee share options. Under these circulars, our employees working in China who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents relating to employee share options with relevant tax authorities and withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay and we fail to withhold their income taxes, we may face sanctions imposed by tax authorities or other PRC government authorities.

C. Organizational Structure

For an organizational structure of the Company, its subsidiaries and the VIE and a detailed description of the Company's significant subsidiaries, see "Item 3. Key Information — Our Corporate Structure."

D. Property, Plant and Equipment

The principal executive offices of our China businesses is Rm. 507, Bldg. 3, BinhuZhuoyueCheng, WenhuaKechuangYuan, Huayuan Blvd. 365, Baohe, Hefei, Anhui 230051, China. We occupy and operate through our training center network with an aggregate of approximately 16,620 square meters of space in various cities in China; major ones include, Beijing, Shanghai, Chengdu, Wuhan and Nanjing, all of which are leased. We also own 2,124 square meters office space, with 1,062 square meters for each of the two floors at Tower E, 6 Gongyuan West Street, Jian Guo Men Nei, Beijing 100005, China, or the Gongyuan Real Estate Property. The office space on the 8th floor and 16th floor of the Gongyuan Real Estate Property is in use. In September 2025, we mortgaged the 8th floor of Gongyuan Real Estate Property to Huaxia Bank Co., Ltd. Beijing Shilipu Sub-branch for the general credit line of RMB22.0 million, and as of March 20, 2026, we have drawn down credit line of RMB22.0 million. We believe our existing facilities are adequate for our current requirements and that additional space can be obtained on commercially reasonable terms to meet our future requirements.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

Overview

Our Business

We generated revenues primarily from our portfolio training services, research-based learning services, overseas study counselling services and other educational services. Our services are conducted primarily through Huanquiyimeng and its subsidiaries. In October 2024, we disposed of all junior art education business, which was classified under the category of the other educational services to focus our efforts on growing our core art-related international education services business.

Our net revenues were RMB221.6 million, RMB268.1 million and RMB268.1 million (\$38.3 million) in the fiscal years ended December 31, 2023, 2024 and 2025, respectively. We had net loss of RMB33.7 million, RMB36.1 million and RMB48.1 million (\$6.7 million) in the fiscal years ended December 31, 2023, 2024 and 2025, respectively.

Factors Affecting Our Results of Operations

The key factors affecting our results of operations presented in this annual report are:

- overall economic growth and rising income levels in China contributing to the increasing spending on education and related services;
- potential changes in regulations and policies that may directly or indirectly impact the scope and credibility of services we could deliver;
- our capability to develop and create content that can accommodate needs of potential students, in the classroom, online and in hybrid settings;

[Table of Contents](#)

- our ability to provide effective creative arts-related international education services and control sales and marketing expenses;
- recognition in the marketplace for services we deliver and branding we have established; and
- competition from both established brands and new entrants, and our ability to maintain our market share in the face of increasing competition.

In addition, our results of operations have been, and may continue to be, significantly affected by the following factors:

- our share-based compensation;
- the impacts of PRC tax policies, including certain preferential tax rates;
- the relative proportion of our net revenues derived from higher- and lower-gross margin service offerings;
- the impacts of strategic investments and acquisitions;
- our ability to maintain similar margins, locate students, etc.;
- the impact of political tensions between the United States and China;
- the impact of international tensions and conflicts generally; and
- the impact of any public health epidemic or pandemics or natural disasters. Please see “Item 3.D. Risk Factors — Risks Relating to Doing Business in the People’s Republic of China — We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our business, financial condition and results of operations” in this annual report for more details.

Net Revenues

We derived revenues primarily from our portfolio training services, research-based learning services, overseas study counselling services and other educational services in the fiscal year ended December 31, 2025. Our net revenues are presented net of PRC VAT. The following table sets forth our net revenues from our continuing operations for the periods presented.

	For the fiscal year ended			
	December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net Revenues				
Portfolio training services	166,449	199,326	187,915	26,871
Research-based learning services	6,513	14,949	19,636	2,808
Overseas study counselling services	28,993	32,287	35,867	5,129
Other educational services	19,664	21,498	24,695	3,531
Total net revenues	221,619	268,060	268,113	38,339

Portfolio Training Services

We derive portfolio training services revenues primarily from fees charged to our students, mainly high school and undergraduate students, in the form of delivering training programs. Our portfolio training programs consist of time-based programs and project-based programs. Students who elect the time-based programs enroll in a certain number of consulting/training hours, whereas students who elect the project-based programs have no consulting/training hour constraint but will be guided through a certain number of projects needed to complete a portfolio. Under project-based programs, the number of credit hours required to complete a project may vary depending on the background and requirements of the students. In association with and as an extension to our portfolio training services, we also provide undergraduate foundation course programs which are recognized by certain overseas art universities or colleges for students who need to take foundation courses before formal admission to such overseas universities or colleges.

The most significant factors that affect our revenues from portfolio training services include the amount of credit hours for portfolio training we deliver to our students, the number of individual students who enroll in our portfolio training services and the unit price level that we charge our students.

Research-based Learning Services

We derive research-based learning services revenues primarily from research-based learning services fees charged to our students, who mainly consist of our portfolio training students and other students interested in educational travels and research-based learning projects. Our research-based learning services primarily include academic educational learning, workshop programs and themed educational travel services. Currently, research-based learning services are conducted mainly in summer with a lesser amount in winter and the other seasons during the year.

The most significant factors that affect our revenues from research-based learning services include the number of individual students who enroll in our research-based learning services, the volume of services rendered and the unit price level that we charge our students.

Overseas Study Counselling Services

We derive overseas study counselling services revenues primarily from overseas study counselling services fees charged to students who intend to pursue overseas art and creativity education through providing relevant consulting services in the following aspects: timetable customization, university and program selection, paperwork writing, interview simulation and enrollment documents preparation, etc.

The most significant factors that affect our revenues from overseas study counselling services include the number of individual students who enroll in our counselling services, the unit price level that we charge our students and measurement of progress for services delivered during the reporting period.

Other Educational Services

We derived our other educational services revenues primarily from services provided to students for in-school classes, junior art education, and certain other education related services. In-school classes are designed to partner with international schools to provide professional art courses in the in-school art-related classes. Junior art education services are designed to provide art-related tutoring courses for junior students from ages three to 12. We disposed of all of the junior art education business in October 2024 to focus on growing our core art-related international education services business.

The most significant factors that affect our other educational services revenues include the unit price level of the various other educational services that we charge our customers, the amount of credit hours we deliver to our customers and the measurement of progress for various services delivered during reporting periods.

Seasonality

We have experienced and expect to continue to experience slight seasonal fluctuations in our revenues and results of operations, with the quarter ending March 31 typically having relatively lower revenues compared with the other quarters. This is primarily because fewer students take classes in January and February due to spring festival holidays in China and because some students complete their application for overseas art programs in December of the previous year. We expect quarterly fluctuations in our revenues and results of operations to continue.

Cost of Revenues

Our cost of revenues consists primarily of payroll and compensation to our teachers, salary and compensation to other operational staffs, rental cost of our training centers and offices, cost of teaching materials and outsourcing services costs, all of which are directly attributable to the rendering of various services. The following table shows our cost of revenues and gross profit from our continuing operations for the periods presented:

	For the fiscal year ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)						
Net Revenues	221,619	100.0 %	268,060	100.0 %	268,113	38,340	100.0 %
Cost of Revenues	106,962	48.3 %	126,795	47.3 %	137,802	19,705	51.4 %
Gross Profit	114,657	51.7 %	141,265	52.7 %	130,311	18,635	48.6 %

Cost of revenues primarily consists of (1) teaching fees, payroll and compensation to teaching support staff and administrative staff from training centers, performance-linked bonuses paid to teachers and rental payments for training centers as well as costs of course materials and teaching aids for portfolio training services, (2) payroll compensation, outsourcing service costs, lodging and transportation expenses, overseas expenses, and other related costs which are directly attributable to the provision of research-based learning services and overseas study counselling services, and (3) teaching fees, payroll compensation, content development costs, and other related costs, which are directly attributable to the rendering of other educational services.

Factors Affecting Gross Margin

Our gross margin is primarily affected by unit price and the number of credit hours delivered for our portfolio training and other educational services, pricing and volume of our other services rendered mainly for the research-based learning and overseas art study counselling services, payroll and compensation to our teachers, salary and compensation to other operational staffs, costs paid to service providers, the rental costs of our training centers and offices, as well as costs of teaching materials and teaching supporting fees.

Operating Expenses

Our operating expenses consist of general and administrative expenses, sales and marketing expenses, research and development expenses, reversal of provision for loan receivable and other receivables, and goodwill impairment.

General and Administrative Expenses

Our general and administrative expenses consist primarily of salaries and benefits, traveling expenses, administration and share-based compensation expenses for our administrative, management and finance personnel, as well as other expenses including professional fees, office expenses and rental costs.

Sales and Marketing Expenses

Our sales and marketing expenses consist primarily of salaries and benefits and share-based compensation expenses for our sales and marketing personnel, as well as other expenses including meeting and conference expenses, advertising and promotional expenses, commissions for sales channels, online channel platform expenses, traveling and entertainment expenses and other sales and marketing expenses.

Research and Development Expenses

Our research and development expenses consist primarily of salaries and benefits for our research and development personnel, outsourcing services costs and other costs relating to the design, development, testing and enhancement of the technology systems in support for the rendering of our products and services. Research and development costs are expensed as incurred. Research and development cost incurred over software developed was primarily for internal use.

Reversal of provision for Loan Receivable and Other Receivables

We recorded reversal of provision for loan receivable and other receivables in the fiscal year ended December 31, 2025, which relates to receivables collected from enforcement proceeds associated with our prior investment in study abroad project.

Goodwill Impairment

Goodwill is tested for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment Loss of Long-term Investments

For equity method investments, we recognize an impairment loss when there is a decline in value below the carrying value of the equity method investment that is considered to be other than temporary. The process of assessing and determining whether impairment on an investment is other than temporary requires significant amount of judgment. To determine whether an impairment is other than temporary, management considers whether it has the ability and intent to hold the investment until recovery and whether evidence indicating the carrying value of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the decline in value, any change in value subsequent to the period end, and forecasted performance of the investee.

For other equity investments without a readily determinable fair value, we make a qualitative assessment considering the impairment indicators to evaluate whether an equity investment without a readily determinable fair value is impaired at each reporting period, and write it down to its fair value if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than its carrying value.

Other Operating Income, Net

Lease guidance ASC 842 was adopted, effective January 1, 2019. We recorded nil rental income for the fiscal years ended December 31, 2023, 2024 and 2025.

Taxation

Cayman Islands and British Virgin Islands

Under the current laws of Cayman Islands and British Virgin Islands, the Company, ATA BVI and ACGIGL are not subject to income tax. In addition, upon any payments of dividends by the Company, ATA BVI or ACGIGL, no Cayman Islands or British Virgin Islands withholding tax is imposed.

Hong Kong

ACG HK did not derive any income that is subject to Hong Kong profits tax for the fiscal years ended December 31, 2023, 2024 and 2025. Accordingly, no provision for Hong Kong profits tax was required. The payment of dividends by Hong Kong companies is not subject to any Hong Kong withholding tax.

People's Republic of China

Our subsidiaries operating in China are subject to PRC taxes as described below:

Enterprise Income Tax. EIT Law imposes an income tax rate of 25% on all enterprises, including FIEs. Under the EIT Law, qualified “high-and-new technology enterprises eligible for key support from the State,” or HNTE, are entitled to a preferential income tax rate of 15% and subject to an annual self-assessment review during the valid period of their HNTE certificates. If an HNTE enterprise does not satisfy the related requirements stipulated by SAT to enjoy the preferential income tax rate of 15% during the annual self-assessment review, it will not be able to implement the preferential income tax rate for the tax year being assessed. In December 2008, the WFOE obtained an HNTE certificate with a valid period of three years retrospectively starting from January 1, 2008 and renewed the certificates in 2011, 2014, 2017 and 2020 for another three years, respectively. As a result, the WFOE was entitled to a preferential income tax rate of 15% from 2008 through 2022. However, we did not renew the HNTE certificate in 2023 and as a result, the WFOE is subject to an income tax rate of 25% from 2023 until we apply for a new HNTE certificate in the future, which, however, is not expected to affect our financial positions materially as the WFOE is not a main operating entity of us. The VIE, Huanqiyuimeng and their PRC subsidiaries are all subject to an income tax rate of 25%.

Under applicable Chinese tax laws, FIEs and domestic Chinese companies may carry forward tax losses up to five years. On July 11, 2018, the MOF and SAT jointly released Cai Shui [2018] No. 76, which provides that since January 1, 2018, HNTE or technology-based small-medium size enterprises are eligible to carry forward tax losses up to 10 years instead of five years. The WFOE, as an HNTE is eligible to apply for the above preferential tax rules and carry forward tax losses up to 10 years. In view of the accumulated losses of certain of our PRC subsidiaries, as of December 31, 2025, we provided the full valuation allowance for their deferred income tax assets after consideration of the future reversal of existing taxable temporary differences.

In addition, under the EIT Law, an enterprise established under the laws of a foreign country or region whose “de facto management body” is located within the PRC territory is considered a resident enterprise and will generally be subject to the enterprise income tax at the rate of 25% on its global income. According to the Implementation Rules to the EIT Law, “de facto management body” refers to a managing body that exercises, in substance, overall management and control over the production and business, personnel, accounting and assets of an enterprise. We have determined that our overseas entities are not PRC resident enterprises for PRC income tax purposes. However, if we and our overseas entities were considered PRC resident enterprises, we would be subject to the enterprise income tax at the rate of 25% on our global income. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Under the EIT Law, we may be classified as a ‘resident enterprise’ of China. Such classification will likely result in unfavorable tax consequences to us and U.S. holders of our ADSs or common shares” and “Item 10.E. Additional Information — Taxation — People’s Republic of China Taxation.”

PRC Withholding Tax. Pursuant to the EIT Law, a withholding tax of 10% (or other applicable withholding tax rates based on tax treaties between the PRC and other jurisdictions) will generally be applicable to dividends payable to foreign investors. To the extent we and our overseas entities are not considered as PRC resident enterprises, the dividends that our PRC subsidiaries pay to us will be subject to this withholding tax. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Under the EIT Law, we may be classified as a ‘resident enterprise’ of China. Such classification will likely result in unfavorable tax consequences to us and U.S. holders of our ADSs or common shares.”

PRC Value-Added Tax (“VAT”). On March 24, 2016, the MOF and SAT promulgated the Circular Regarding Overall Promotion of Pilot Practice of Replacing Business Tax with Value Added Tax, effective on May 1, 2016. The net revenues (i.e., VAT excluded) generated from services provided by our PRC subsidiaries are generally subject to VAT at a rate of 6%, with some of our small-scale taxpaying subsidiaries subject to VAT at a rate of 3%.

Results of Operations

The following table and period to period comparison and discussion set forth a summary, for the periods presented, of our consolidated results of operations and with each item expressed as a percentage of our total net revenues. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the fiscal year ended December 31,						
	2023		2024		2025		
	RMB	% of net revenues	RMB	% of net revenues	RMB	US\$	
	(In thousands, except for percentages)						
Net revenues	221,619	100.0 %	268,060	100.0 %	268,113	38,340	100.0 %
Cost of revenues	106,962	48.3 %	126,795	47.3 %	137,802	19,705	51.4 %
Gross profit	114,657	51.7 %	141,265	52.7 %	130,311	18,635	48.6 %
Operating expenses:							
Research and development	4,630	2.1 %	3,703	1.4 %	3,072	439	1.2 %
Sales and marketing	78,737	35.5 %	99,893	37.3 %	82,632	11,816	30.8 %
General and administrative	72,817	32.9 %	80,888	30.2 %	78,767	11,264	29.4 %
Reversal of provision for loan receivable and other receivables	—	— %	—	— %	(3,782)	(541)	(1.4)%
Goodwill impairment	—	— %	—	— %	33,909	4,849	12.6 %
Total operating expenses	156,184	70.5 %	184,484	68.9 %	194,598	27,827	72.6 %
Other operating income, net	31	0.0 %	175	0.1 %	176	25	0.1 %
Loss from operations	(41,496)	(18.7)%	(43,044)	(16.1)%	(64,111)	(9,167)	(23.9)%
Gain (loss) on disposal of subsidiaries and others	—	— %	(438)	(0.2)%	11,881	1,699	4.4 %
Interest income, net of interest expenses	979	0.4 %	1,001	0.4 %	623	90	0.2 %
Foreign currency exchange gains, net	(5)	0.0 %	(19)	0.0 %	(19)	(3)	0.0 %
Loss before income taxes	(40,522)	(18.3)%	(42,500)	(15.9)%	(51,626)	(7,381)	(19.3)%
Income tax benefit	(6,811)	(3.1)%	(6,402)	(2.4)%	(3,578)	(512)	(1.3)%
Net loss	(33,711)	(15.2)%	(36,098)	(13.5)%	(48,048)	(6,869)	(17.9)%
Net loss attributable to ATA Creativity Global	(33,660)	(15.2)%	(36,098)	(13.5)%	(48,048)	(6,869)	(17.9)%

	For the fiscal year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
Basic and diluted loss per common share	(0.54)	(0.57)	(0.20)	(0.00)

Fiscal Year Ended December 31, 2025 Compared to Fiscal Year Ended December 31, 2024

Net Revenues

Our total net revenues remained RMB268.1 million (\$38.3 million) in the fiscal year ended December 31, 2025, the same as in the fiscal year ended December 31, 2024. While the revenues from core businesses such as portfolio training services declined slightly in 2025, the revenues from research-based learning services and overseas study consulting services increased, as a result of which, our total net revenues remained unchanged.

Cost of revenues

Our cost of revenues increased by RMB11 million, or 8.7%, to RMB137.8 million (\$19.7 million) in the fiscal year ended December 31, 2025 from RMB126.8 million in the fiscal year ended December 31, 2024, primarily due to an increase in teaching costs and outsourcing costs mainly attributable to research-based learning services.

Gross Profit

Our gross profit decreased by RMB11 million, or 7.8%, to RMB130.3 million (\$18.6 million) in the fiscal year ended December 31, 2025 from RMB141.3 million in the fiscal year ended December 31, 2024.

Operating Expenses

General and Administrative Expenses. Our general and administrative expenses decreased by RMB2.1 million, or 2.6%, to RMB78.8 million (\$11.3 million) in the fiscal year ended December 31, 2025 from RMB80.9 million in the fiscal year ended December 31, 2024, mainly as a result of accounting impact of purchase price allocation from the previously completed acquisition of Huanqiyimeng.

Sales and Marketing Expenses. Our sales and marketing expenses decreased by RMB17.3 million, or 17.3%, to RMB82.6 million (\$11.8 million) in the fiscal year ended December 31, 2025 from RMB99.9 million in the fiscal year ended December 31, 2024, primarily driven by lower headcount in sales personnel and decreased sales incentives.

Research and Development Expenses. Our research and development expenses decreased by RMB0.6 million, or 17.0%, to RMB3.1 million (\$0.4 million) in the fiscal year ended December 31, 2025 from RMB3.7 million in the fiscal year ended December 31, 2024, primarily due to the completion of certain research and development projects in fiscal year 2024.

Reversal of provision for loan receivable and other receivables. We did not record reversal of provision for loan receivable and other receivables in the fiscal year ended December 31, 2024 but recorded reversal of provision for loan receivable and other receivables in the fiscal year ended December 31, 2025, which relates to receivables collected from enforcement proceeds associated with our prior investment in study abroad project.

Goodwill impairment. We did not made goodwill impairment in the fiscal year ended December 31, 2024 but made goodwill impairment of RMB33.9 million (\$4.8 million) in the fiscal year ended December 31, 2025, primarily due to the material decrease in the projected long-term revenue growth rates for the related reporting units compared to the growth assumptions used at the acquisition date. As a result of this decline, the expected future revenue scale and cash flows have been adjusted downward, leading to a reduction in the recoverable amount of goodwill relative to its carrying value at the time of acquisition of such goodwill.

Interest Income, Net of Interest Expense

Our interest income, net of interest expenses, decreased by RMB0.4 million, or 37.7% to RMB0.6 million (\$0.09million) in the fiscal year ended December 31, 2025 from RMB1 million in the fiscal year ended December 31, 2024, primarily due to decreased interest income derived from lower average cash balance compared with prior year.

Foreign Currency Exchange Losses, Net

Our net foreign currency exchange gains or losses primarily reflect the foreign exchange fluctuation effects of exchanging between U.S. dollar and Renminbi. We recorded a net foreign currency exchange loss of RMB19,401 (\$2,774) in the fiscal year ended December 31, 2025, compared to a net loss of RMB18,989 in the fiscal year ended December 31, 2024.

Income Tax Benefit

Income tax benefit decreased by RMB2.8 million, or 43.8%, to RMB3.6 million (\$0.5 million) in the fiscal year ended December 31, 2025 from RMB6.4 million in the fiscal year ended December 31, 2024, primarily due to the decrease in valuation allowance, the reduction of entities not subject to income tax and the increased goodwill impairment. The effective income tax rate was 7% in the fiscal year ended December 31, 2025 compared to 15% in the fiscal year ended December 31, 2024.

Net Loss

As a result of the above factors, we had a net loss of RMB48.1 million (\$6.7 million) in the fiscal year ended December 31, 2025, compared to a net loss of RMB36.1 million in the fiscal year ended December 31, 2024. The increase in net loss was mainly attributable to the bad debt provision for other receivables of RMB1.7 million and the goodwill impairment charge of RMB33.9 million recognized during the period, partially offset by decreases in general and administrative expenses, sales and marketing expenses and research and development expenses. Excluding the impact of goodwill impairment and provision for receivables, our net loss would have narrowed by RMB23.7 million (\$3.4 million) in the fiscal year ended December 31, 2025 compared to the prior-year period.

We had basic and diluted loss per common share of RMB0.20 (\$0.00) in the fiscal year ended December 31, 2025 compared to basic and diluted loss per common share of RMB0.57 in the fiscal year ended December 31, 2024.

Fiscal Year Ended December 31, 2024 Compared to Fiscal Year Ended December 31, 2023

Net Revenues

Our total net revenues increased by RMB46.5 million, or 21.0%, to RMB268.1 million in the fiscal year ended December 31, 2024 from RMB221.6 million in the fiscal year ended December 31, 2023. This was primarily due to increased revenue contributions from portfolio training programs, research-based learning services, as well as overseas study counselling services.

Cost of revenues

Our cost of revenues increased by RMB19.8 million, or 18.5%, to RMB126.8 million in the fiscal year ended December 31, 2024 from RMB107.0 million in the fiscal year ended December 31, 2023, primarily due to an increase in the number of teaching staff and outsourcing costs mainly attributable to research-based learning services.

Gross Profit

Our gross profit increased by RMB26.7 million, or 23.3%, to RMB141.3 million in the fiscal year ended December 31, 2024 from RMB114.6 million in the fiscal year ended December 31, 2023.

Operating Expenses

General and Administrative Expenses. Our general and administrative expenses increased by RMB8.1 million, or 11.1%, to RMB80.9 million in the fiscal year ended December 31, 2024 from RMB72.8 million in the fiscal year ended December 31, 2023, mainly as a result of higher professional fees and business expansion related expenses.

Sales and Marketing Expenses. Our sales and marketing expenses increased by RMB21.2 million, or 26.9%, to RMB99.9 million in the fiscal year ended December 31, 2024 from RMB78.7 million in the fiscal year ended December 31, 2023, primarily driven by the expansion of our sales team, which contributed to higher sales, as well as an increase in marketing events.

Research and Development Expenses. Our research and development expenses decreased by RMB0.9 million, or 19.6%, to RMB3.7 million in the fiscal year ended December 31, 2024 from RMB4.6 million in the fiscal year ended December 31, 2023, primarily due to the decrease in system development fee, which development was completed in the second quarter of 2024.

Interest Income, Net of Interest Expense

Our interest income, net of interest expenses, remained RMB1.0 million in the fiscal year ended December 31, 2024, compared to RMB1.0 million in the fiscal year ended December 31, 2023.

Foreign Currency Exchange Losses, Net

Our net foreign currency exchange gains or losses primarily reflect the foreign exchange fluctuation effects of exchanging between U.S. dollar and Renminbi. We recorded a net foreign currency exchange loss of RMB18,989 in the fiscal year ended December 31, 2024, compared to a net loss of RMB4,876 in the fiscal year ended December 31, 2023.

Income Tax Benefit

Income tax benefit decreased by RMB0.4 million, or 5.9%, to RMB6.4 million in the fiscal year ended December 31, 2024 from RMB6.8 million in the fiscal year ended December 31, 2023, primarily due to the increase in valuation allowance. The effective income tax rate was 15% in the fiscal year ended December 31, 2024 compared to 17% in the fiscal year ended December 31, 2023.

Net Loss

As a result of the above factors, we had a net loss of RMB36.1 million in the fiscal year ended December 31, 2024, compared to a net loss of RMB33.7 million in the fiscal year ended December 31, 2023.

We had basic and diluted loss per common share of RMB0.57 in the fiscal year ended December 31, 2024 compared to basic and diluted loss per common share of RMB0.54 in the fiscal year ended December 31, 2023.

Foreign Currency Exchange

The functional currency of our offshore entities and subsidiaries, including ATA Creativity Global, ATA BVI, ACG HK and ACGIGL, is the U.S. dollar. The functional currency of our PRC subsidiaries and the VIE is Renminbi. As of December 31, 2025, we had RMB85.2 million (\$12.2 million) in cash and cash equivalents. The non-Renminbi portion of our revenues primarily consists of U.S. dollar and British Pound denominated referral fees paid by overseas schools, institutions and their admission agents as well as service fees collected from students enrolled from overseas, while the non-Renminbi portion of our expenditures primarily consists of professional fees incurred and overseas costs and expenses incurred mainly for research-based learning services, either denominated in U.S. dollars, British Pound or Hong Kong dollars. Fluctuations in exchange rates, primarily those involving the U.S. dollar against the Renminbi, may affect our costs and operating margins and reported operating results. Under the current foreign exchange system in China, our operations in China may not be able to hedge effectively against currency risks, including any possible future Renminbi devaluation. See “Item 3.D. Risk Factors — Risks Relating to Doing Business in the People’s Republic of China — Fluctuations in exchange rates could result in foreign currency exchange losses.”

B. Liquidity and Capital Resources

Cash Flows for the Fiscal Years Ended December 31, 2025, 2024, and 2023

Our working capital and capital expenditure were primarily from cash generated from operating activities and proceeds received from a private placement in 2019 and 2020.

As of December 31, 2025, we had RMB85.2 million (\$12.2 million) in cash. Our cash and cash equivalents were primarily deposited with reputable banks in China and Hong Kong. We intend to finance our future working capital and capital expenditure needs principally from cash generated from future operating activities and possible plans of financings from outside sources including public offerings or private placements.

We believe our expected future cash flows from our operating and financing activities, which are mainly generated from the Huanqiyimeng business and proceeds received from a registered direct offering in 2026, are sufficient to meet our working capital requirements for at least the next 12 months from the date of this filing. Our current operation plans do not require significant capital commitments. We do not expect our short-term and long-term cash requirements to be materially different. We do, however, expect to spend money on strategic acquisition and investment opportunities in the international education industry. If any future projects would require additional funding, outside financing might be pursued as needed. Nevertheless, we may require additional sources of liquidity in the event of changes in business conditions or other future developments. Factors affecting our sources of liquidity include our sales performance and changes in working capital. Any changes in the significant factors affecting our revenues from the creative arts-related international education services may cause material fluctuations in our cash generated from operations. See “Item 5.A. Operating and Financial Review and Prospectus — Operating Results—Net Revenues” for a description of these significant factors. Changes in working capital, including any significant shortening or lengthening of our accounts receivable cycle or client prepayment cycles, may also cause fluctuations in our cash generated from operations. If our sources of liquidity are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility to meet our cash needs. The sale of convertible debt securities or additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness would result in debt service obligations and could result in operating and financial 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.

The following table summarizes our net cash flows with respect to operating activities, investing activities and financing activities in the fiscal years ended December 31, 2023, 2024 and 2025:

	For the fiscal year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
	(In thousands)			
Net cash provided by (used in) operating activities	8,751	(3,345)	(15,839)	(2,265)
Net cash used in investing activities	(3,966)	(20,257)	48,705	6,965
Net cash provided by (used in) financing activities	403	(94)	16,341	2,337
Effect of foreign exchange rate changes on cash	(1)	53	(494)	(71)
Net increase (decrease) in cash	5,187	(23,643)	48,712	6,966
Cash and cash equivalents at beginning of the year	54,980	60,167	36,524	5,223
Cash and cash equivalents at end of the year	60,167	36,524	85,236	12,189

Operating Activities

Net cash used in operating activities was RMB15.8 million (\$2.3 million) in the fiscal year ended December 31, 2025, mainly attributable to cash collection from sales of RMB277.2 million, partially offset by cash paid for payroll and compensation expenses of RMB165.1 million and cash paid for other cost and operating expenses of RMB127.9 million.

Net cash used in operating activities was RMB3.3 million in the fiscal year ended December 31, 2024, mainly attributable to cash collection from sales of RMB314.7 million, partially offset by cash paid for payroll and compensation expenses of RMB176.4 million and cash paid for other cost and operating expenses of RMB141.6 million.

Net cash provided by operating activities was RMB8.8 million in the fiscal year ended December 31, 2023, mainly attributable to cash collection from sales of RMB278.0 million, partially offset by cash paid for payroll and compensation expenses of RMB155.1 million and cash paid for other cost and operating expenses of RMB114.1 million.

Investing Activities

Net cash used in investing activities in the fiscal year ended December 31, 2025 of RMB48.7 million (\$7.0 million) was primarily attributable to proceeds from disposal of affiliates and partial business.

Net cash used in investing activities in the fiscal year ended December 31, 2024 of RMB20.3 million was primarily attributable to payments of RMB10.7 million in connection with renovation in various training centers, and RMB8.7 million paid in connection with acquiring property and equipment.

[Table of Contents](#)

Net cash used in investing activities in the fiscal year ended December 31, 2023 of RMB4.0 million was primarily attributable to payments of RMB2.2 million in connection with renovation in various training centers, and RMB1.7 million paid in connection with portfolio training and junior art related business acquisitions and minority investment.

Financing Activities

Net cash used in financing activities in the fiscal year ended December 31, 2025 of RMB16.3 (\$2.3) was primarily attributable to cash received from short-term loan.

Net cash used in financing activities in the fiscal year ended December 31, 2024 of RMB93,699 was primarily attributable to cash paid for employee individual income tax for net settlement of vested shares.

Net cash provided by financing activities in the fiscal year ended December 31, 2023 of RMB0.4 million was primarily attributable to cash received for exercise of share options and cash paid for employee individual income tax for net settlement of vested shares.

Indebtedness

In September 2025, we mortgaged the 16th floor of Gongyuan Real Estate Property to Huaxia Bank Co., Ltd. Beijing Shilipu Sub - branch for the general credit line of RMB22.0 million, and as of March 20, 2026, we have drawn down credit line of RMB22.0 million. As of March 20, 2026, other than the foregoing mortgage, we do not have any outstanding debt securities, contingent liabilities, mortgages, or liens.

Capital Expenditures

The following table sets forth our historical capital expenditures for the periods presented. Actual future capital expenditures may differ from the amounts presented below.

	For the fiscal year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
	(In thousands)			
Total capital expenditures	2,240	20,025	1,281	183

Historically, our capital expenditures have been made primarily for leasehold improvements, computers and office equipment.

Contractual Obligations

Our contractual obligations comprise operating lease commitments and other commitments. The following table sets forth our contractual obligations as of December 31, 2025:

	Payment Due				
	Total	Within 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(In thousands of RMB)				
Operating Lease Obligations ⁽¹⁾	32,151	15,707	16,444	—	—
Term Loan ⁽²⁾	16,032	1,000	15,032	—	—

(1) Our operating lease obligations comprise office and training center lease obligations for our offices and training centers in China. These leases expire at different times over the period from the date of this annual report through June 2029 and will become subject to renewal. We will evaluate the need to renew each lease on a case-by-case basis prior to its expiration.

(2) In September 2025, Beijing Miusi entered into a three-year Commercial Loan Facility (the “2025 Facility”) with Huaxia Bank Co., Ltd. Beijing Shilipu Sub-branch to borrow up to RMB22,000,000 at an interest rate, which is subject to potential adjustment based on premium interest rate stipulated by the People’s Bank of China at the time upon drawing of credit lines to support the working capital need of the Company. The 2025 Facility is pledged by the real estate property owned by the WFOE under a five-year pledge agreement among the WFOE, Beijing Miusi and Hua Xia Bank Co., Ltd. Beijing Shilipu Sub-branch. For the year ended December 31, 2025, the Company has withdrawn RMB 16,031,900 from the credit line under this loan facility. Based on the repayment schedule outlined in the loan agreement, the amount repayable within 2026 is RMB 1 million. Consequently, this portion is presented as a short-term liability, while the remaining balance of RMB 15,031,900, which is repayable after one year, is presented as a long-term liability.

Off-Balance Sheet Arrangements

In August 2021, Huanqiyimeng entered into an agreement with two third parties to invest in a new company, pursuant to which Huanqiyimeng shall invest RMB110.0 million in cash representing 55% equity interests of the new company. The agreement was subsequently amended in March 2022 and October 2022. Pursuant to the amendments, the capital contribution by Huanqiyimeng decreased to RMB30.0 million, representing 15% equity interests of the new company, while ATA Learning, a company controlled by Xiaofeng Ma, our Chairman and CEO, shall invest RMB80.0 million as a new investor, representing 40% equity interests in the new company. The capital contribution obligations of Huanqiyimeng amounting to RMB30.0 million is due on December 31, 2031. In October 2024, Huanqiyimeng transferred its 15% equity interests in the new company to a third party, upon which, Huanqiyimeng may still have supplementary liability for the remaining investment commitment if the transferee fails to make the capital contribution before the due date, which is June 2032.

In March 2025, Huanqiyimeng invested in another new company, pursuant to which Huanqiyimeng shall invest RMB0.3 million in cash representing 30% equity interests of the new company. The capital contribution obligations of Huanqiyimeng amounting to RMB0.3 million is due in March 2030. In November 2025, Huanqiyimeng transferred its 30% equity interests in the new company to a third party, upon which, Huanqiyimeng may still have supplementary liability for the remaining investment commitment if the transferee fails to make the capital contribution before the due date.

Other than as described above, we do not currently have, and do not expect in the future to have, any other off-balance sheet arrangements or commitments. In our ongoing business, we do not plan to enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships established for the purpose of facilitating off-balance sheet arrangements or commitments.

C. Research and Development, Patents and Licenses, Etc.

Research and development are important to our continued success. We have devoted significant resources to continuous research and curriculum development. We have a dedicated and experienced research and curriculum development team based at our headquarters consisting of 7 permanent staff and supplemented by professional art teachers as subject experts to analyze market demand, study cutting-edge developments and techniques, and develop the most appropriate curriculum and teaching methods that can help us achieve our goals for providing up-to-date and high quality international educational services. We will continue to look selectively for experienced research and development talents to further increase our research and development capabilities.

D. Trend Information

Other than as disclosed elsewhere in this annual report, including in “Item 3.D. Risk Factors,” we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

We prepare our consolidated financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect the reported amount of our assets and liabilities, and disclose contingent assets and liabilities on the date of each set of consolidated financial statements and the reported amount of revenues and expenses during each financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates as a result of changes in our estimates or changes in the facts or circumstances underlying our estimates and assumptions.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. Some of our accounting policies require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our consolidated financial statements as their application places the most significant demands on our management's judgment. When reviewing our consolidated financial statements, you should take into account:

- our critical accounting policies discussed below;
- the related judgments made by us and other uncertainties affecting the application of these policies;
- the sensitivity of our reported results to changes in prevailing facts and circumstances and our related estimates and assumptions; and
- the risks and uncertainties described under "Item 3.D. Key Information — Risk Factors."

See Note 2 to our audited consolidated financial statements for additional information regarding our significant accounting policies.

Goodwill

Goodwill is not amortized, but tested annually for impairment on a qualitative or quantitative basis for the reporting unit as of December 31, or more frequently when events or circumstances indicate an impairment may exist at the reporting unit level. When performing the annual impairment test, the Company has the option of first performing a qualitative assessment to determine the existence of events and circumstances that would lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In the qualitative assessment, the Company considers primary factors such as industry and market considerations, the overall financial performance of the reporting unit, and other specific information related to the operations. If such a conclusion is reached, the Company would then be required to perform a quantitative impairment assessment of goodwill. However, if the assessment leads to a determination that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then no further assessments are required. A quantitative assessment for the determination of impairment is made by comparing the carrying amount of the reporting unit with its fair value, which is generally calculated using the discounted cash flow method.

Our goodwill of RMB162,380,773 as of December 31, 2025 was related to the overseas art study services reporting unit and other educational services reporting unit. For the year ended December 31, 2025, we elected to bypass the qualitative assessment and proceed directly to performing the quantitative goodwill impairment testing. The fair value of the above two reporting units were based on the estimated price a willing buyer would pay and were determined using an income approach with future cash flow estimates supported by estimated revenue growth rates, operating margins, as well as the selection of an appropriate discount rate based on weighted-average cost of capital which includes a company-specific risk premium. These estimates are highly subjective, and our ability to achieve the forecasted cash is affected by factors such as changes in our operating performance, unexpected changes in future economic and market conditions, as well as regulatory requirements. As of December 31, 2025, the estimated fair value of overseas art study services reporting unit is RMB -36.5 million, which is less than its carrying value of RMB-6.6 million, and the estimated fair value of the other educational services reporting unit is RMB0.3 million, which is less than its carrying value of RMB3.7 million. The discounted cash flows were projected based on financial forecasts developed by management for planning purposes. Cash flows beyond the forecast periods were estimated using a terminal value calculation, which incorporated historical and forecasted financial trends for each reporting unit. Specifically, the income approach valuation included a cash flow discount rate at 20.0% and a terminal growth rate at 3.0%. For the fiscal year ended December 31, 2025, the impairment charge was primarily triggered by a material decrease in the projected long-term revenue growth rates for the related reporting units compared to the growth assumptions used at the acquisition date. As a result of this decline, the expected future revenue scale and cash flows have been adjusted downward, leading to a reduction in the recoverable amount of goodwill relative to its carrying value at the time of acquisition of such goodwill.

The valuations are based on information available as of the impairment review date and are based on expectations and assumptions that have been deemed reasonable by the management. Any changes in key assumptions, including unanticipated events and circumstances, may affect the accuracy or validity of such estimates and could potentially result in impairment charges.

Revenue Recognition

We generated revenue primarily from our portfolio training services, research-based learning services, overseas study counselling services, and other educational services through our training center network mainly in China.

In accordance with ASC 606, *Revenue from Contracts with Customers*, revenues were recognized upon the satisfaction of its performance obligation (upon transfer of control of promised goods or services to customers) in an amount that reflects the consideration to which we expect to be entitled to in exchange for those goods or services, excluding amounts collected on behalf of third parties (for example, value-added taxes).

Under ASC 606, we are also required to estimate variable consideration, the determination of stand-alone selling prices (“SSP”) of performance obligations, and measurement of progress towards completion in revenue recognition.

In making the estimate of variable consideration, we apply judgments which are inherently subjective. This includes the assessment of the final outcome of the performance targets and our historical experience and performance. The amount of estimated variable consideration included in the transaction price is limited only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable condition is subsequently resolved. We review these estimates on a regular basis. Any changes in these factors which affect the estimated variable consideration and revenue recognized are applied prospectively.

The contracts with customers also include promises to transfer multiple services. Judgment is required to determine the SSP for each distinct performance obligation. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions and other observable inputs. For contracts with variable consideration, we determine that variable consideration is allocated according to the method as described above, because variable consideration is attributable to all of the performance obligations in a contract.

For each performance obligation satisfied over time, revenues were recognized over time by measuring the progress toward complete satisfaction of that performance obligation, including:

- Portfolio training services. Revenue is recognized over a period of time based on the number of training hours expended and total hours of training under the contracts with the students. Under project-based programs, the number of hours of trainings required to complete a project is not pre-determined and varies depending on the background and requirements of individual students. We reassess the total hours of training pursuant to each contract of project-based program with individual students on a quarterly basis. Any adjustments arising from the changes of estimated training hours are applied prospectively.
- Research-based learning services. Revenue is recognized when control of promised services is transferred to the customers in an amount of consideration to which we expect to be entitled in exchange for those services.
- Overseas study counselling services. Revenue is recognized over the service period on the basis of costs incurred to date to the total estimated costs.
- Other educational services. Revenue is recognized proportionately when the services are delivered.

Business Combination

Business combinations are recorded using the acquisition method of accounting in accordance with ASC topic 805 (“ASC 805”): *Business Combinations*. The acquisition method of accounting requires an acquirer to determine the identifiable acquired assets, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. The consideration transferred for an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities assumed, equity instruments issued as well as the contingent considerations as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total cost of the acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

Long-term Investments

In accordance with ASC 321 *Investment- Equity Security*, we have elected to apply the measurement alternative to measure the equity investments that do not have readily determinable fair values at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. We consider information in periodic financial statements and other documentation provided by the investees to determine whether observable price changes have occurred.

We make a qualitative assessment considering impairment indicators to evaluate whether the equity investments without a readily determinable fair value are impaired at each reporting period, and write down to its fair value if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than its carrying value. If an equity security without a readily determinable fair value is impaired, we include an impairment loss in net income equal to the difference between the fair value of the investment and its carrying amount.

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The FASB is issuing the amendments to enhance the transparency and decision usefulness of income tax disclosures. Investors currently rely on the rate reconciliation table and other disclosures, including total income taxes paid, to evaluate income tax risks and opportunities. While investors find these disclosures helpful, they suggested possible enhancements to better (1) understand an entity’s exposure to potential changes in jurisdictional tax legislation and the ensuing risks and opportunities, (2) assess income tax information that affects cash flow forecasts and capital allocation decisions, and (3) identify potential opportunities to increase future cash flows. The FASB decided that the amendments should be effective for public business entities for annual periods beginning after December 15, 2024. Early adoption is permitted. The adoption of this guidance did not have a material impact on the Company’s financial position, results of operations and cash flows.

[Table of Contents](#)

In March 2024, the FASB issued ASU 2024-02, “Codification Improvements — Amendments to Remove References to the Concepts Statements.” This update contains amendments to the Codification that remove references to various FASB Concepts Statements. These changes remove references to various Concepts Statements, and the amendments apply to all reporting entities within the scope of the affected accounting guidance. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2024. Early application of the amendments in this Update is permitted for any fiscal year or interim period for which financial statements have not yet been issued (or made available for issuance). The Company believes the future adoption of this ASU is not expected to have a material impact on its financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. The amendments require public business entities to disclose, in tabular format within the notes to consolidated financial statements, disaggregated information for certain expense categories included in income from continuing operations—specifically inventory purchases, employee compensation, depreciation, amortization, and depletion—as well as qualitative descriptions of remaining expense amounts. The amendments are effective for public business entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments may be applied prospectively to all applicable periods after the effective date or retrospectively to any or all prior periods presented. The Company is currently evaluating the timing and method of adoption, as well as the impact of adoption on its consolidated financial statements and related disclosures.

In January 2025, the FASB issued ASU 2025-01, “Income Statement – Comprehensive Income – Expense Disaggregation Disclosure (Subtopic 220-40): Clarifying the Effective Date.” This pronouncement revises the effective date of ASU 2024-03 and clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Entities within the ASU’s scope are permitted to early adopt the accounting standard update. The Company is currently evaluating these new disclosure requirements and does not expect the adoption to have a material impact.

In April 2025, the FASB issued ASU 2025-04 – Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer, which revises the definition of performance condition for share-based consideration payable to a customer, eliminates the forfeiture policy election for awards granted to customers (unless granted in exchange for a distinct good or service), and clarifies applicability of the variable consideration constraint. The ASU will be effective for annual reporting periods (including interim periods within annual reporting periods) beginning after December 15, 2026, for all entities. Early adoption is permitted for both interim and annual financial statements that have not yet been issued. The Company is evaluating the impact of the adoption of this guidance. We believe the future adoption of this ASU is not expected to have a material impact on its financial statements.

In November and December 2025, the FASB issued ASU 2025-08, Financial Instruments—Credit Losses (Topic 326): Purchased Loans; ASU 2025-09, Financial Instruments—Investments—Equity Method and Joint Ventures (Topic 323): Improvements to the Equity Method of Accounting; ASU 2025-10, Government Grants (Topic 832): Accounting for Government Grants to Business Entities; and ASU 2025-11, Interim Reporting (Topic 270): Targeted Improvements to Interim Disclosures. These updates are intended to simplify accounting guidance, improve consistency in application, and enhance the transparency of related financial statement disclosures—specifically, ASU 2025-08 eliminates the “day 1” credit loss expense for most purchased loans, ASU 2025-09 clarifies equity method accounting for basis differences and deferred taxes, ASU 2025-10 establishes a comprehensive model for government grant accounting, and ASU 2025-11 streamlines interim disclosure requirements. ASU 2025-08, 2025-09, and 2025-11 are effective for public business entities for annual periods beginning after December 15, 2026, including interim periods therein. ASU 2025-10 is effective for public business entities for annual periods beginning after December 15, 2028, including interim periods therein. Early adoption is permitted for all of the above standards. The Company is currently evaluating the impact of these standards on its consolidated financial statements and related disclosures and does not expect adoption to have a material effect on its consolidated financial position, results of operations, or cash flows.

Other recently issued accounting pronouncements not discussed above are not expected to have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth certain information relating to our directors and executive officers as of the date of this annual report. The business address of each of our directors and executive officers is Room 3105, Suite A of East District, Jian Wai Soho, No. 39 Dong San Huan Zhong Road, Chao Yang District, Beijing 100022, China.

Name	Age	Position
Xiaofeng Ma	63	Chairman of the Board of Directors and Chief Executive Officer
Jun Zhang	54	President and Director
Andrew Y Yan	68	Independent Director
Haoyu Wang	31	Independent Director
Zhiping Feng	28	Independent Director
Ruobai Sima	44	Chief Financial Officer

Xiaofeng Ma is co-founder, chairman of the board and chief executive officer of our company. He also serves as chairman on the board of directors of ATA Online. Prior to co-founding our company, Mr. Ma co-founded Dynamic Technology Corporation and served as its chief executive officer from 1996 to 1998. From 1990 to 1996, Mr. Ma served as a general manager in the Hainan High-Tech Industry International Cooperation Center. Previously, Mr. Ma gained experience as a vice president at the Beijing MIDI High-Tech Center, as a director of Beijing Zhongjia Integrated Intelligent System Engineering, and as a reporter for China Radio International. Mr. Ma is a member of the board of directors of a number of private enterprises with operations in China, which do not compete with our business. Mr. Ma graduated from Nanjing University with a bachelor's degree in economics.

Jun Zhang is the president and a director of our company. Prior to joining us, Mr. Zhang was the founder and president of Huanqiyuimeng. With over 20 years of experience in art and creativity education, Mr. Zhang is recognized as an expert in the art and creativity education industry in China. He is a pioneer in the industrialization of international art and creativity education in China and has been active in the fields of both art and vocational training as an educator in China. He has served as the head of the graduate animation program at the Central Academy of Fine Arts' School of City Design and as the director of the digital simulation graduate program at the Beijing Institute of Technology's School of Design and Arts. Mr. Zhang received a bachelor's degree in arts education from Qufu Normal University.

Andrew Y Yan is a director of our company and is an independent director pursuant to Nasdaq Stock Market Rule 5605(a)(2). He is the founding managing partner of SAIF Partners. Before joining SAIF in 2001, Mr. Yan was a managing director and the head of the Hong Kong office of Emerging Markets Partnership, the management company of AIG Asian Infrastructure Funds, from 1994 to 2001. From 1989 to 1994, he worked in the World Bank, the Hudson Institute and US Sprint Co. as an economist, research fellow and director for Asia, respectively, in Washington, DC. From 1982 to 1984, he was the chief engineer of Jianghuai Airplane Corp. Currently, Mr. Yan is an independent director of Qifu Technology Inc. and Guoyuan Securities Co., Ltd, and an independent non-executive director of Petrochina Company Ltd and East Buy Holding Ltd. He also holds directorship in several SAIF portfolio companies. Mr. Yan received a master of arts degree from Princeton University, and a bachelor's degree in engineering from the Nanjing Aeronautic Institute.

[Table of Contents](#)

Haoyu Wang is a director of our company and is an independent director pursuant to Nasdaq Stock Market Rule 5605(a)(2). He currently serves as the investment director of Shenzhen Mingsheng Private Equity Fund Management Co., Ltd. and is engaged in professional investment focusing on hard-tech sectors such as new energy, semiconductors, artificial intelligence, and life sciences. Before that, he worked as an investment manager in Shenzhen Mingsheng Private Equity Fund Management Co., Ltd from 2021 to 2025. From 2015 to 2021, he worked as an auditor of BDO Shu Lun Pan Certified Public Accountants LLP. Mr. Wang is a certified accountant and received a bachelor's degree in financial management from Guangdong Polytechnic Normal University.

Zhiping Feng is a director of our company and is an independent director pursuant to Nasdaq Stock Market Rule 5605(a)(2). She is currently the corporate finance manager of ETHK Labs Inc. (formerly known as IVD Medical Holding Limited) (HKEX: 01931) where she is responsible for listed company compliance and capital market matters. Before joining ETHK Labs Inc. in 2025, she worked as an assurance associate of PricewaterhouseCoopers Zhong Tian LLP from 2022 to 2024. She received a master's degree in finance from the University of Rochezxster and a bachelor's degree in quantitative economics from the University of California, Irvine.

Ruobai Sima is our Chief Financial Officer, having assumed such role on May 12, 2022. Prior to joining ACG, Mr. Sima served as CFO at various automotive services companies from 2016 to 2022, including Beijing Aiyihang Auto Service Group and Beijing Shouqi Zhixing Technology Co., Ltd. From 2015 to 2016, Mr. Sima served as the financial director for Bitauto Holdings, a leading auto internet company focused on providing Internet information, shopping guide services and Internet marketing solutions in China. From 2008 to 2015, Mr. Sima served as the vice director of the finance department at Toyota Motor Finance (CHINA) Co., LTD, primarily focused in the areas of risk management and corporate finance. Mr. Sima served as a senior auditor at PricewaterhouseCoopers Beijing from 2004 to 2008. Mr. Sima earned a bachelor's degree in finance from the Capital University of Economics and Business and a master's degree in finance from the University of International Business and Economics, both in Beijing.

Family Relationships

There is no family relationship between any of the persons named above and no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a director or member of senior management.

B. Compensation

For the fiscal year ended December 31, 2025, we and our subsidiaries paid aggregate cash compensation of RMB5.1 million (\$0.7 million) to our directors and executive officers as a group. We do not pay or set aside any amounts for pension, retirement or other benefits for our officers and directors.

Share Incentives

We adopted a share incentive plan, or the 2005 Plan, in April 2005, which was terminated in 2015. We adopted our 2008 Employee Share Incentive Plan, or the 2008 Plan, in January 2008. We amended and restated the 2008 Plan, or the Amended and Restated 2008 Plan, in December 2016, primarily to extend its term and expand the option pool thereunder to include the reserved but unissued common shares under the 2005 Plan. We amended and restated the Amended and Restated 2008 Plan, or the Second Amended and Restated 2008 Plan, in October 2018, primarily to extend its term, expand the option pool thereunder, and change the number of common shares automatically added to the option pool in each calendar year during its term. Our share incentive plans are intended to promote our success and to increase shareholder value by providing additional means to attract, motivate, retain and reward selected directors, officers, employees and other eligible persons. An aggregate of 3,310,300 common shares were reserved for issuance under the 2005 Plan. Subject to any amendment of the Second Amended and Restated 2008 Plan by our directors, the maximum aggregate number of common shares that may be issued pursuant to all awards under the Second Amended and Restated 2008 Plan is 6,965,846 shares (which was increased from 6,399,377 shares under the Amended and Restated 2008 Plan), plus, unless the board of directors determines a lesser amount, an annual increase on January 1 of each calendar year beginning in 2019 equal to the lesser of (i) one percent (1%) of the total number of common shares issued and outstanding on December 31 of the immediately preceding calendar year, or (ii) such number of common shares as may be established by the board of directors. As of December 31, 2025, 11,190,90 shares were authorized for issuance under the Second Amended and Restated 2008 Plan.

We have issued share options and restricted shares under the 2005 Plan, the 2008 Plan, the Amended and Restated 2008 Plan and the Second Amended and Restated 2008 Plan to selected directors, officers, employees and individual consultants and advisors. The contractual term of these options is mostly for 10 years.

Options and restricted shares granted under our share incentive plans generally do not vest unless the grantee remains under our employment or in service with us on the given vesting date.

Generally, if the grantee's employment or service with us is terminated for cause, all such grantee's options under our share incentive plans, vested and unvested, immediately terminate and become unexercisable. On the other hand, if the grantee's employment or service with us is terminated for any reason other than for cause, all such grantee's vested options terminate and become unexercisable 90 days, or three months, following the grantee's last day of employment or service with us, while generally all unvested options immediately terminate and become unexercisable. In circumstances where there is a death or total disability of the grantee, all such grantee's vested options terminate and become unexercisable 12 months following the grantee's last day of employment or service with us, while generally all unvested options immediately terminate and become unexercisable.

Our board of directors may amend, alter, suspend, or terminate our share incentive plans at any time; provided, however, that our board of directors must first seek the approval of the participants of our share incentive plans if such amendment, alteration, suspension or termination would adversely affect the rights of participants under any option granted prior to that date. The 2005 Plan was terminated in 2015, and without further action by our board of directors, the Second Amended and Restated 2008 Plan will terminate in 2028.

We did not grant any share option or restricted share to our directors or executive officers pursuant to our share incentive plans in the year ended December 31, 2025.

C. Board Practices

Duties of Directors

Under the Companies Act, our directors have a statutory duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our fourth amended and restated memorandum and articles of association. A shareholder has the right to seek damages if a duty owed by our directors is breached.

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;
- issuing authorized but unissued shares;
- declaring dividends and distributions;
- exercising the borrowing powers of our company and mortgaging the property of our company;
- approving the transfer of shares of our company, including the registering of such shares in our share register; and
- exercising any other powers conferred by the shareholders' meetings or under our fourth amended and restated memorandum and articles of association.

Terms of Directors

As of the date of this annual report, we have a board of five directors, among which, Xiaofeng Ma has been designated as class A director, Andrew Y Yan and Jun Zhang have been designated as class B directors, and Haoyu Wang and Zhiping Feng have not been designated as specific class directors. In February 2026, Haoyu Wang and Zhiping Feng were appointed as new directors and will hold office until the first general meeting after the appointment and be subject to re-election at such meeting. The shareholders shall then designate each of them as a specific class director if they were elected at such meeting.

In addition, one third of our directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one third) shall retire from office every year at our annual general meeting of shareholders on a rotating basis and each director (except for Xiaofeng Ma) shall be subject to retirement at least once every three years. Our class B directors Andrew Y Yan and Jun Zhang will retire from office and will be eligible for re-election at our 2026 annual general meeting as they will have held their offices for three years by then. Our chief executive officer, which currently is Xiaofeng Ma, shall not, while holding office, be subject to retirement or be taken into account in determining the number of directors to retire in any year. Neither we nor our subsidiaries have any directors' service contracts providing for benefits upon termination of employment.

Board Practices

Our board of directors has established an audit committee, a compensation committee and a nominations committee.

Audit Committee

Our audit committee consists of Haoyu Wang and Zhiping FENG. Haoyu Wang is the chairman of our audit committee. Our board of directors has determined that Haoyu Wang and Zhiping FENG are “independent directors” within the meaning of Nasdaq Stock Market Rule 5605(a)(2) and meet the criteria for independence set forth in Rule 10A-3(b) of the Exchange Act. Haoyu Wang meets the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. The third seat on our audit committee is vacant in reliance on Nasdaq Stock Market Rule 5615(a)(3), which permits a foreign private issuer like us to follow “home country practices” in relation to the composition of its audit committee. In this regard we have elected to adopt the practices of our home country, the Cayman Islands, which does not require us to have a three-member audit committee or to fill all three seats on the audit committee at this time.

Our audit committee is responsible for, among other things:

- appointing the independent auditor;
- pre-approving all auditing and non-auditing services permitted to be performed by the independent auditor;
- annually reviewing the independent auditor’s report describing the auditing firm’s internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor and all relationships between the independent auditor and our company;
- setting clear hiring policies for employees and former employees of the independent auditor;
- reviewing with the independent auditor any audit problems or difficulties and management’s responses;
- reviewing and approving all related party transactions on an ongoing basis;
- reviewing and discussing the annual audited financial statements with management and the independent auditor;
- reviewing and discussing with management and the independent auditor major issues regarding accounting principles and financial statement presentations;
- reviewing reports prepared by management or the independent auditor relating to significant financial reporting issues and judgments;
- discussing earnings press releases with management, as well as financial information and earnings guidance provided to analysts and rating agencies;
- reviewing with management and the independent auditor the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on our financial statements;
- discussing policies with respect to risk assessment and risk management with management, internal auditors and the independent auditor;
- timely reviewing reports from the independent auditor regarding all critical accounting policies and practices to be used by our company, all alternative treatments of financial information within U.S. GAAP that have been discussed with management and all other material written communications between the independent auditor and management;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- annually reviewing and reassessing the adequacy of our audit committee charter;

[Table of Contents](#)

- such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately, periodically, with management, internal auditors and the independent auditor; and
- reporting regularly to the full board of directors.

Compensation Committee

Our compensation committee consists of Zhiping Feng and Haoyu Wang. Zhiping Feng is the chairman of our compensation committee. Our board of directors has determined that all of our compensation committee members are “independent directors” within the meaning of Nasdaq Stock Market Rule 5605(a)(2).

Our compensation committee is responsible for:

- reviewing and approving our overall compensation policies;
- reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, evaluating our chief executive officer’s performance in light of those goals and objectives, reporting the results of such evaluation to the board of directors, and determining our chief executive officer’s compensation level based on this evaluation;
- determining the compensation level of our other executive officers;
- making recommendations to the board of directors with respect to our incentive-compensation plans and equity-based compensation plans;
- administering our equity-based compensation plans in accordance with the terms thereof; and
- such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

Nominations Committee

Our nominations committee consists of Xiaofeng Ma, Zhiping Feng and Haoyu Wang. Xiaofeng Ma is the chairman of the nominations committee. Although Nasdaq Stock Market Rules generally require all members of the nominations committee of a listed company to be “independent directors” within the meaning of Nasdaq Stock Market Rule 5605(a)(2), Nasdaq Stock Market Rule 5615(a)(3) permits a foreign private issuer like us to follow “home country practices” in relation to composition of its nominations committee. In this regard, we have elected to adopt the practices of our home country, the Cayman Islands, which does not require that any of the members of a company’s nominations committee be independent directors.

Our nominations committee is responsible for, among other things:

- seeking and evaluating qualified individuals to become new directors as needed;
- reviewing and making recommendations to the board of directors regarding the independence and suitability of each board member for continued service; and
- evaluating the nature, structure and composition of other board committees.

Corporate Governance

Our board of directors has adopted a code of ethics, which is applicable to our senior executive and financial officers. In addition, our board of directors has adopted a code of conduct, which is applicable to all of our directors, officers, employees and advisors. Our code of ethics and our code of conduct are publicly available on our website, <http://www.atai.net.cn>. In addition, our board of directors has adopted a set of corporate governance guidelines. The guidelines reflect certain guiding principles with respect to our board's structure, procedures and committees. The guidelines are not intended to change or interpret any law, or our fourth amended and restated memorandum and articles of association.

Interested Transactions

A director may vote with respect to any contract or transaction in which he or she is interested, provided that the nature of the interest of any director in such contract or transaction is disclosed by him or her at or prior to its consideration and any vote in that matter.

D. Employees

We had 581, 599 and 489 employees as of December 31, 2023, 2024 and 2025 in China, respectively, including 3 employees of the VIE as of December 31, 2025. As of December 31, 2025, we had 188 employees in teaching, 92 employees in teaching administration and affairs (among which there are 7 permanent employees focusing on research and curriculum development who are supplemented by professional art teachers), 134 employees in sales and marketing, 5 in research and development and 70 in general and administrative functions.

We use our share incentive plans as additional means to further attract, motivate, retain and reward selected directors, officers, employees and third-party consultants and advisors. For more information, see "Item 6.B. Directors, Senior Management and Employees — Compensation — Share Incentives." We believe these initiatives have contributed to our ability to attract and retain talent.

As required by PRC laws and regulations, we and the VIE participate in various employee benefit plans that are organized by municipal and provincial governments, including housing, pension, medical and unemployment benefit plans. We and the VIE make monthly payments to these plans in respect of each employee based on the employee's compensation. We believe that we and the VIE maintain a good working relationship with our and the VIE's employees, and we and the VIE have not experienced any significant labor disputes. Our employees have not entered into any collective bargaining agreements.

[Table of Contents](#)

According to our contracts with our and the VIE's employees, our and the VIE's employees are generally prohibited from engaging in any activities that compete with our business during the period of their employment and for two years after termination of their employment with us. Furthermore, all employees are prohibited, for a period of two years following termination, from soliciting other employees to leave us or the VIE and, for a period of five years following termination, from soliciting our existing clients. However, we and the VIE may have difficulty enforcing these non-competition and non-solicitation terms in China because the Chinese legal system, especially with respect to the enforcement of such terms, is still developing.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership, within the meaning of Section 13(d)(3) of the Exchange Act, of our common shares as of March 20, 2026 by:

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

	Common shares beneficially owned	
	Number (1)	Percentage (2)
Directors and Executive Officers:		
Xiaofeng Ma(3)	25,160,508	29.2 %
Andrew Y Yan	*	*
Haoyu Wang	*	*
Zhiping Feng	*	*
Ruobai Sima	*	*
Jun Zhang(4)	10,634,092	12.4 %
Directors and Executive Officers Combined	36,544,256	42.5 %
Principal Shareholders:		
Joingear Limited(5)	18,427,074	21.4 %
HSBC International Trustee Limited(6)	9,804,588	11.4 %
Able Knight Development Limited(3)	4,998,988	5.8 %
Alpha Advantage Global Limited(7)	4,717,100	5.5 %
Jiangong Zhao(7)	4,717,100	5.5 %
Arts Consulting Limited(8)	9,360,000	10.9 %
CL-TCC(9)	5,662,634	6.6 %
Pengjian Shi(9)	5,662,634	6.6 %
TCC Management Limited(9)	5,662,634	6.6 %
Empire Fortune Management Limited (10)	8,559,434	9.9 %
Apollo Wise Investment Limited (11)	8,559,434	9.9 %
Water River Capital Limited (12)	5,016,226	5.8 %

* Beneficially owns less than 1% of our common shares.

- (1) The number of common shares beneficially owned by each of the listed persons includes common shares that such person has the right to acquire within 60 days after March 20, 2026.
- (2) Percentage of beneficial ownership for each of the persons listed above is determined by dividing (i) the number of common shares beneficially owned by such person by (ii) the total number of common shares outstanding, plus the number of common shares such person has the right to acquire within 60 days after March 20, 2026. The total number of our common shares outstanding as of March 20, 2026 is 86,059,994.

[Table of Contents](#)

- (3) Includes (i) 1,734,446 common shares held by Xiaofeng Ma; (ii) 4,998,988 common shares held by Able Knight Development Limited, which is a British Virgin Islands company wholly-owned by Precious Time Holdings Limited and ultimately wholly owned by HSBC International Trustee Limited as trustee of an irrevocable trust constituted under the laws of the Cayman Islands with Xiaofeng Ma as the settlor and certain family members of Xiaofeng Ma as the beneficiaries; and (iii) 18,427,074 common shares held by Joingear Limited, which is a British Virgin Islands company with 100% of its issued and outstanding share capital owned by Xiaofeng Ma. Xiaofeng Ma is the sole director of Able Knight Development Limited and Joingear Limited. The business address of Able Knight Development Limited is Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands. The business address of Joingear Limited is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.
- (4) Includes (i) 1,274,092 common shares issuable upon exercise of the options granted to Jun Zhang, (ii) 9,360,000 common shares held by Arts Consulting Limited, or ArtsCL, which is a British Virgin Islands company. Jun Zhang is the sole director and holds 75% of the issued and outstanding share capital of ArtsCL. The business address of ArtsCL is CCS Trustees Limited, Mandar House, 3rd Floor, Johnson's Ghut, Tortola, British Virgin Islands. If Jun Zhang violates his non-compete obligation owed to the Company, the Company may require ArtsCL to either return 75% of the 9,360,000 common shares, or pay to the Company an amount equal to the valuation of 75% of such common shares if such common shares have been sold, calculated using the per share price of our common shares on August 6, 2019.
- (5) Includes 18,427,074 common shares held by Joingear Limited, based on Schedule 13D/A Amendment No. 8 filed jointly by Xiaofeng Ma, Able Knight Development Limited, Precious Time Holdings Limited, Ma Family Trust and Joingear Limited on May 21, 2020. Joingear Limited is a British Virgin Islands company. Xiaofeng Ma is the sole director of Joingear Limited.
- (6) Based on a Schedule 13G Amendment No. 7 filed by HSBC International Trustee Limited on February 7, 2018. The registered address of HSBC International Trustee Limited is 21 Collyer Quay, #19-01 HSBC Building, Singapore 049320. Based on a Schedule 13G Amendment No. 8 filed by HSBC Holdings plc on February 8, 2023, HSBC International Trustee Limited is a subsidiary of HSBC Holdings plc. The registered address of HSBC Holdings plc is 8 Canada Square, London E14 5HQ, United Kingdom.
- (7) Based on a Schedule 13G Amendment No. 1 filed jointly by Jiangong Zhao, Dynamic Fame Limited and Alpha Advantage Global Limited on January 22, 2018. Includes 188,000 common shares held of record by Dynamic Fame Limited and 4,529,100 common shares held of record by Alpha Advantage Global Limited. Dynamic Fame Limited is a British Virgin Islands company and a wholly owned subsidiary of Alpha Advantage Global Limited. Alpha Advantage Global Limited is a British Virgin Islands company wholly owned by Jiangong Zhao. The business address of Alpha Advantage Global Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and the business address of Dynamic Fame Limited is Office 1601, 16/F, 31 Queen's Road Central, Hong Kong.
- (8) Based on a Schedule 13D/A filed jointly by Jun Zhang and ArtsCL on May 21, 2020. ArtsCL is a British Virgin Islands company. Jun Zhang is the sole director of ArtsCL.
- (9) Based on a Schedule 13G filed jointly by CL-TCC, TCC Management Limited and Pengjian Shi on February 18, 2020. Includes 5,662,634 common shares held of record by CL-TCC. CL-TCC is a Cayman Islands company with 50% and 50% of its issued and outstanding share capital owned by CL Management Ltd. and TCC Management Limited, respectively. TCC Management Limited is a Cayman Islands company wholly owned by Pengjian Shi, who may be deemed to have the sole voting power and sole dispositive power with respect to the common shares held by CL-TCC. The business address of TCC Management Limited is c/o Solaris Corporate Services Ltd., P.O. Box 1990, 3rd Floor, FirstCaribbean House, George Town Grand Cayman KY1-1104, Cayman Islands and the business address of CL-TCC is Harbour Place, 2nd Floor, 103 South Church Street, P.O. Box 472, George Town, Grand Cayman KY1-1106, Cayman Islands.
- (10) Includes 8,559,434 common shares in the form of ADSs held of record by Empire Fortune Management Limited, which were acquired by Empire Fortune Management Limited through the registered direct offering of the Company in January 2026.
- (11) Includes 8,559,434 common shares in the form of ADSs held of record by Apollo Wise Investment Limited, which were acquired by Apollo Wise Investment Limited through the registered direct offering of the Company in January 2026.

[Table of Contents](#)

(12) Includes 5,016,226 common shares in the form of ADSs held of record by Water River Capital Limited, which were acquired by Water River Capital Limited through the registered direct offering of the Company in January 2026.

None of our shareholders have different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. See “Item 6.B. Directors, Senior Management and Employees — Compensation — Share Incentives” for information on options granted to our current directors and executive officers and “Item 6.D. Employees” for a discussion of our use of share incentive plans to incentivize our employees. To our knowledge, as of March 20, 2026, 100 of our common shares were held by holders of record in the United States. However, 25,873,068 common shares were registered in the name of a nominee of Citibank, N.A., the depository of our ADSs. It is likely that a large number of beneficial owners of our ADSs reside in the United States.

F. Disclosure of a Registrant’s Action to Recover Erroneously Awarded Compensation

None.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

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

B. Related Party Transactions

Contractual Arrangements with the VIE and Its Shareholders

PRC laws and regulations currently limit foreign ownership of companies that engage in, among others, internet content provision related business which requires ICP license. Due to these restrictions, we once set up contractual arrangements with the VIE to preserve our flexibility to operate, invest in or hold businesses that are restricted from receiving foreign investments in mainland China. To date, the ICP license obtained by the VIE has expired and the VIE did not apply for the renewal as we believe that, neither the Company and its subsidiaries nor the VIE conducts the businesses where the ICP license is required. For a description of these contractual arrangements, see “Item 4.A. Information on the Company — History and Development of the Company — Contractual Arrangements with the VIE.”

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information.

Our consolidated financial statements are included at the end of this annual report.

Legal Proceedings

1. Beijing Litigation

In March 2020, Mr. Xiaofeng Ma, our chairman and chief executive officer, received copies of the civil complaints with respect to two lawsuits filed by our two shareholders Alpha Advantage Global Limited (“Alpha”) and Dynamic Fame Limited (“Dynamic”), respectively, with the Beijing Fourth Intermediate People’s Court (the “Beijing Intermediate Court”) relating to the Company’s sale of the ATA Online Business. The Company was also listed as a defendant, and ATA Online was listed as an interested third party in such lawsuits. Alpha was a holder of 4,529,100 common shares of the Company, and Dynamic was a holder of 188,000 common shares of the Company at the time of the completion of the sale of ATA Online Business.

The plaintiffs claimed that the sale of the ATA Online Business was a related-party transaction or a self-dealing transaction, for which approval by unrelated shareholders is required and the board of the directors of the Company did not have the right to approve such transaction; the plaintiffs also claimed that the ATA Online Business was worth more than the consideration of US\$200.0 million paid by the buyer group, and thus the sale of ATA Online Business has caused losses to the plaintiffs as shareholders of the Company. The plaintiffs are requesting that the Beijing Intermediate Court rule that (i) all board resolutions of the Company regarding the sale of the ATA Online Business are invalid; (ii) Mr. Xiaofeng Ma shall compensate the loss incurred by Alpha and Dynamic from the Company’s sale of the ATA Online Business for RMB95.0 million and RMB5.0 million, respectively; and (iii) the Company and Mr. Xiaofeng Ma shall jointly bear the attorney’s fees of Alpha and Dynamic for RMB1.5 million and RMB0.5 million, respectively, and other litigation costs.

The Company filed an application for jurisdiction objection for each of the foregoing two cases, which was not supported by court order. As a result, Beijing Intermediate Court had jurisdiction over these two cases. On March 18, 2022, the Supreme People’s Court issued (2022) Supreme People’s Court Ruling No. 48 and No. 49, holding that these two cases are international commercial cases of great influence and typical significance, and should be tried by the Second International Commercial Court of the Supreme People’s Court. On June 20, 2024, the Supreme People’s Court rendered the final judgment holding that shareholder approval was not required for the sale of the ATA Online Business and the board of the directors of the Company had the right to approve such transaction, and the consideration paid by the buyer group for the sale of the ATA Online Business was not unreasonable, therefore all of the claims raised by Alpha and Dynamic were dismissed.

2. Ningbo Litigation

In March 2020, Alpha and Dynamic jointly filed a lawsuit with the Ningbo City Intermediate People’s Court (the “Ningbo Intermediate Court”) against Mr. Xiaofeng Ma, certain entities controlled by management members of ATA Online which were members of the buyer group, New Beauty Holdings Limited, the Company’s former director Zhilei Tong, Chinese All Digital Publishing Group Co., Ltd. and ATA Learning in connection with the Company’s sale of the ATA Online Business, and listed the Company and ATA Online as interested third parties. The plaintiffs are requesting that the Ningbo Intermediate Court rule that (i) all related party transactions between the defendants and the Company relating to the sale of ATA Online Business are invalid; (ii) Mr. Xiaofeng Ma and the entities controlled by the management members of ATA Online and Chinese All Digital Publishing Group Co., Ltd. shall return the equity interest of ATA Online and ATA Learning they acquired to ATA Learning and ATA BVI, a wholly owned subsidiary of the Company, as the case may be; and (iii) all defendants and the Company shall jointly bear the attorney’s fees of the plaintiffs for RMB15.0 million and other litigation costs.

The case was transferred by the Ningbo Intermediate Court to Beijing Intermediate Court for further proceeding. On January 18, 2023, the Beijing Intermediate Court issued an order of nonsuit which dismissed the case. On February 17, 2023, the plaintiffs appealed such order to Beijing High People’s Court, and Beijing High People’s Court later accepted such appeal, quashed the original ruling, and directed the Beijing Intermediate Court to hear the case. On July 30, 2024, the Beijing Intermediate Court accepted this case. On August 15, 2024, Alpha and Dynamic filed a withdrawal application, and the Beijing Intermediate Court approved such withdrawal application on August 27, 2024.

In response to the above concluded Beijing and Ningbo litigations, in February 2025, the Company and Mr. Xiaofeng Ma, together with other affected parties, jointly filed a litigation against Alpha and Dynamic with Beijing Intermediate Court requesting that Alpha and Dynamic shall compensate the loss and cost incurred by each of them as a result of the malicious litigations initiated by Alpha and Dynamic. This litigation has been accepted by Beijing Intermediate Court, and is now awaiting a court hearing.

[Table of Contents](#)

We and the VIE are not currently involved in any material litigation, arbitration or administrative proceedings that could have a material adverse effect on our financial condition or results of operations. From time to time, we and the VIE may be subject to various claims and legal actions arising in the ordinary course of business.

Dividend Policy

The Company has not made any dividends or distributions to its shareholders for the fiscal years ended December 31, 2023, 2024 and 2025. Any future determination to pay dividends will be made at the discretion of our board of directors and will be based upon our future operations and earnings, capital requirements and surplus, general financial condition, shareholders' interests, contractual restrictions and other factors our board of directors may deem relevant.

Holders of our ADSs will be entitled to receive dividends, if any, subject to the terms of the deposit agreement, to the same extent as the holders of our common shares. Cash dividends will be paid to the depository in U.S. dollars, which will distribute them to the holders of ADSs according to the terms of the deposit agreement. Other distributions, if any, will be paid by the depository to the holders of ADSs in any means it deems legal, fair and practical.

Under China's EIT Law and its implementation rules, both of which became effective on January 1, 2008, dividends from our PRC subsidiaries to us may be subject to a 10% withholding tax if such dividends are derived from profits generated after January 1, 2008. If we are deemed to be a PRC resident enterprise, the withholding tax may be exempted, but we will be subject to a 25% tax on our worldwide income, and our non-PRC enterprise investors may be subject to PRC income tax withholding at a rate of 10%. See "Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Under the EIT Law, we may be classified as a 'resident enterprise' of China. Such classification will likely result in unfavorable tax consequences to us and U.S. holders of our ADSs or common shares" and "Item 10.E. Additional Information — Taxation — People's Republic of China Taxation."

B. Significant Changes

Except as disclosed elsewhere in this annual report, we and the VIE have not experienced any significant changes since the date of our audited financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

Principal Market of Our ADSs

Our ADSs are listed for trading on Nasdaq under the symbol "AACG."

B. Plan of Distribution

Not applicable.

C. Markets

See Item 9.A. above.

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

We incorporate by reference into this annual report the description of our third amended and restated memorandum and articles of association contained under the heading “Description of Share Capital” in our registration statement on [Form F-1 \(File No. 333-148512\) originally filed with the SEC on January 8, 2008](#), as amended. At our 2020 Annual General Meeting of Shareholders held on December 18, 2020, it was resolved as a special resolution that our third amended and restated memorandum and articles of association be amended and restated into fourth amended and restated memorandum and articles of association to permit electronic and hybrid shareholders’ meetings and make certain updates and editorial changes.

C. Material Contracts

We and the VIE 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 5. Operating and Financial Review and Prospects,” “Item 7. Major Shareholders and Related Party Transactions” or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

No foreign exchange controls exist in the Cayman Islands. The discussion below addresses the exchange controls that exist in the PRC.

Regulation of Foreign Exchange

The PRC government imposes restrictions on the convertibility of the Renminbi and on the collection and use of foreign currency by Chinese entities. Under current regulations, the Renminbi is convertible for current account transactions, which include dividend distributions, interest payments, and the import and export of goods and services. Conversion of Renminbi into foreign currency and foreign currency into Renminbi for capital account transactions, such as direct investment, portfolio investment and loans, however, generally requires the approval of or registration or filing with SAFE or its authorized banks and other relevant Chinese governmental authorities.

Under current Chinese regulations, FIEs such as our PRC subsidiaries are required to apply to banks authorized by SAFE for foreign exchange registration. With such foreign exchange registration, an FIE may open foreign exchange bank accounts at banks authorized to conduct foreign exchange business by SAFE and may buy, sell and remit foreign exchange through such banks, subject to documentation and approval requirements. FIEs are required to open and maintain separate foreign exchange accounts for capital account transactions and current account transactions. In addition, there are restrictions on the amount of foreign currency that FIEs may retain in such accounts. See also “Item 4.B. Information on the Company — Business Overview — Regulation.”

The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in PRC political and economic conditions and PRC foreign exchange policies. The People’s Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy goals.

Dividend Distributions

The Company is not a Chinese operating company but a Cayman Islands holding company with operations conducted through its subsidiaries and through contractual arrangements with the VIE based in China. As a result, although other means are available for us to obtain financing at the Company level, the Company's ability to pay dividends to its 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. PRC legal restrictions permit payments of dividends by our PRC subsidiaries only out of their accumulated after-tax profits, if any, determined in accordance with PRC GAAP. Each of our PRC subsidiaries is also required under PRC laws and regulations to allocate at least 10% of its after-tax profits determined in accordance with PRC GAAP to statutory reserves until such reserves reach 50% of its registered capital. Allocations to these statutory reserves and funds can only be used for specific purposes and are not transferable to us in the form of loans, advances or cash dividends. As of December 31, 2025, our PRC subsidiaries have allocated RMB25.7 million (\$3.6 million) to the general reserve fund. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. See "Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Because we may rely on dividends and other distributions on equity paid by our current and future PRC subsidiaries for our cash requirements, restrictions under PRC law on their ability to make such payments could materially and adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to you, and otherwise fund and conduct our businesses."

In addition, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules relating to VIE Agreements, and the VIE Agreements with the VIE and its shareholders may not be as effective as direct ownership in providing us with control over the VIE. The uncertainty with respect to the validity and enforceability of the VIE Agreements may limit our ability to settle amounts owed under the VIE Agreements. See "Item 3.D. Risk Factors — Risks Relating to Our Corporate Structure."

E. Taxation

The following is a general summary of the material Cayman Islands, U.S. federal and People's Republic of China income tax consequences relevant to an investment in our ADSs and common shares. The discussion is not intended to be, nor should it be construed as, legal or tax advice to any particular prospective purchaser or current holders of our ADSs. The discussion is based on laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change or different interpretations, possibly with retroactive effect. The discussion does not address United States state or local tax laws, or tax laws of jurisdictions other than the Cayman Islands and the United States. You should consult your own tax advisors with respect to the consequences of acquisition, ownership and disposition of our ADSs and common shares.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations, and there is no taxation in the nature of inheritance tax or estate duty or withholding tax applicable to us or to any holder of ADSs or common shares. 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. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2020 but is otherwise not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Act (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

- that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on the shares, debentures or other obligations of the Company.

The undertaking for us is for a period of 20 years from October 3, 2006.

People's Republic of China Taxation

In 2007, China passed a new Enterprise Income Tax Law, or the EIT Law, and its Implementing Rules, both of which became effective on January 1, 2008. The EIT Law was subsequently amended in 2017 and 2018 and its Implementing Rules was subsequently amended in 2019. The EIT Law created a new “resident enterprise” classification, which, if applied to us, would impose a 10% withholding tax on our non-PRC enterprise shareholders and, pursuant to Circular of the MOF and the SAT on Some Policy Issues regarding Personal Income Tax (Cai Shui Zi [1994] No. 020), the dividend and bonus incomes received by individual aliens from the FIEs are temporarily exempted from individual income tax, and, hence, the dividends we pay to our non-PRC individual shareholders may be qualified to enjoy the individual income tax exemption if certain conditions are met; otherwise, a potential 20% individual income tax may be applied on dividends we pay to them if such dividends are derived from profits generated after January 1, 2008, and with respect to gains derived by our non-PRC shareholders from disposition of our shares or ADSs, if such dividends or gains are determined to have been derived from sources within China. See “Item 3.D. Risk Factors — Risks Relating to Regulations of Our Business — Under the EIT Law, we may be classified as a ‘resident enterprise’ of China. Such classification will likely result in unfavorable tax consequences to us and U.S. holders of our ADSs or common shares.”

If we are not deemed to be a resident enterprise, then dividends payable to our non-PRC shareholders and gains from disposition of our shares of ADSs by our non-PRC shareholders will not be subject to PRC withholding income tax.

United States Federal Income Taxation

This discussion describes the material U.S. federal income tax consequences to U.S. Holders (as defined below) of the purchase, ownership and disposition of our ADSs or common shares. This discussion does not address any aspect of U.S. federal gift or estate tax, the Medicare tax, or the state, local or non-U.S. tax consequences of an investment in our ADSs and common shares. This discussion applies to you only if you beneficially own our ADSs or common shares as capital assets for U.S. federal income tax purposes. This discussion does not apply to U.S. Holders who are members of a class of holders subject to special rules, such as:

- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for securities holdings;
- banks or certain financial institutions;
- insurance companies;
- tax-exempt organizations;
- partnerships or other entities treated as partnerships or other pass-through entities for U.S. federal income tax purposes or persons holding ADSs or common shares through any such entities;
- regulated investments companies or real estate investment trusts;
- persons that hold ADSs or common shares as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment;
- persons whose functional currency for tax purposes is not the U.S. dollar;
- persons liable for alternative minimum tax; or
- persons who actually or constructively own 10% or more of the total combined voting power of all classes of our shares (including ADSs and common shares) entitled to vote.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, which we refer to in this discussion as the Code, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as of the date of this annual report. These laws are subject to change, possibly on a retroactive basis. In addition, this discussion relies on our assumptions regarding the value of our ADSs and common shares and the nature of our business over time. Finally, this discussion is based in part upon the representation of the depository and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

U.S. holders of our ADSs are urged to consult their own tax advisor concerning the particular U.S. federal income tax consequences to them of the purchase, ownership and disposition of our ADSs and common shares, as well as the consequences to them arising under the laws of any other taxing jurisdiction.

For purposes of the U.S. federal income tax discussion below, you are a “U.S. Holder” if you beneficially own ADSs or common shares as capital assets within the meaning of Section 1221 of the Code and are:

- an individual citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation, that was created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (a) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect to be treated as a U.S. person.

For U.S. federal income tax purposes, income earned through a U.S. or non-U.S. partnership or other flow-through entity is attributed to its owners. Accordingly, if a partnership or other flow-through entity holds ADSs or common shares, the tax treatment of the holder will depend on the status of the partner or other owner and the activities of the partnership or other flow-through entity.

The U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. holders of ADSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax, as described below, applicable to dividends received by certain non-corporate holders. Accordingly, the availability of the reduced tax rate for dividends received by certain non-corporate holders could be affected by actions taken by intermediaries in the chain of ownership between the holder of an ADS and our company.

Dividends on ADSs or Common Shares

Subject to the “Passive Foreign Investment Company” discussion below, if we make distributions and you are a U.S. Holder, the gross amount of any distributions with respect to your ADSs or common shares (including the amount of any taxes withheld therefrom) will be includible in your gross income on the day you actually or constructively receive such income as dividend income if the distributions are made from our current or accumulated earnings and profits, calculated according to U.S. federal income tax principles. With respect to non-corporate U.S. holders, certain dividends received from a qualified foreign corporation may be subject to a reduced capital gains rate of taxation. A non-U.S. corporation (other than passive foreign investment corporation) is treated as a qualified foreign corporation with respect to dividends from that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. U.S. Treasury Department guidance indicates that our ADSs, which are listed on Nasdaq, but not our common shares, will be readily tradable on an established securities market in the United States. You should consult your own tax advisor as to the rate of tax that will apply to you with respect to dividend distributions, if any, that you receive from us.

Subject to the “Passive Foreign Investment Company” discussion below, to the extent, if any, that the amount of any distribution by us on ADSs or common shares exceeds our current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of the U.S. Holder’s adjusted tax basis in the ADSs or common shares and thereafter as capital gain. However, we do not intend to calculate our earnings and profits according to U.S. federal income tax principles. Accordingly, distributions on our ADSs or common shares, if any, will generally be reported to you as dividend distributions for U.S. tax purposes. Corporations will not be entitled to claim a dividends-received deduction with respect to distributions made by us. Dividends may constitute foreign source passive income for purposes of the U.S. foreign tax credit rules. You should consult your own tax advisors as to your ability, and the various limitations on your ability, to claim foreign tax credits in connection with the receipt of dividends.

Sales and Other Dispositions of ADSs or Common Shares

Subject to the “Passive Foreign Investment Company” discussion below, when you sell or otherwise dispose of ADSs or common shares, you will recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale or other disposition and your adjusted tax basis in the ADSs or common shares. Any such gains or losses that you recognize will be treated as U.S. source income for foreign tax credit purposes. Your adjusted tax basis will be equal to the amount you paid for the ADSs or common shares. Any gain or loss you recognize will be long-term capital gain or loss if your holding period in our ADSs or common shares is more than one year at the time of disposition. If you are a non-corporate U.S. Holder, including an individual, any such long-term capital gain will be taxed at preferential rates. Your ability to deduct capital losses will be subject to various limitations.

Passive Foreign Investment Company

We believe that we were not a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our taxable year ended December 31, 2025. However, PFIC status is tested each year and depends on the composition of our assets and income and the value of our assets from time to time. Since we currently hold, and expect to continue to hold, a substantial amount of cash and other passive assets, and since the value of our assets is to be determined in large part by reference to the market prices of our ADSs and common shares, which is likely to fluctuate over time, there can be no assurance that we will not be a PFIC for any taxable year.

We note that the portion of our assets that consisted of cash and other passive assets was more significant during the period between our sale of ATA Online Business in 2018, and our acquisition of the 100% equity interest in Huanquiuyimeng in 2019, than before or after this period, although we believe this did not result in our becoming a PFIC for either the taxable year ended December 31, 2018 or the taxable year ended December 31, 2019. There is a change of business exception to PFIC status that, in general terms, applies if a foreign corporation otherwise would be a PFIC for a year because it has disposed of one or more active businesses, so long as the foreign corporation is not a PFIC during the two succeeding years, and that might apply to us if we were found to have been a PFIC for either (but not both) of the taxable years ended December 31, 2018 and December 31, 2019. There is limited guidance as to the application of this exception, including regulations that were promulgated in July 2019 and were finalized in January 2021, and it is unclear whether this exception would apply to us if it were determined, absent this exception, that we were a PFIC for either the taxable year ended December 31, 2018 or the taxable year ended December 31, 2019.

We will be classified as a PFIC in any taxable year, in general, if either (a) the average quarterly value of our gross assets that produce passive income or are held for the production of passive income is at least 50% of the average quarterly value of our total gross assets or (b) 75% or more of our gross income for the taxable year is passive income (such as certain dividends, interest or royalties). For purposes of the first test, (a) any cash and cash invested in short-term, interest bearing, debt instruments, or bank deposits that are readily convertible into cash will count as producing passive income or held for the production of passive income, and (b) the total value of our assets is calculated based on our market capitalization. However, various exceptions can apply.

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

If we were a PFIC for any taxable year during which you held ADSs or common shares, certain adverse U.S. federal income tax rules would apply. You would be subject to additional taxes and interest charges on certain “excess distributions” we make and on any gain realized on the disposition or deemed disposition of your ADSs or common shares, regardless of whether we continue to be a PFIC in the year in which you receive an “excess distribution” or dispose of or are deemed to dispose of your ADSs or common shares. Distributions in respect of your ADSs or common shares during a taxable year would constitute “excess distributions” if, in the aggregate, they exceed 125% of the average amount of distributions with respect to your ADSs or common shares over the three preceding taxable years or, if shorter, the portion of your holding period before such taxable year.

To compute the tax on “excess distributions” or any gain, (a) the “excess distribution” or the gain would be allocated ratably to each day in your holding period, (b) the amount allocated to the current year and any tax year prior to the first taxable year in which we were a PFIC would be taxed as ordinary income in the current year, and (c) the amount allocated to other taxable years would be taxable at the highest applicable marginal rate in effect for that year, and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year. In addition, if we were a PFIC, no distribution that you might receive from us would qualify for taxation at the preferential rate discussed in the “Item 10.E. Additional Information — Taxation — Dividends on ADSs or Common Shares” section above.

Under certain attribution rules, if we are a PFIC, you will be deemed to own your proportionate share of lower-tier PFICs, and will be subject to U.S. federal income tax on (a) a distribution on the shares of a lower-tier PFIC and (b) a disposition of shares of a lower-tier PFIC, both as if you directly held the shares of such lower-tier PFIC.

Each U.S. Holder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require and may be required to file Internal Revenue Service Form 8621 regarding distributions received on the ADSs or common shares and any gain realized on the disposition of the ADSs or common shares. You should consult with your own tax advisor regarding reporting requirements with regard to your ADSs and common shares.

If we were a PFIC in any year, you would generally be able to avoid the “excess distribution” rules described above by making a timely so-called “mark-to-market” election with respect to your ADSs, provided our ADSs are “marketable.” Our ADSs will be “marketable” as long as they remain regularly traded on a national securities exchange, such as Nasdaq. If you made this election in a timely fashion, you would recognize as ordinary income or ordinary loss the difference between the fair market value of the ADSs as of the close of your taxable year over your adjusted basis in such ADSs. Any ordinary income resulting from this election would be taxed as ordinary income rates and would not be eligible for the reduced rate of tax applicable to qualified dividend income. Any ordinary losses would be limited to the extent of the net amount of previously included income as a result of the mark-to-market election, if any. Your basis in the ADSs would be adjusted to reflect any such income or loss. You should consult your own tax advisor regarding potential advantages and disadvantages to you of making a “mark-to-market” election with respect to your ADSs. The mark-to-market election will not be available for any lower tier PFIC that is deemed owned pursuant to the attribution rules discussed above. We do not intend to provide you with the information you would need to make or maintain a “Qualified Electing Fund” election, and, therefore, you will not be able to make or maintain such an election with respect to your ADSs or common shares.

U.S. Information Reporting and Backup Withholding Rules

Dividend payments with respect to the ADSs or common shares and the proceeds received on the sale or other disposition of ADSs or common shares may be subject to information reporting to the IRS and to backup. Backup withholding will not apply, however, if you (a) are a corporation or come within certain other exempt categories and, when required, can demonstrate that fact or (b) provide a taxpayer identification number, certify as to no loss of exemption from backup withholding and otherwise comply with the applicable backup withholding rules. To establish your status as an exempt person, you will be required to provide certification on IRS Form W-9. Backup withholding is not an additional tax. The amount of any backup withholding will generally be allowed as a refund or a credit against your U.S. federal income tax liability, provided that you furnish the required information to the IRS. Certain individuals holding the ADSs or common shares other than in an account at a U.S. financial institution may be subject to additional information reporting requirements.

PROSPECTIVE PURCHASERS OF OUR ADSS AND COMMON SHARES SHOULD CONSULT THEIR OWN TAX ADVISOR REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES RESULTING FROM PURCHASING, HOLDING OR DISPOSING OF OUR ADSS AND COMMON SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF THE TAX LAWS OF ANY STATE, LOCAL OR NON-U.S. JURISDICTION AND INCLUDING ESTATE, GIFT AND INHERITANCE LAWS.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC our registration statement on Form F-1 as amended.

We have filed this annual report on Form 20-F with the SEC under the Exchange Act. Statements made in this annual report as to the contents of any document referred to are not necessarily complete. With respect to each such document filed as an exhibit to this annual report, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

We are subject to the informational requirements of the Exchange Act and file reports and other information with the SEC.

Copies of these material may be obtained from the SEC's Commission's Internet site at <http://www.sec.gov>.

I. Subsidiaries Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Our exposure to interest rate risk primarily relates to interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not used derivative financial instruments in our investment portfolio. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Foreign Currency Risk

Because the majority of our revenues and expenditures are denominated in Renminbi, fluctuations in the exchange rate between the U.S. dollar and Renminbi will affect our balance sheet and earnings per share in U.S. dollars. In addition, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue that will be exchanged into U.S. dollars and earnings from and the value of any U.S. dollar-denominated investments we make in the future.

[Table of Contents](#)

The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in PRC political and economic conditions and PRC foreign exchange policies. For instance, in August 2015, the People's Bank of China, or PBOC, changed the way it calculates the mid-point price of the Renminbi against the U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. The value of the Renminbi against the U.S. dollar depreciated approximately 1.7% and 1.5% in 2023 and 2024, respectively, and appreciated approximately 2.2% in 2025. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in greater fluctuations of the Renminbi against the U.S. dollar.

The functional currency of our offshore entities and subsidiaries, including ATA Creativity Global, ATA BVI, ACG HK and ACGIGL, is the U.S. dollar, which results in our exposure to foreign currency exchange risk. The translation of the net assets of our offshore entities and subsidiaries, including ATA Creativity Global, ATA BVI and ACG HK to the Renminbi during consolidation resulted in translation gain of RMB 454,007 (\$64,922), which we recognized as a component of other comprehensive income for the fiscal year ended December 31, 2025. If the Renminbi against U.S. dollar as of December 31, 2025 had appreciated by 10% from 7.0288 to 6.3898 as of December 31, 2025, the other comprehensive income would have decreased by RMB 4,900,062 (\$700,700). Further, we recognized a net foreign currency exchange gain of RMB 503 (\$72) as a result of the re-measurement of our foreign currency denominated monetary assets and liabilities. If the Renminbi had appreciated against the U.S. dollar as of December 31, 2025 by 10% from 7.0288 to 6.3898 as of December 31, 2025, our foreign currency exchange gain would have increased by RMB 531 (\$76).

Very limited hedging transactions 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 hedging transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by Chinese exchange control regulations that restrict our ability to convert the Renminbi into foreign currency.

Inflation

China has generally not experienced significant inflation in recent years. According to China's National Bureau of Statistics, the changes in China's consumer price index was 0.2%, 0.2% and nil in the years 2023, 2024 and 2025, respectively. In February 2025, the year-over-year change in China's consumer price index was -0.7%. Neither inflation nor deflation has had a material impact on our results of operations to date, and we do not currently expect the recent inflation in China to have a significant effect on our operations.

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 Payable by ADS Holders

Citibank, N.A., the depository of our ADR program, collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. Such fees are typically paid to the depository by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository and by the brokers (on behalf of their clients) delivering the ADSs to the depository for cancellation. The brokers in turn charge these transaction fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository service fee are charged by the depository to the holders of record of ADSs as of the applicable ADS record date. In the case of cash distributions, the depository fees are generally deducted from the cash being distributed. In the case of distributions other than cash (e.g., stock dividends, rights, etc.), the depository charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or in DRS), the depository sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depository generally collects its fees through the settlement systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depository.

In the event of refusal to pay the depository fees, the depository may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depository fees (subject payment of the applicable fees) from any distribution to be made to the ADS holder.

An ADS holder is required to pay the following service fees to the depository:

Service	Fees
· Issuance of ADSs upon deposit of Shares	US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs) issued
· Delivery of Deposited Securities against surrender of ADSs	US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs) surrendered
· Distribution of cash dividends or other cash distributions	US\$2.00 (or less) per 100 ADSs (or portion of 100 ADSs) held
· Distribution of ADSs pursuant to stock dividends, free stock distributions or exercise of rights	US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs) held
· Distribution of securities other than ADSs or rights to purchase additional ADSs	US\$5.00 (or less) per 100 per share (or share equivalent) held
· Depository services	US\$2.00 (or less) per 100 ADSs (or portion of 100 ADSs) held on the applicable record date(s) established by the depository
· Transfer of ADSs	US\$1.5 per certificate presented for transfer

An ADS holder will also be responsible to pay certain fees and expenses incurred by the depository bank and certain taxes and governmental charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- such registration fees as may from time to time be in effect for the registration of shares or other deposited securities on the share register and applicable to transfers of shares or other deposited securities to or from the name of the custodian, the depository or any nominees upon the making of deposits and withdrawals, respectively;
- such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the deposit agreement to be at the expense of the person depositing or withdrawing shares or holders and beneficial owners of ADSs;
- the expenses and charges incurred by the depository in the conversion of foreign currency;
- such fees and expenses as are incurred by the depository in connection with compliance with exchange control regulations and other regulatory requirements applicable to shares, deposited securities, ADSs and ADRs; and

[Table of Contents](#)

- the fees and expenses incurred by the depository, the custodian, or any nominee in connection with the servicing or delivery of deposited securities. The fees and charges an ADS holder may be required to pay may vary over time and may be changed by us and by the depository bank. ADS holders will receive prior notice of such changes.

Fees and Other Payments Made by the Depository to Us

We had received from our depository a reimbursement of \$99,981.69 during the fiscal year ended December 31, 2025.

PART II.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

The rights of securities holders have not been materially modified.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this annual report, an evaluation has been carried out under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on that evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective in ensuring that material information required to be disclosed 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 Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the SEC, management assessed the effectiveness of our internal control over financial reporting as of December 31, 2025 using criteria established in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2025 based on the criteria established in this Internal Control-Integrated Framework (2013).

[Table of Contents](#)

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There were no significant changes in our internal control over financial reporting that occurred during the year ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our audit committee consists of Haoyu Wang and Zhiping Feng. Haoyu Wang is the chairman of our audit committee. Our board of directors has determined that Haoyu Wang and Zhiping Feng are "independent directors" within the meaning of Nasdaq Stock Market Rule 5605(a)(2) and meet the criteria for independence set forth in Rule 10A-3(b) of the Exchange Act. Haoyu Wang meets the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that is applicable to our principal executive officer, principal financial officer, and principal accounting officer. In addition, our board of directors adopted a code of conduct that is applicable to all of our directors, officers and employees. Our code of ethics and our code of conduct are publicly available on our website, <http://www.atai.net.cn>.

ITEM 16C. PRINCIPAL ACCOUNTANT FEE AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Audit Alliance LLP, our principal accountant for the period presented.

	For the fiscal year ended		
	December 31, 2024	December 31, 2025	
	RMB	RMB	US\$
Audit fees ⁽¹⁾	1,568,474	1,525,000	218,072.10
Audit-related fees ⁽²⁾	317,525	300,000	42,899.43

- (1) "Audit fees" means the aggregate fees billed or payable for professional services rendered by our principal accountant for the audits of our consolidated financial statements of ATA Creativity Global and its subsidiaries.
- (2) "Audit-related fees" means the aggregate fees billed or payable for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit fees." Services comprising the fees disclosed under the category of "Audit-related fees" in the fiscal years ended December 31, 2024 and 2025 were limited procedures performed in relation to our quarterly financial information and other review services.

The audit committee or our board of directors is to pre-approve all auditing services and permitted non-audit services to be performed for us by our independent registered public accounting firm, including the fees and terms thereof.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

The information contained in our [Form 6-K filed with the SEC on July 3, 2023](#) is incorporated herein by reference pursuant to instruction 2 of Item 16F.

ITEM 16G. CORPORATE GOVERNANCE

As a foreign private issuer with shares listed on Nasdaq, we are subject to corporate governance requirements imposed by Nasdaq. Under Nasdaq Stock Market Rule 5615(a)(3), a foreign private issuer such as us may follow its home-country corporate governance practices in lieu of certain of the Nasdaq Stock Market Rules corporate governance requirements. We are committed to a high standard of corporate governance. As such, we strive to comply with most of the Nasdaq corporate governance practices. However, our current corporate governance practices differ from Nasdaq corporate governance requirements for U.S. companies in certain respects, as summarized below:

- Nasdaq Stock Market Rule 5605(b)(1) requires a Nasdaq-listed company to have a board of directors composed of at least a majority of independent directors. In this regard we have elected to adopt the practices of our home country, the Cayman Islands, which do not require us to have a majority of the board of directors composed of independent directors at this time.
- Nasdaq Stock Market Rule 5605(e)(1) requires a Nasdaq-listed company to have a nominations committee composed solely of independent directors to select or recommend for selection director nominees. In this regard we have elected to adopt the practices of our home country, the Cayman Islands, which do not require that any of the members of a company’s nominations committee be independent directors.
- Nasdaq Stock Market Rule 5635(a) requires a Nasdaq-listed company to obtain shareholder approval for issuance of securities in connection with acquisitions under certain circumstances. As a foreign private issuer, however, we may adopt the practices of our home country, the Cayman Islands, which do not require shareholder approval for issuance of securities in connection with acquisitions.
- Nasdaq Stock Market Rule 5635(c) requires a Nasdaq-listed company to obtain shareholder approval for the establishment of or material amendments to equity compensation plans. As a foreign private issuer, however, we may adopt the practices of our home country, the Cayman Islands, which do not require shareholder approval for establishment or material amendments to equity compensation plans. None of the 2005 Plan, the 2008 Plan, the Amended and Restated 2008 Plan or the Second Amended and Restated 2008 Plan requires shareholder approval for material amendments to the plan or awards granted under the plan, including without limitation increasing the number of share awards that may be issued under the plan or the repricing of outstanding options.
- Nasdaq Stock Market Rule 5635(d) requires a Nasdaq-listed company to obtain shareholder approval for sale, issuance or potential issuance of securities in private placements under certain circumstances. As a foreign private issuer, however, we may adopt the practices of our home country, the Cayman Islands, which do not require shareholder approval for sale, issuance or potential issuance of securities in private placements.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

We have adopted insider trading policies and procedures governing the purchase, sale and other dispositions of our securities by directors, senior management and employees, which policies and procedures are reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to us. We have filed our insider trading policies, as amended, as Exhibit 11.2 to this annual report on Form 20-F.

ITEM 16K. CYBERSECURITY

Risk Management and Strategy

As of the date of this annual report, we have adopted and implemented certain internal management policies to identify, assess and manage the cybersecurity incidents and threats, which apply to our, our subsidiaries' and the VIE's daily business operations and administrations. We have also integrated cybersecurity risk management into our overall risk management system.

We have established a dynamic and multi-layered cybersecurity defense system to effectively mitigate both internal and external cybersecurity threats. Pursuant to our internal management policies, any potential cybersecurity threat encountered or identified by employees during their daily work shall be reported to cybersecurity engineers. After assessing the severity of such threat, the responsible cybersecurity engineer shall report those issues constituting cybersecurity incidents or threats to the cybersecurity manager. The cybersecurity engineers shall also report to the cybersecurity manager any cybersecurity incident or threat identified by them during their daily maintenance work. After receiving the report, the cybersecurity manager shall address such cybersecurity incidents or threats, and if the cybersecurity manager deems the cybersecurity threat serious, report to the management. The management shall coordinate all resources available to address the threats and mitigate the risks. It is required that the cybersecurity engineers shall analyze and evaluate the cybersecurity incidents that occurred and put forward improvement suggestions on a quarterly basis. We may also engage assessors, consultants, auditors or other third parties to help us deal with cybersecurity incidents or threats as the cybersecurity manager or the management deems necessary.

In addition, we mainly rely on "Software-as-a-Service" products provided by third party IT service providers to conduct daily operations and management, and we also provide some of our training courses and other services to students through online platforms provided by third party IT service providers. Thus, we also work closely with the third-party IT service providers in order to keep a smooth daily operation and service provision to our students. We will report to the third-party IT service providers timely if any potential cybersecurity threat or incident is identified.

As of the date of this annual report, no risks from cybersecurity threats have materially affected or are reasonably likely to materially affect us, our subsidiaries or the VIE, including the business strategy, results of operations, or financial condition. Despite the foregoing, there is no assurance that there will be no risks from cybersecurity threats that will materially affect or will be reasonably likely to materially affect us, our subsidiaries or the VIE. If our security measures are breached or failed as a result of third-party action, employee error, malfeasance or otherwise, we could be subject to liability or our business could be interrupted, potentially over an extended period of time. Any or all of these issues could harm our reputation and adversely affect our ability to attract prospective customers. See "Item 3.D. Risk Factors — Risks Relating to Our Business — Disruption to or failures of our or our third-party IT service providers' IT infrastructure and any failure to maintain the satisfactory performance, cyber-security incidents, including data security breaches or viruses, could materially and adversely affect the business, reputation, financial condition and results of operations of us."

Governance

Our board of directors acknowledges the significance of robust cybersecurity management programs and actively participates in overseeing and reviewing our cybersecurity risk profile and exposures. Our board of directors receives reports on cybersecurity risks as well as prompt and timely information regarding any significant cybersecurity incidents. Furthermore, any significant updates or adjustments to our cybersecurity related policies will be subject to our board of directors' discussion, review and/or approval. In order to timely identify and monitor the potential cybersecurity threats, we have established a working team, of which the cybersecurity manager is in charge, responsible for the daily management of our cybersecurity efforts, including updates and refinement of cybersecurity policies, execution and management of cybersecurity measures, and the preparation of regular reports on cybersecurity execution. Our cybersecurity manager is the head of the cybersecurity department who obtained his Computer Science and Technology bachelor's degree from Jilin Institute of Chemical Technology and has more than 15 years of relevant experience in risk management, cybersecurity and information technology.

PART III.

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements are included at the end of this annual report.

ITEM 19. EXHIBITS

Index to Exhibits

Exhibit Number	Description
1.1	Fourth Amended and Restated Memorandum and Articles of Association of the Registrant (1)
2.1	Form of Common Share Certificate (2)
2.2	Form of Deposit Agreement between the Registrant and Citibank, N.A., as depositary (3)
2.3	Form of American depositary receipt evidencing American depositary shares (4)
2.4*	Description of Securities
4.1	2005 Share Incentive Plan of ATA Testing Authority (Holdings) Limited (5)
4.2	2008 Employee Share Incentive Plan of the Registrant and form of ISO Option Agreement and NOSO Option Agreement (6)
4.3	2008 Employee Share Incentive Plan of the Registrant (amended and restated as of December 30, 2016) (7)
4.4	2008 Employee Share Incentive Plan of the Registrant (amended and restated as of October 26, 2018) (8)
4.5	Form of Indemnification Agreement between the Registrant and its directors (9)
4.6	Loan Agreement between ATA Testing Authority (Beijing) Limited and Xiaofeng Ma, dated March 15, 2018 (10)
4.7	Loan Agreement between ATA Education Technology (Beijing) Limited and Jun Zhang, dated August 12, 2020 (11)
4.8	Call Option and Cooperation Agreement among ATA Education Technology (Beijing) Limited, Xiaofeng Ma, Jun Zhang and ATA Intelligent Learning (Beijing) Technology Limited, dated August 12, 2020 (12)
4.9	Exclusive Technical Consulting and Services Agreement between ATA Intelligent Learning (Beijing) Technology Limited and ATA Testing Authority (Beijing) Limited, dated March 15, 2018 (13)
4.10	Equity Interest Pledge Agreement between ATA Testing Authority (Beijing) Limited and Xiaofeng Ma, dated March 15, 2018 (14)
4.11	Equity Interest Pledge Agreement between ATA Education Technology (Beijing) Limited and Jun Zhang, dated August 12, 2020 (15)
4.12	Power of Attorney by Xiaofeng Ma in favor of ATA Testing Authority (Beijing) Limited, dated March 15, 2018 (16)
4.13	Power of Attorney by Jun Zhang in favor of ATA Education Technology (Beijing) Limited, dated August 12, 2020 (17)
4.14	Supplementary Agreement to ATA Intelligent Learning (Beijing) Technology Limited VIE Agreements among ATA Education Technology (Beijing) Limited, ATA Intelligent Learning (Beijing) Technology Limited, Xiaofeng Ma and Haichang Xiong, dated March 19, 2019 (18)

[Table of Contents](#)

Exhibit Number	Description
4.15	Supplementary Agreement II to ATA Intelligent Learning (Beijing) Technology Limited VIE Agreements among ATA Education Technology (Beijing) Limited, ATA Intelligent Learning (Beijing) Technology Limited, Xiaofeng Ma and Haichang Xiong, dated April 20, 2019 (19)
4.16	Investor Rights Agreement between the Registrant and CL-TCC, dated December 15, 2019 (20)
4.17	Subscription Agreement among the Registrant, Empire Fortune Management Limited, Apollo Wise Investment Limited And Water River Capital Limited, dated November 17, 2025 (21)
8.1*	List of Subsidiaries
11.1	Code of Conduct (22)
11.2	Insider Trading Policy (23)
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 Audit Alliance LLP
15.2*	Consent of Jincheng Tongda & Neal Law Firm
15.3*	Opinion of Jincheng Tongda & Neal Law Firm
97	Compensation Recoupment Policy of ATA Creativity Global (24)
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

- (1) Incorporated by reference to Exhibit 99.2 to the Registrant's report on Form 6-K (File No. 001-33910), filed with the SEC on December 18, 2020.
- (2) Incorporated by reference to Exhibit 4.1 to the Registrant's registration statement on Form F-1 (File No. 333-148512), filed with the SEC on January 08, 2008.
- (3) Incorporated by reference to the Exhibit 99.(A) to the Registration Statement on Form F-6 (File No. 333-148641), filed with the SEC on January 14, 2008.

[Table of Contents](#)

- (4) Incorporated by reference to the Prospectus filed with the SEC on October 1, 2019 supplement to the Registration Statement on Form F-6 (File No. 333-148641), filed with the SEC on January 14, 2008.
- (5) Incorporated by reference to Exhibit 10.1 to the Registrant's registration statement on Form F-1 (File No. 333-148512), filed with the SEC on January 08, 2008.
- (6) Incorporated by reference to Exhibit 10.2 to the Registrant's registration statement on Form F-1 (File No. 333-148512), filed with the SEC on January 08, 2008.
- (7) Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-215674), filed with the SEC on January 24, 2017.
- (8) Incorporated by reference to Exhibit 4.4 to the Registrant's annual report on Form 20-F (File No. 001-33910), filed with the SEC on April 18, 2019.
- (9) Incorporated by reference to Exhibit 10.3 to the Registrant's registration statement on Form F-1 (File No. 333-148512), filed with the SEC on January 08, 2008.
- (10) Incorporated by reference to Exhibit 4.18 to the Registrant's transition report on Form 20-F (File No. 001-33910), filed with the SEC on April 12, 2018.
- (11) Incorporated by reference to Exhibit 4.11 to the Registrant's transition report on Form 20-F (File No. 001-33910), filed with the SEC on April 13, 2021.
- (12) Incorporated by reference to Exhibit 4.13 to the Registrant's transition report on Form 20-F (File No. 001-33910), filed with the SEC on April 13, 2021.
- (13) Incorporated by reference to Exhibit 4.21 to the Registrant's transition report on Form 20-F (File No. 001-33910), filed with the SEC on April 12, 2018.
- (14) Incorporated by reference to Exhibit 4.22 to the Registrant's transition report on Form 20-F (File No. 001-33910), filed with the SEC on April 12, 2018.
- (15) Incorporated by reference to Exhibit 4.17 to the Registrant's transition report on Form 20-F (File No. 001-33910), filed with the SEC on April 13, 2021.
- (16) Incorporated by reference to Exhibit 4.24 to the Registrant's transition report on Form 20-F (File No. 001-33910), filed with the SEC on April 12, 2018.
- (17) Incorporated by reference to Exhibit 4.20 to the Registrant's transition report on Form 20-F (File No. 001-33910), filed with the SEC on April 13, 2021.
- (18) Incorporated by reference to Exhibit 4.16 to the Registrant's annual report on Form 20-F (File No. 001-33910), filed with the SEC on April 18, 2019.

[Table of Contents](#)

(19) Incorporated by reference to Exhibit 4.17 to the Registrant's annual report on Form 20-F (File No. 001-33910), filed with the SEC on April 28, 2020.

(20) Incorporated by reference to Exhibit 99.3 to the Registrant's Report on Form 6-K (File No. 001-33910), filed with the SEC on December 18, 2019.

(21) Incorporated by reference to Exhibit 99.1 to the Registrant's Report on Form 6-K (File No. 001-33910), filed with the SEC on November 17, 2025.

(22) Incorporated by reference to Exhibit 99.1 to the Registrant's registration statement on Form F-1 (File No. 333-148512), filed with the SEC on January 08, 2008.

(23) Incorporated by reference to Exhibit 11.2 to the Registrant's annual report on Form 20-F (File No. 001-33910), filed with the SEC on April 10, 2025.

(24) Incorporated by reference to Exhibit 97 to the Registrant's annual report on Form 20-F (File No. 001-33910), filed with the SEC on April 10, 2024.

* Filed with this annual report on Form 20-F.

** Furnished with this annual report on Form 20-F.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ATA Creativity Global

/s/ Ruobai Sima

Name: Ruobai Sima

Title: Chief Financial Officer

Date: March 31, 2026

ATA Creativity Global

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (PCAOB ID: 3487)</u>	F-2-F-3
<u>CONSOLIDATED BALANCE SHEETS</u>	F-4
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)</u>	F-5
<u>CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY</u>	F-6
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	F-7
<u>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</u>	F-8 – F-51

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
ATA Creativity Global

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of ATA Creativity Global and its subsidiaries (the “Group”) as of December 31, 2025, 2024 and 2023, the related consolidated statements of operations and other comprehensive income (loss), changes in shareholders’ equity, and cash flows for each of the years ended December 31, 2025, 2024 and 2023, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025, 2024 and 2023, and the consolidated results of its operations and its cash flows for each of the years ended December 31, 2025, 2024 and 2023, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis for Opinion

These consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on the Group’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (the “PCAOB”) and are required to be independent with respect to the Group 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 consolidated financial statements are free of material misstatement, whether due to error or fraud. The Group 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 Group’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 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 audits 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 audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

[Table of Contents](#)

Valuation of goodwill

As discussed in Note 8 to the consolidated financial statements, the Group has RMB162,380,773 of goodwill as of December 31, 2025. As discussed in Note 2(t), the Group performs goodwill impairment testing on an annual basis and whenever events or changes in circumstances indicate that the carrying value of a reporting unit likely exceeds its fair value. This involves estimating the fair value of the reporting units using discounted cash flow models.

We identified the valuation of goodwill as a critical audit matter. The forecasted revenue growth rates forecasted operating margins and the discount rate used to estimate the fair values of the reporting units were challenging to test as they represented subjective determinations of future market and economic conditions that were sensitive to variation. Additionally, the audit efforts associated with these estimates required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We assessed the Group's ability to accurately forecast revenue growth rates and operating margins by comparing the reporting units' historical forecast on revenue growth rates and operating margins to actual results. We evaluated the Group's forecasted revenue growth rates and operating margins by comparing them to historical results, taking into consideration future business plans of the reporting units developed by management of the Group. We performed sensitivity analysis over the forecasted revenue growth rates, forecasted operating margins and the discount rate to assess their impact on the Group's impairment assessment. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the discount rate by comparing it against the discount rate that was independently developed using publicly available industry data and comparable companies' information.

/s/ Audit Alliance LLP

We have served as the Company's auditor since 2023.

Singapore, Singapore
March 31, 2026

ATA CREATIVITY GLOBAL

Consolidated Balance Sheets

	Note	December 31, 2024	December 31, 2025	December 31, 2025 USD (Note 2(d))
		RMB	RMB	
ASSETS				
Current assets:				
Cash and cash equivalents	(1)	36,523,995	85,236,288	12,188,627
Accounts receivable, net		2,712,845	298,377	42,667
Prepaid expenses and other current assets	(4)	27,402,834	25,832,459	3,693,993
Total current assets		66,639,674	111,367,124	15,925,287
Long-term investments	(5)	38,000,000	—	—
Property and equipment, net	(7)	38,669,283	32,139,682	4,595,913
Intangible assets, net	(8)	46,264,914	32,482,513	4,644,938
Goodwill	(8)	196,289,492	162,380,773	23,220,142
Other non-current assets		35,156,141	39,288,983	5,618,250
Right-of-use assets	(9)	35,907,761	30,638,920	4,381,307
Total assets		456,927,265	408,297,995	58,385,837
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accrued expenses and other payables (including accrued expenses and other payables of the consolidated VIE without recourse to the Company of RMB117,920 and RMB62,496 as of December 31, 2024 and 2025, respectively)	(11)	56,372,960	56,493,791	8,078,505
Short-term loan	(10)	—	1,000,000	142,998
Lease liabilities-current	(9)	18,085,643	15,303,799	2,188,414
Deferred revenues	(12)	280,036,806	271,781,907	38,864,296
Total current liabilities		354,495,409	344,579,497	49,274,213
Lease liabilities-non-current	(9)	17,120,842	14,617,119	2,090,220
Long-term loan	(10)	—	15,031,900	2,149,533
Deferred income tax liabilities	(13)	5,664,822	2,086,619	298,383
Total liabilities		377,281,073	376,315,135	53,812,349
Shareholders' equity:				
Common shares:				
Par value USD 0.01, authorized: 500,000,000 shares				
Issued: 64,581,140 and 64,497,800 shares as of December 31, 2024 and 2025, respectively				
Outstanding: 63,249,096 and 63,593,666 shares as of December 31, 2024 and 2025, respectively		4,755,623	4,780,117	683,548
Treasury shares—585,358 common shares as of December 31, 2024 and 2025, at cost		(8,201,046)	(8,201,046)	(1,172,734)
Additional paid-in capital		547,915,003	548,769,331	78,472,970
Accumulated other comprehensive loss		(36,952,183)	(37,446,814)	(5,354,823)
Accumulated deficit		(427,806,949)	(475,854,443)	(68,046,280)
Total shareholders' equity attributable to ATA Creativity Global		79,710,448	32,047,145	4,582,681
Non-controlling interests		(64,256)	(64,285)	(9,193)
Total shareholders' equity		79,646,192	31,982,860	4,573,488
Commitments and contingencies	(19)	—	—	—
Total liabilities and shareholders' equity		456,927,265	408,297,995	58,385,837

See accompanying notes to consolidated financial statements.

ATA CREATIVITY GLOBAL

Consolidated Statements of Comprehensive Income (Loss)

	Note	Years Ended December 31,			
		2023 RMB	2024 RMB	2025 RMB	2025 USD
Net revenues	(12)	221,618,968	268,060,162	268,112,876	38,339,631
Cost of revenues		106,961,759	126,795,209	137,801,526	19,705,356
Gross profit		114,657,209	141,264,953	130,311,350	18,634,275
Operating expenses:					
Research and development		4,629,880	3,703,178	3,071,659	439,241
Sales and marketing		78,737,492	99,892,804	82,631,826	11,816,194
General and administrative		72,816,606	80,888,058	78,767,406	11,263,589
Goodwill impairment		—	—	33,908,719	4,848,882
Reversal of provision for loan receivable and other receivables		—	—	(3,781,662)	(540,770)
Total operating expenses		156,183,978	184,484,040	194,597,948	27,827,136
Other operating income, net		30,865	174,931	175,898	25,153
Loss from operations		(41,495,904)	(43,044,156)	(64,110,700)	(9,167,708)
Other income (loss):					
Gain (loss) on deconsolidation of subsidiaries and others, net		—	(438,153)	11,880,702	1,698,918
Interest income, net of interest expenses		978,530	1,001,735	623,673	89,185
Foreign currency exchange losses, net		(4,876)	(18,989)	(19,401)	(2,774)
Total other income, net		973,654	544,593	12,484,974	1,785,329
Loss before income taxes		(40,522,250)	(42,499,563)	(51,625,726)	(7,382,379)
Income tax benefit	(13)	(6,811,709)	(6,401,691)	(3,578,203)	(511,676)
Net loss		(33,710,541)	(36,097,872)	(48,047,523)	(6,870,703)
Net loss attributable to non-redeemable non-controlling interests		(50,296)	(95)	(29)	(4)
Net loss attributable to ATA Creativity Global		(33,660,245)	(36,097,777)	(48,047,494)	(6,870,699)
Other comprehensive income (loss):					
Foreign currency translation adjustment, net of nil income tax		(1,422)	52,324	(494,631)	(70,731)
Total other comprehensive income (loss)		(1,422)	52,324	(494,631)	(70,731)
Comprehensive loss		(33,711,963)	(36,045,548)	(48,542,154)	(6,941,434)
Comprehensive loss attributable to non-redeemable non-controlling interests		(50,296)	(95)	(29)	(4)
Comprehensive loss attributable to ATA Creativity Global		(33,661,667)	(36,045,453)	(48,542,125)	(6,941,430)
Basic and diluted losses per common share attributable to ATA Creativity Global	(20)	(0.54)	(0.57)	(0.76)	(0.11)

See accompanying notes to consolidated financial statements.

ATA CREATIVITY GLOBAL

Consolidated Statements of Changes in Shareholders' Equity

	Common shares		Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity attributable to ATA Creativity Global	Non-controlling interests	Total shareholders' equity
	Number of Outstanding shares	Amount							
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2022	62,753,840	4,720,147	(8,626,894)	542,058,092	(37,003,085)	(358,048,927)	143,099,333	414,857	143,514,190
Net loss	—	—	—	—	—	(33,660,245)	(33,660,245)	(50,296)	(33,710,541)
Foreign currency translation adjustment, net of nil income tax	—	—	—	—	(1,422)	—	(1,422)	—	(1,422)
Share-based compensation	—	—	—	3,068,041	—	—	3,068,041	—	3,068,041
Payments of individual income tax in connection with shares directly withheld from employees	140,120	9,981	—	(78,307)	—	—	(68,326)	—	(68,326)
Cash collected upon exercise of share options	—	—	—	471,765	—	—	471,765	—	471,765
Acquisition of non-redeemable non-controlling interests	—	—	—	128,722	—	—	128,722	(428,722)	(300,000)
Settlement of vested share options and vested shares using treasury shares	—	—	425,848	(425,848)	—	—	—	—	—
Balance as of December 31, 2023	62,893,960	4,730,128	(8,201,046)	545,222,465	(37,004,507)	(391,709,172)	113,037,868	(64,161)	112,973,707
Net loss	—	—	—	—	—	(36,097,777)	(36,097,777)	(95)	(36,097,872)
Foreign currency translation adjustment, net of nil income tax	—	—	—	—	52,324	—	52,324	—	52,324
Share-based compensation	—	—	—	2,811,732	—	—	2,811,732	—	2,811,732
Issuance of common shares with net-settlement of employee individual income tax	355,136	25,495	—	(119,194)	—	—	(93,699)	—	(93,699)
Balance as of December 31, 2024	63,249,096	4,755,623	(8,201,046)	547,915,003	(36,952,183)	(427,806,949)	79,710,448	(64,256)	79,646,192
Net loss	—	—	—	—	—	(48,047,494)	(48,047,494)	(29)	(48,047,523)
Foreign currency translation adjustment, net of nil income tax	—	—	—	—	(494,631)	—	(494,631)	—	(494,631)
Share-based compensation	—	—	—	569,708	—	—	569,708	—	569,708
Issuance of common shares with net-settlement of employee individual income tax	344,570	24,494	—	(82,074)	—	—	(57,580)	—	(57,580)
Exercise of share options	—	—	—	366,694	—	—	366,694	—	366,694
Balance as of December 31, 2025	63,593,666	4,780,117	(8,201,046)	548,769,331	(37,446,814)	(475,854,443)	32,047,145	(64,285)	31,982,860
Balance as of December 31, 2025-USD	683,548	(1,172,734)	78,472,970	(5,354,823)	(68,046,280)	4,582,681	(9,193)	4,573,488	

See accompanying notes to consolidated financial statements.

ATA CREATIVITY GLOBAL

Consolidated Statements of Cash Flows

	Years Ended December 31,			
	2023 RMB	2024 RMB	2025 RMB	2025 USD
Cash flows from operating activities:				
Net loss	(33,710,541)	(36,097,872)	(48,047,523)	(6,870,703)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>				
Gain from disposal of long-term investments	—	—	(11,932,631)	(1,706,344)
Provision for credit loss	—	—	1,696,285	242,566
Depreciation and amortization	21,984,382	24,226,472	21,498,886	3,074,300
Loss (gain) from disposal of property and equipment	893	(60,983)	45,422	6,495
Share-based compensation	3,068,041	2,811,732	569,708	81,467
Deferred income tax benefit	(6,812,790)	(6,401,691)	(3,578,203)	(511,676)
Loss on deconsolidation of subsidiaries and others, net	—	438,153	51,929	7,426
Impairment loss of goodwill	—	—	33,908,719	4,848,882
Gain from acquisition of a subsidiary	(4,018)	—	—	—
Foreign currency exchange gain (loss)	7	(3)	503	72
<i>Changes in operating assets and liabilities, net of effect of acquisition and disposal:</i>				
Accounts receivable	3,616,548	(477,355)	2,414,468	345,264
Prepaid expenses and other current assets	(2,386,561)	(19,823,403)	508,907	72,773
Other non-current assets	(3,275,623)	(3,464,724)	(4,184,104)	(598,318)
Income tax payable	(13,753)	(1,081)	—	—
Accrued expenses and other payables	(7,139,011)	7,397,566	(536,237)	(76,681)
Deferred revenues	33,423,899	28,108,019	(8,254,899)	(1,180,435)
Net cash provided by (used in) operating activities	8,751,473	(3,345,170)	(15,838,770)	(2,264,912)
Cash flows from investing activities:				
Purchase of property and equipment	(2,240,101)	(20,024,903)	(1,281,220)	(183,212)
Proceeds from disposal of property and equipment disposal	14,850	56,050	53,819	7,696
Cash paid for liabilities assumed in relation to acquisition of Youru (Note 3)	(1,023,859)	(198,333)	—	—
Payment for acquisition of a subsidiary, less cash acquired	(417,376)	—	—	—
Proceeds from deconsolidation of subsidiaries and others, less cash disposed	—	(89,543)	49,932,631	7,140,271
Cash paid for acquisition of non-redeemable non-controlling interests	(300,000)	—	—	—
Net cash (used in) provided by investing activities	(3,966,486)	(20,256,729)	48,705,230	6,964,755
Cash flows from financing activities:				
Cash paid for employee individual income tax for net-settlement of vested shares	(68,326)	(93,699)	(57,580)	(8,234)
Proceeds from term loan	—	—	37,063,829	5,300,057
Repayment of term loan	—	—	(21,031,929)	(3,007,526)
Cash received for exercise of share options	471,765	—	366,694	52,437
Net cash provided by (used in) financing activities	403,439	(93,699)	16,341,014	2,336,734
Effect of foreign exchange rate changes on cash and cash equivalents	(1,393)	52,361	(495,182)	(70,811)
Net increase (decrease) in cash and cash equivalents	5,187,033	(23,643,237)	48,712,293	6,965,766
Cash and cash equivalents at beginning of year	54,980,199	60,167,232	36,523,995	5,222,862
Cash and cash equivalents at end of year	60,167,232	36,523,995	85,236,288	12,188,627
<i>Supplemental disclosures of cash flow information:</i>				
Cash paid for income tax	20,427	—	—	—
Cash refunded for income tax	(211)	(4)	—	—
Cash paid for interest expenses	—	—	(398,582)	(56,996)
Cash paid for amounts included in measurement of operating leases liabilities	18,077,004	19,728,002	19,972,601	2,856,044
Lease liability arising from obtaining Right-of-use assets	1,709,583	26,936,993	21,078,085	3,014,126
<i>Non-cash investing and financing activities:</i>				
Consideration payable for acquisition of Youru (Note 3)	198,333	—	—	—
Disposal of net liabilities of subsidiaries, excluding cash	—	(348,610)	5,247,184	750,337
Lease liability arising from obtaining Right-of-use assets	1,709,583	26,936,993	21,078,085	3,014,126

See accompanying notes to consolidated financial statements.

ATA CREATIVITY GLOBAL

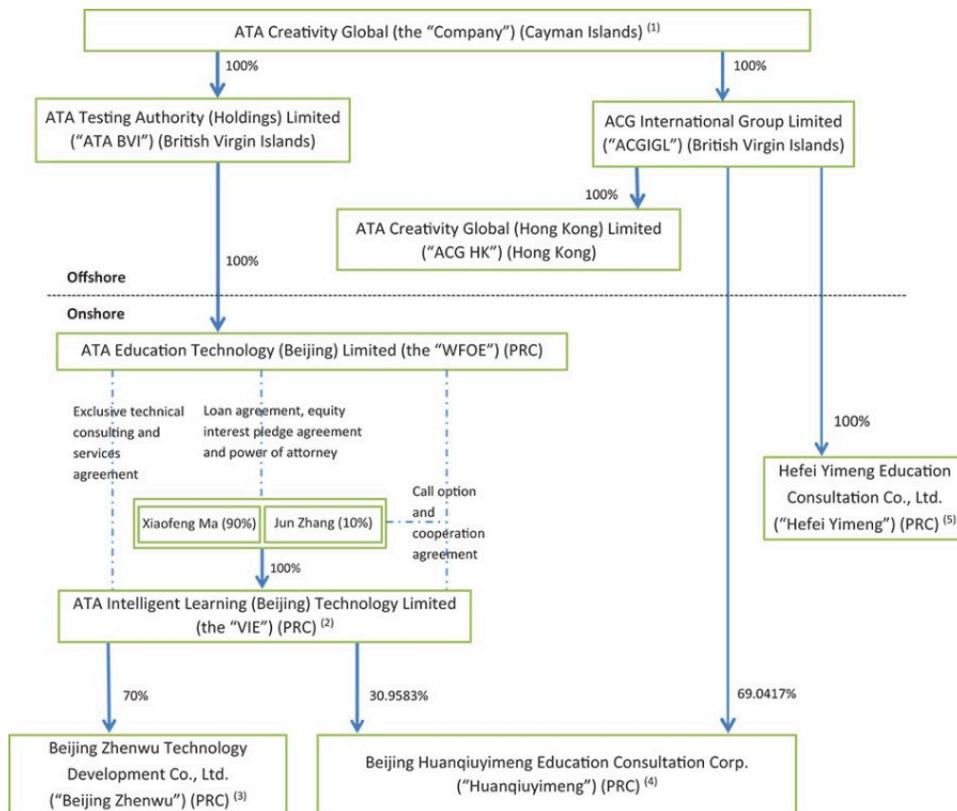
Notes to the Consolidated Financial Statements

(1) DESCRIPTION OF BUSINESS, ORGANIZATION AND SIGNIFICANT CONCENTRATIONS AND RISKS

Description of Business and Organization

ATA Creativity Global (the “Company” or “ACG”, formerly known as ATA Inc.), through its subsidiaries, variable interest entity (“VIE”) and VIE’s subsidiary (collectively referred to as the “Group”), offers a range of educational services consisting primarily of portfolio training service, research-based learning service, overseas study counselling service and other educational services primarily to individual students in person or online mainly through its training centers in the People’s Republic of China.

The following diagram illustrates the simplified corporate structure of us and the VIE as of the date of this annual report:



Notes:

(1) ATA Creativity Global is the entity in which investors hold or can purchase their interest.

(2) As of the date of this annual report, the VIE has no business operations of its own.

(3) Beijing Zhenwu was established in August 2021 mainly for purposes of developing and marketing our project-based learning services in the form of short-term art courses and has no substantive business operations as of the date of this annual report.

(4) We conduct our operations primarily through Huanqiyimeng and its subsidiaries. Huanqiyimeng provides most of the portfolio training services, overseas study counselling services and research-based learning services, as well as certain other educational services by itself, and also provides some of such services through its wholly owned subsidiaries. As of March 20, 2026, Huanqiyimeng has 11 directly or indirectly wholly owned subsidiaries.

(5) Hefei Yimeng was established in June 2024 mainly to preserve the flexibility for potential local operations.

VIE Agreements

PRC regulations prohibit direct foreign ownership of business entities that engage in internet content provision (“ICP”) services in the PRC. The Company and its subsidiaries are foreign owned business entities under the PRC law and accordingly are restricted from providing ICP services in the PRC, including having more than 50% ownership of entities engaged in providing such services. ATA Intelligent Learning (Beijing) Technology Limited (“ATA Intelligent Learning” or “VIE”) is engaged to provide, but not limited to, ICP services, such as providing online trainings and platforms in PRC. The Company has no legal ownership interest in ATA Intelligent Learning. The legal ownership interests of ATA Intelligent Learning are 90% owned by Mr. Xiaofeng Ma, the chairman of the board and chief executive officer of the Company, and 10% owned by Mr. Haichang Xiong, general counsel of the Company prior to August 12, 2020 and by Mr. Jun Zhang, president and director of the Company effective from August 12, 2020. Mr. Ma, Mr. Xiong and Mr. Zhang are PRC citizens. All individuals are nominee shareholders of ATA Intelligent Learning and holding their equity interests on behalf of the Company. Through a series of contractual agreements, including loan agreements, a call option and cooperation agreement, an equity interest pledge agreement, an exclusive technical consulting and services agreement and a power of attorney (collectively, the “VIE Agreements”) among ATA Education Technology (Beijing) Limited (“ATA Education”), ATA Intelligent Learning, and their nominee shareholders, the nominee shareholders of ATA Intelligent Learning have granted all their legal rights including voting rights and disposition rights of their equity interests in ATA Intelligent Learning to ATA Education. The nominee shareholders of ATA Intelligent Learning do not participate significantly in income and loss and do not have the power to direct the activities of ATA Intelligent Learning that most significantly impact its economic performance. Accordingly, ATA Intelligent Learning is considered a variable interest entity. The Company entered into the VIE Agreements to preserve the flexibility to operate, invest in or hold businesses that are restricted from receiving foreign investments.

Although the Company does not have an equity investment in ATA Intelligent Learning, the Company has other variable interests in ATA Intelligent Learning through its wholly-owned subsidiary, ATA Education, including (i) ATA Education’s subordinated loans to Mr. Xiaofeng Ma, Mr. Haichang Xiong and Mr. Jun Zhang (used by them to finance their equity investment in ATA Intelligent Learning) and other subordinated loans to ATA Intelligent Learning, (ii) ATA Education’s right, under the loan agreement, to receive all the dividends declared by ATA Intelligent Learning through its nominee shareholders, (iii) ATA Education’s exclusive purchase option, under the call option and cooperation agreement, to acquire (or to have ATA Education’s designee acquire) 100% of the equity interest or assets in ATA Intelligent Learning for a consideration equal to the loans provided by ATA Education to Mr. Xiaofeng Ma, Mr. Haichang Xiong and Mr. Jun Zhang, to the extent permitted under PRC law and (iv) ATA Education, under the call option and cooperation agreement, is obligated to provide financial support to ATA Intelligent Learning’s operation to which ATA Education has no recourse right if ATA Intelligent Learning cannot repay such financing due to its losses.

In accordance with Accounting Standards Codification (“ASC”) 810-10-25-38A, the Company has a controlling financial interest in ATA Intelligent Learning through its wholly-owned subsidiary, ATA Education, because the Company (i) has the power to direct activities of ATA Intelligent Learning that most significantly impact the economic performance of ATA Intelligent Learning; and (ii) the obligation to absorb the losses and the right to receive benefits of ATA Intelligent Learning that could potentially be significant to ATA Intelligent Learning. Thus, the Company is the primary beneficiary of ATA Intelligent Learning.

[Table of Contents](#)

Accordingly, the financial statements of ATA Intelligent Learning are consolidated in the Company's consolidated financial statements. Under the terms of the VIE Agreements, ATA Intelligent Learning's nominee shareholders have no rights to the net assets nor have the obligations to fund the deficit, and such rights and obligations have been vested to the Company. All of the equity (net assets) and net incomes or losses of ATA Intelligent Learning are attributed to the Company.

The key terms of these VIE Agreements are as follows:

Loan agreements: ATA Education lent to ATA Intelligent Learning's nominee shareholders, Mr. Xiaofeng Ma and Mr. Haichang Xiong, interest free loans in the amount of RMB 10.0 million, out of which RMB 1.0 million and RMB 9.0 million were stipulated to lend on March 15, 2018 and December 28, 2018, respectively, for the sole purpose of investing in ATA Intelligent Learning as ATA Intelligent Learning's registered capital. The nominee shareholders of ATA Intelligent Learning can only repay the loans by transferring all of their legal ownership interest in ATA Intelligent Learning to ATA Education or to a party designated by ATA Education. The nominee shareholders of ATA Intelligent Learning are required to pay to ATA Education all dividends received from ATA Intelligent Learning. In the event that the nominee shareholders of ATA Intelligent Learning transfer their equity interests to the ATA Education or its designee at a price equivalent to or less than the principal amount of the loans, the loans will be interest free. If the price is higher than the principal amount of the loan, the excess amount will be paid to ATA Education as loan interest. The initial terms of the loans are ten years, which may be extended upon the written agreement of ATA Education and ATA Intelligent Learning's nominee shareholders. The approval of ATA Intelligent Learning is not required for the renewal of the loan agreements nor can ATA Intelligent Learning terminate the loan agreement during the contract term. On March 19, 2019 and April 20, 2019, ATA Education, ATA Intelligent Learning and each of the nominee equity shareholders of ATA Intelligent Learning entered into two supplementary agreements to the VIE agreements, pursuant to which the aggregate amount of loans made by ATA Education to the nominee shareholders of ATA Intelligent Learning for the capitalization of ATA Intelligent Learning was increased from RMB 10.0 million to RMB 50.0 million with all other terms and conditions under the VIE Agreements remain unchanged. According to the supplementary agreements, ATA Education lent additional RMB 40.0 million to the nominee shareholders in 2019 for the sole purpose of investing in ATA Intelligent Learning as ATA Intelligent Learning's registered capital. On August 12, 2020, the loan agreement entered by Mr. Haichang Xiong with ATA Education, and the rights and obligations of Mr. Haichang Xiong under the two supplementary agreements terminated as a result of the equity interest in ATA Intelligent Learning transferred by Mr. Haichang Xiong to Mr. Jun Zhang, and Mr. Haichang Xiong repaid his borrowing of RMB 5.0 million under such agreements to ATA Education on August 17, 2020. On August 12, 2020, Mr. Jun Zhang, as the new shareholder of ATA Intelligent Learning, entered into a new loan agreement with ATA Education on the same terms as the loan agreement and the two supplementary agreements previously entered by Mr. Haichang Xiong and borrowed RMB 5.0 million from ATA Education on August 17, 2020 pursuant to aforementioned loan agreement.

Exclusive technical consulting and services agreement: ATA Education has the sole and exclusive right to provide specified technical and consulting services to ATA Intelligent Learning. The Parties agree that the intellectual property rights created by ATA Education in the course of performing this agreement, including without limitation any copyrights, trademarks or logos registered or not, patents and proprietary technology, shall belong to ATA Education. The consulting fee payable by ATA Intelligent Learning to ATA Education shall be confirmed by ATA Education in writing and be calculated based on the actual time spent by ATA Education in providing services to ATA Intelligent Learning on a quarterly basis. The consulting fee shall be settled on a quarterly basis, and at the end of each year, ATA Education shall confirm the total consulting and other fees incurred for the year in writing and ATA Intelligent Learning shall settle any outstanding fees on a timely basis. This agreement was entered in on March 15, 2018 and shall continue for a period of 30 years and shall be automatically extended for another 10 years unless ATA Education gives written notice terminating this agreement 3 months before the expiration.

Call option and cooperation agreement: Pursuant to the call option and cooperation agreement entered into among ATA Education, ATA Intelligent Learning and its nominee shareholders, when permitted by applicable laws, ATA Education (or any eligible party designated by ATA Education) shall have the right to acquire, at any time, all of ATA Intelligent Learning's assets or its share equity owned by the nominee shareholders of ATA Intelligent Learning, at a price equal to the sum of the principal amounts of the loans from ATA Education to the nominee shareholders of ATA Intelligent Learning. If ATA Education elects to purchase a portion of ATA Intelligent Learning's share equity or assets, the exercise price for such purpose shall be adjusted accordingly based on the percentage of such share equity or assets to be purchased relative to the total share equity or assets. Without the prior written consent of ATA Education, ATA Intelligent Learning may not sell or otherwise dispose its assets or beneficial interests, create or allow any encumbrance on its assets or other beneficial interests, enter into any material contracts (except those contracts entered into in the ordinary course of business), or distribute dividends to the nominee shareholders. ATA Education is also obligated to provide financial support to ATA Intelligent Learning's operation to which ATA Education has no recourse right if ATA Intelligent Learning cannot repay such financing due to its losses. This agreement shall be effective upon the execution date and remain effective thereafter. This agreement can only be terminated with the unanimous consent of all parties, except that ATA Education may terminate this agreement with 30 days prior notice to the other parties.

Equity interest pledge agreement: To secure the payment obligations of ATA Intelligent Learning, ATA Intelligent Learning's nominee shareholders have pledged to ATA Education their entire equity ownership interests in ATA Intelligent Learning to guarantee his and ATA Intelligent Learning's performance of obligations under, where applicable, the exclusive technical consulting and services agreement and the call option and cooperation agreement. If ATA Intelligent Learning or the nominee shareholders of ATA Intelligent Learning breach their contractual obligations under these agreements, ATA Education, as pledgee, will have the right to acquire the pledged equity interests. The nominee shareholders of ATA Intelligent Learning agree that, during the term of the equity interest pledge agreements, they will not dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests, and they also agree that ATA Education's rights relating to the equity pledge shall not be suspended or hampered by the nominee shareholders, their successors or their designates. During the term of the equity interest pledge agreements, ATA Education has the right to receive all of the dividends and profits distributed on the pledged equity. The term of the equity interest pledge agreement shall commence on March 15, 2018 and shall expire on the earlier of (a) the date on which all outstanding secured obligations are paid in full or otherwise satisfied (as applicable); (b) ATA Education enforces the equity interest pledge agreement pursuant to the terms and conditions, to satisfy its rights under the secured obligations and pledged collateral in full, or (c) the nominee shareholders of ATA Intelligent Learning complete their transfer of the equity interest to another party (individual or legal entity) pursuant to the Call Option and Cooperation Agreement and no longer holds any equity interest in ATA Intelligent Learning. ATA Intelligent Learning has registered these equity interest pledge agreements with the competent State Administration for Market Regulation (SAMR, previously known as State Administration for Industry and Commerce, or SAIC) on April 27, 2018. The registration of the equity pledge enables ATA Education to enforce the equity pledge against third parties who acquire the equity interests of ATA Intelligent Learning in good faith. According to the equity transfer agreement entered into by Mr. Haichang Xiong and Mr. Jun Zhang, on August 12, 2020, Mr. Haichang Xiong transferred all his equity interest in ATA Intelligent Learning to Mr. Jun Zhang, as well as his obligations and rights under the equity interest pledge agreement entered into by himself. On the same day, Mr. Jun Zhang, as the new shareholder of ATA Intelligent Learning, entered into a new equity interest pledge agreement with ATA Education and ATA Intelligent Learning on the same terms as the equity pledge agreement previously entered by Mr. Haichang Xiong. The term of the equity interest pledge agreements entered by Mr. Jun Zhang shall commence on the date of August 12, 2020 and shall expire on the earlier of the Expiration Conditions. ATA Intelligent Learning has registered the equity interest pledge agreement entered by Mr. Jun Zhang with SAMR, on February 26, 2021.

Power of attorney: Pursuant to the irrevocable powers of attorney, each of the nominee shareholders of ATA Intelligent Learning, who signed the power of attorney on March 15, 2018, appointed ATA Education or any eligible person designated by ATA Education as his attorney-in-fact to exercise all voting rights and other nominee shareholders rights of ATA Intelligent Learning, including but not limited to appointing or electing on their directors and executive officers. The person designated by ATA Education is entitled to sign the transfer documents necessary for the fulfillment of the exclusive technical consulting and services agreement and the call option and cooperation agreement, and to join the liquidation group and participate in the liquidation of ATA Intelligent Learning. The term of the powers of attorney shall be consistent with the term of the equity interest pledge agreements and call option and cooperation agreement and shall be extended along with the equity interest pledge agreements and call option and cooperation agreement.

[Table of Contents](#)

The Company relies on the VIE Agreements to operate and control ATA Intelligent Learning. However, these contractual arrangements may not be as effective as direct equity ownership in providing the Company with control over ATA Intelligent Learning. Any failure by ATA Intelligent Learning or its nominee shareholders to perform their obligations under the VIE Agreements would have a material adverse effect on the financial position and financial performance of the Company. All the VIE Agreements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. 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 some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements. In addition, if the legal structure and the VIE Agreements were found to be in violation of any existing or future PRC laws and regulations, the Company may be subject to fines or other legal or administrative sanctions.

Risks in relation to the VIE structure

In the opinion of management, based on the legal opinion of Jincheng Tongda & Neal Law Firm, the Company's PRC legal counsel, the above contractual arrangements are legally binding and enforceable and do not violate current PRC laws and regulations. However, there are uncertainties regarding the interpretation and application of existing and future PRC laws and regulations. The Company cannot assure that the PRC regulatory authorities will not ultimately take a contrary view to its opinion. If the current ownership structure of the Company and the contractual arrangements with ATA Intelligent Learning are found to be in violation of any existing or future PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Company's PRC subsidiary and VIEs;
- impose fines or other requirements with which the Company's PRC subsidiary and VIEs may not be able to comply;
- confiscate any of the Company's income that they deem to be obtained through illegal operations;
- shut down a portion or all of the Company's servers or block a portion or all of the Company's website;
- discontinue or restrict the operations of any related-party transactions between the Company's PRC subsidiary and VIEs;
- require the Company or the Company's PRC subsidiary and VIEs to restructure the relevant ownership structure or operations
- take other regulatory or enforcement actions that could be harmful to the Company's business.

If the imposition of any of these government actions, or any inability to enforce the contractual arrangements upon a breach, causes the Company to lose its ability to direct the activities of ATA Intelligent Learning or receive substantially all the economic benefits and residual returns from ATA Intelligent Learning and the Company is not able to restructure its ownership structure and operations in a satisfactory manner, the Company would no longer be able to consolidate the financial results of ATA Intelligent Learning in the Company's consolidated financial statements. Total assets, total liabilities, equity, revenues, net income and cash flows of the Company would be significantly less than the reported amount in the consolidated financial statements of the Company. In the opinion of management, the likelihood of deconsolidation of ATA Intelligent Learning is remote based on current facts and circumstances.

[Table of Contents](#)

The equity interests of ATA Intelligent Learning are legally held by Mr. Ma, Mr. Xiong and Mr. Zhang as nominee shareholders on behalf of ACG. Mr. Ma is chairman of the board and director of ACG, Mr. Xiong was general counsel of ACG and Mr. Zhang is president and director of ACG. Mr. Ma holds approximately 40% of the total ordinary shares of the Company issued and outstanding as of December 31, 2024 and 2025. The Company cannot assure that when conflicts of interest arise, either the nominee shareholders will act in the best interests of the Company or such conflicts will be resolved in the Company's favour. Currently, the Company does not have any arrangements to address potential conflicts of interest between the nominee shareholders and the Company, except that ATA Education could exercise the purchase option under the exclusive option agreement with the nominee shareholders to request them to transfer all of their equity ownership in ATA Intelligent Learning to a PRC entity or individual designated by ATA Education. The Company relies on the nominee shareholders, who are ACG's director and general counsel, who owe fiduciary duties to ACG, to comply with the terms and conditions of the contractual arrangements. Such fiduciary duty requires the nominee shareholders to act in good faith and in the best interests of ACG and not to use their positions for personal gains. If the Company cannot resolve any conflict of interest or dispute between the Company and the nominee shareholders of ATA Intelligent Learning, the Company would have to rely on legal proceedings, which could result in disruption of the Company's business and subject the Company to substantial uncertainty as to the outcome of any such legal proceedings.

The nominee shareholder of ATA Intelligent Learning was changed from Mr. Haichang Xiong to Mr. Jun Zhang on August 12, 2020. There are no substantive changes on terms of the VIE agreements.

ATA Intelligent Learning holds 70% equity interests of Beijing Zhenwu Technology Development Co., Ltd., or Beijing Zhenwu, a PRC company newly established in August 2021. Beijing Zhenwu was mainly engaged in conducting some of the Group's short-term project-based art learning services and terminated its business since early 2022.

The Company's involvement with ATA Intelligent Learning and its subsidiary, or the consolidated VIE, under the VIE Agreements affected the Company's consolidated financial position, results of operations and cash flows as presented below.

[Table of Contents](#)

The following assets and liabilities information of the Group’s consolidated VIE as of December 31, 2024 and 2025, and net revenues, net loss and cash flows for the years ended December 31, 2023, 2024 and 2025, were included in the accompanying consolidated financial statements of the Company.

	As of December 31,	
	2024	2025
	RMB	RMB
Cash	360,788	171,249
Prepaid expenses and other current assets	—	7,062
Total current assets	360,788	178,311
Long-term investments (i)	42,537,827	37,753,202
Other non-current assets	10,000	10,000
Total assets	42,908,615	37,941,513
Accrued expenses and other payables	117,920	62,496
Amounts due to related parties (ii)	66,217,253	67,411,670
Total current liabilities	66,335,173	67,474,166
Total liabilities	66,335,173	67,474,166

	Years ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Net revenues	—	—	—
Net loss	(7,615,247)	(8,028,114)	(6,106,095)

	Years ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Net cash used in operating activities	(952,664)	(1,496,430)	(1,390,039)
Net cash used in investing activities	—	—	—
Net cash provided by financing activities (iii)	1,050,000	1,600,000	1,200,500

(i) Long-term investments as of December 31, 2024 and 2025 include investment cost and share of losses derived from the 30.96 % equity interests investment in Beijing Huanquiymeng Education Consultation Corp. (“Huanquiymeng”) in the amount of RMB 42,537,827 and RMB 37,753,202 respectively, which is eliminated on consolidation.

(ii) Amounts due to related parties represent the amounts due to the Company’s subsidiaries, which are eliminated on consolidation.

(iii) RMB1,050,000, RMB1,600,000 and RMB 1,200,500 of net cash provided by financing activities for the years ended December 31, 2023, 2024 and 2025 respectively were related to the transactions with the Company’s subsidiaries, which are eliminated on consolidation.

In accordance with the VIE Agreements, the Company has the power to direct the activities of the consolidated VIE and can have assets transferred out of the consolidated VIE. Therefore, the Company considers that there are no assets in the consolidated VIE that can be used only to settle obligations of the consolidated VIE, except for the registered capital amounting RMB 50.0 million as of December 31, 2025. None of the assets of the consolidated VIE has been pledged or collateralized. The creditors of the consolidated VIE do not have recourse to the general credit of ATA Education or the Company.

There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs. As the Group is conducting a significant portion of businesses in the PRC through the VIEs, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss.

There is no VIEs in the Group where the Company or any subsidiary has a variable interest but is not the primary beneficiary

[Table of Contents](#)*Significant Concentrations and Risks*

The Group is subject to the following significant concentration and risks:

Concentration of cash and cash equivalents balances held at financial institutions

Cash and cash equivalents consist of cash on hand and cash at bank. Cash at bank are deposited in financial institutions at below locations:

	As of December 31,	
	2024	2025
	RMB	RMB
Financial institutions in the mainland of the PRC		
— Denominated in Renminbi (“RMB”)	27,548,189	28,828,342
— Denominated in U.S. Dollar (“USD”)	150	155
Total cash balances held at mainland PRC financial institutions	27,548,339	28,828,497
Financial institutions in Hong Kong Special Administrative Region (“HKSAR”) of the PRC		
— Denominated in Hong Kong Dollar (“HKD”)	581	5,822
— Denominated in USD	8,975,075	56,401,795
— Held in RMB	—	86
— Held in GBP	—	87
— Held in AUD	—	1
Total cash and cash equivalents balances held at HKSAR financial institutions	8,975,656	56,407,791
Total cash and cash equivalents balances held at financial institutions	36,523,995	85,236,288

The bank deposits with financial institutions in the PRC are insured by the government authority up to RMB500,000. The bank deposits with financial institutions in the HKSAR are insured by the government authority up to HKD800,000. To limit exposure to credit risk, the Company primarily places bank deposits with large financial institutions in the PRC and HKSAR with acceptable credit rating.

Geographic concentration

A substantial portion of the Company’s net revenues were generated from educational services in China. The regulatory regime for educational services industry in China continues to rapidly evolve and the relevant laws, regulations or interpretations may change in the future. Any changes that adversely affect the Company’s business in China will have a material adverse effect on the Company’s financial condition and results of operations.

Liquidity

As reflected in the accompanying consolidated financial statements, the Group had accumulated deficit amounting to RMB 475,854,443 and working capital deficit of RMB 233,212,373. As of December 31, 2025 and the Group has incurred a net loss of RMB 48,047,494 and recorded a cash outflow from operating activities of RMB 15,838,770 for the financial year ended December 31, 2025.

Management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at the next 12 months from the issuance date of the consolidated financial statements and that the going concern basis of preparation of these consolidated financial statements remains appropriate.

Management has prepared a cash flow forecast for the next twelve months from the date of authorisation of the financial statements to support their assessment that the Group to continue to operate as going concerns.

On January 22, 2026, the Group's completed a round of financing and received the additional fund of USD 8,854,035 from the investors. The Group also has taken an intensive review of operations and expenditures, including sales and marketing, and administration expenses, to identify and eliminate inefficiencies and redundancies in order to preserve cash while maintaining the business as well as to maintain its borrowings and advance receipt from customers in order to generate sufficient funds from operations to fund its liabilities and continuing operational costs.

Based on these factors and in consideration of the Group's business plans and forecasts, the management believe that the Group will be able to generate sufficient positive cash flows from the continued operations and obtain additional funding in order to enable the Group to meet the operating requirements and to pay their debts as and when they fall due. As such, the management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and determined that it is appropriate for the financial statements of the Group to be prepared on going concern basis.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries, in which ACG, directly or indirectly, has a controlling financial interest and its variable interest entity and its subsidiary, or the consolidated VIE for which the Company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated upon consolidation. The results of subsidiaries acquired or disposed of are recorded in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

A subsidiary is an entity in which (i) the Company directly or indirectly controls more than 50% of the voting power; or (ii) the Company has the power to appoint or remove the majority of the members of the board of directors or to cast a majority of votes at the meetings of the board of directors or to govern the financial and operating policies of the investee pursuant to a statute or under an agreement among the shareholders or equity holders.

Non-redeemable non-controlling interests are separately presented as a component of equity in the consolidated financial statements.

(b) Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

(c) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates include the fair value determinations of identifiable assets acquired and liabilities assumed, the fair values of share-based payments and other equity investments, the collect ability of loan receivable and other receivables, allowance of account receivables, the realizability of deferred income tax liabilities, the estimate for useful lives and residual values of long-lived assets, the recover ability of long-lived assets, goodwill and long-term investments, determination of estimated stand-alone selling prices of performance obligations, variable consideration and measurement of progress towards completion in revenue recognition. Actual results could differ from those estimates. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions. In accordance with ASC 250, changes in accounting estimates are recognized in the period of the change and, if applicable, in future periods affected by the change. Management reviews these estimates and assumptions on an ongoing basis and revises them when events or circumstances indicate that the original estimates or assumptions no longer remain appropriate.

(d) Foreign currency

The accompanying consolidated financial statements have been expressed in RMB, the Company's reporting currency.

[Table of Contents](#)

The Company, ATA Testing Authority (Holdings) Limited (“ATA BVI”), ATA Creativity Global (Hong Kong) Limited (“ACG HK”) (formerly known as Xing Wei Institute (Hong Kong) Limited (“Xing Wei”) and ACG International Group Limited (“ACGIGL”)’s functional currency is USD. The functional currency of the Company’s PRC subsidiaries, VIE and VIE’s subsidiary is RMB.

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rates at the balance sheet dates. The resulting foreign exchange gains and losses are included in the consolidated statements of comprehensive income (loss) in the line item “*Foreign currency exchange gains (losses), net.*”

Assets and liabilities of the Company, ATA BVI, ACG HK and ACGIGL are translated into RMB using the applicable exchange rate at each balance sheet date. Revenues and expenses are translated into RMB at average rates prevailing during the year. Equity accounts other than retained earnings (accumulated deficit) generated in the current period are translated into RMB using the appropriate historical rates. The resulting foreign currency translation adjustments are recognized as a separate component of accumulated other comprehensive income (loss) within equity. Since RMB is not a fully convertible currency, all foreign exchange transactions involving RMB must take place either through the People’s Bank of China (the “PBOC”) or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC.

For the convenience of the readers, the 2025 RMB amounts included in the accompanying consolidated financial statements have been translated into USD at the rate of USD 1.00 = RMB 6.9931, the noon buying rate in New York cable transfers of RMB per USD as set forth in the H.10 weekly statistical release of Federal Reserve Board, as of December 31, 2025. No representation is made that the RMB amounts could have been, or could be, converted into USD at that rate or at any other rate on December 31, 2025.

(e) Commitments and contingencies

In the normal course of business, the Group is subject to contingencies, such as legal proceedings and claims that cover a wide range of matters. Liabilities for such contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

(f) Fair value measurements

The Group utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Group determines fair value based on assumptions that market participants would use in pricing an asset or liability in an orderly transaction and principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. In situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

Management of the Company considers the carrying amount of cash and cash equivalents, accounts receivable, other receivables, accounts payable and other payables to approximate their fair values because of their short-term nature. For borrowings, the fair value is approximated using discounted cash flows, and the Company measures the fair value of borrowings by discounting the future cash flows at the market interest rates applicable to the borrowings.

(g) Revenue recognition

The Group's revenue is primarily generated from portfolio training services, research-based learning services, overseas study counselling services and other educational services through its training centers in China. Revenue is recognized net of Value Added Tax ("VAT"). VAT collected from customers, net of VAT paid for purchases, is recorded as a liability in the consolidated balance sheets until paid to the tax authorities.

The Group recognizes revenues upon the satisfaction of its performance obligation (upon transfer of control of promised goods or services to customers) in an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services, excluding amounts collected on behalf of third parties (for example, value added taxes).

The transaction price includes variable consideration where the Company's performance may result in full or partial return of the service fees based on the final outcome of the performance targets. The Company estimates the transaction price at contract inception based on expected value method, which the Company believes to be better predict with the amount of consideration to which it will be entitled in the contract. In making the estimate of variable consideration, the Company applies judgments which are inherently subjective. This includes the assessment of the final outcome of the performance targets and its historical experience and performance. The amount of estimated variable consideration included in the transaction price is limited only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable condition is subsequently resolved. Management reviews these estimates on a regular basis. Any changes in these factors which affect the estimated variable consideration and revenue recognized are applied prospectively.

For each performance obligation satisfied over time, the Group recognizes revenue over time by measuring the progress toward complete satisfaction of that performance obligation. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group's contracts with customers also include promises to transfer multiple services. For these contracts, the Group accounts for individual performance obligations separately if they are capable of being distinct and distinct within the context of the contract. Determining whether products and services are distinct performance obligations may require significant judgment. Judgment is also required to determine the stand-alone selling price ("SSP") for each distinct performance obligation. In instances where SSP is not directly observable, such as when the Group does not sell the product or service separately, the Group determines the SSP using information that may include market conditions and other observable inputs. For these contracts with variable consideration, the Group determines that variable consideration is allocated according to the method as described above, because variable consideration is attributable to all of the performance obligations in a contract.

i) Portfolio training services

Portfolio training services primarily consist of one-on-one or small-group training at the training centers or online platform in which the teachers provide guidance to students to practice observational drawing or other forms of art work and finally compile the selected pieces to form a portfolio.

Individual students select to enroll either in time-based program in which they can take a pre-determined number of hours of training or in a project-based program in which they are guided to complete a portfolio that usually consists of three to five art projects.

Each student enrollment is being distinct and separately identifiable from other student enrollment consider as a single performance obligation to provide training services. The transaction price is either based on time-based program or project-based program to complete a project at contract inception, and is not subject to rebates, returns or other variable consideration. Most students are required to prepay the training program prior to commencement of training.

Revenue is recognized over a period of time based on the number of training hours expended and total hours of training under the contract with the student since the individual student simultaneously receives and consumes the benefits of the portfolio training services as the Group performs. Revenue is recognized at the point of time training hours consumed by students, and the consumption of each training hour is recorded in the system. At the end of the program, the Group will obtain a completion certificate signed and confirmed by the students. While under project-based programs, the number of hours of training required to complete a project is not pre-determined and varies depending on the background and requirements of individual student. The Group reassesses the total hours of training pursuant to each contract of project-based program with individual students on a quarterly basis. Based on the average quarterly basis, any adjustments arising from the changes of estimated training hours are applied prospectively.

The corresponding payment is applied against the student's prepayment and transit periods typically do not exceed one year. Revenue is presented on a gross basis, as the Company acts as the principal in the transaction. This conclusion is based on the following considerations: i) the Company manages all aspects of the portfolio training services; the Company controls over the training services; and ii) the Company establishes pricing and bears market risk. iii) The Company is primarily responsible for fulfilling the promise to provide training services in meeting student requirement and the primary contact for student service issues, including resolving complaints

ii) Research-based learning services (formerly known as the educational travel services)

The Group provides educational travel services for individual students to bring them art-related experience by providing integration of both travel and study activities in each educational service contract according to the background of individual students. In 2020, the Group introduced new services under the “research-based learning services”, which mainly consist of domestic educational travel services, academic educational learning services, workshop experience services and transferrable credit courses.

Each student enrollment is being distinct and separately identifiable from other student enrollment consider as a single performance obligation to provide educational travel services. The transaction price is based on the type of educational travel services according to the background of individual students’ requirement at contract inception, and is not subject to rebates or other variable consideration. Most students are required to prepay the educational travel services prior to commencement of travel.

Revenue is recognized when control of the promised service is transferred to customers in an amount of consideration which the Group expects to be entitled to in exchange for those services. Upon completion of the service, the Group recognize revenue based on the course completion confirmation form signed by the student or the confirmation provided via email.

As each student’s educational travel service includes only one performance obligation and no variable consideration, no allocation of the transaction price is required. The corresponding payment is applied against the student’s prepayment and transit periods typically do not exceed one year.

Revenue is presented on a gross basis, as the Company acts as the principal in the transaction. This conclusion is based on the following considerations: i) the Company manages all aspects of the educational travel services; the Company controls over the educational travel services; and ii) the Company establishes pricing and bears market risk. iii) The Company is primarily responsible for fulfilling the promise to provide education travel services in meeting student requirement and the primary contact for student service issues, including resolving complaints

iii) Overseas study counselling services

The Group provides overseas study counselling services to students who intend to study abroad on the following aspects, including but not limited to, customized timetable for applicants, university and program selection, developing paperwork for applications, interview simulation and enrollment documents preparation.

The Group provides integration and customization of the promised services in each overseas study counselling service contract depending on the background and requirements of the students and aims to deliver a combined output for counselling service to cover both academic and practical aspects during the entire process of application. The promised services are highly interdependent and interrelated and are accounted as one performance obligation, as the promised services in a contract are not distinct within the context of the contract. Since the students simultaneously receive and consume the benefits of these services throughout the service period as the Group performs, revenue relating to the overseas study counselling services is generally recognized based on the Group’s stage of completion or outputs to the satisfaction of its performance obligation over time as work progresses. The Group has the right to recognize revenue when the stage of completion confirmed by the students.

As each student’s overseas study counselling services includes only one performance obligation and no variable consideration, no allocation of the transaction price is required. The corresponding payment is applied against the student’s prepayment and transit periods typically do not exceed one year.

Revenue is presented on a gross basis, as the Company acts as the principal in the transaction. This conclusion is based on the following considerations: i) the Company manages all aspects of the overseas study counselling services; the Company controls over the overseas study counselling services; and ii) the Company establishes pricing and bears market risk. iii) The Company is primarily responsible for fulfilling the promise to provide overseas study counselling services in meeting student requirement and the primary contact for student service issues, including resolving complaints.

iv) Other educational services

Other educational services mainly consist of language training services, junior art education services and in-school classes. Each student enrollment is being distinct and separately identifiable from other student enrollment consider as a single performance obligation to provide training or educational services. The transaction price is based on number of lesson completion on of language training services or, junior art education services at contract inception, and is not subject to rebates or other variable consideration. Most students are required to prepay the language training or junior art education service program prior to commencement of lesson. The Group recognizes revenues from the other educational services proportionately at the point of time when services are rendered. At the end of the lesson, the Group will obtain a completion certificate signed and confirmed by the students.

As each student's overseas study counselling services includes only one performance obligation and no variable consideration, no allocation of the transaction price is required. The corresponding payment is applied against the student's prepayment and transit periods typically do not exceed one year.

Revenue is presented on a gross basis, as the Company acts as the principal in the transaction. This conclusion is based on the following considerations: i) the Company manages all aspects of the language training or junior art education services; the Company controls over the language training or junior art education services; and ii) the Company establishes pricing and bears market risk. iii) The Company is primarily responsible for fulfilling the promise to provide language training or junior art education services in meeting student requirement and the primary contact for student service issues, including resolving complaints

(h) Contract cost

Sales commissions to sales personnel and third-party agents, and incentives to existing students for referred customers are accounted for as incremental cost of obtaining sales contracts from customers and are initially recognized as an asset in other non-current assets. Contract cost assets are transferred into expenses on the basis consistent with the pattern of the transfer of services to which the assets relate and are included in "sales and marketing expenses" in the consolidated statements of comprehensive income (loss). The transfer to expenses of contract cost assets were RMB 22,080,933, RMB 24,297,101 and RMB 26,197,400, for the years ended December 31, 2023, 2024 and 2025, respectively. The contract cost assets were RMB25,446,969, RMB 26,768,292 and RMB 30,233,160, for the years ended December 31, 2023, 2024 and 2025.

(i) Cost of revenues

Cost of revenues primarily consist of (1) teaching fees, payroll compensation for teaching support and administrative staff from the training centers, performance-linked bonuses paid to teachers, rental payments for training centers, as well as costs of course materials and teaching aids for portfolio training services, (2) payroll compensation, outsourcing service costs, lodging and transportation expenses, overseas expenses, and other related costs which are directly attributable to the provision of research-based learning services and overseas study counselling services, and (3) teaching fees, payroll compensation, content development costs, and other related costs, which are directly attributable to the rendering of other educational services and other services.

(j) Research and development costs

Research and development costs primarily consist of salaries and benefits for the Group's research and development personnel, outsourcing services costs and other costs relating to the design, development, testing and enhancement of the technology systems in support for the rendering of the Group's products and services. Research and development costs are expensed as incurred. Research and development cost incurred over software developed was primarily for internal use and treated as follows.

The Group expenses all costs that are incurred in connection with the planning and implementation phases of the development of software. Costs incurred in the development phase are capitalized and amortized over the estimated product life. No costs were capitalized for any of the periods presented.

(k) Lease

The Group is a lessee in a number of non-cancellable operating leases, primarily for training center and office spaces.

[Table of Contents](#)

The Group accounts for leases in accordance with ASC Topic 842, *Leases* (see Note 9) The Group determines if an arrangement is or contains a lease at contract inception. The Group recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date.

Key estimates and judgments include how the Group determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

- ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Group cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Group generally uses its incremental borrowing rate as the discount rate for the lease. The Group's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because the Group does not generally borrow on a collateralized basis, it uses the interest rate it pays on its non-collateralized borrowings as an input to deriving an appropriate incremental borrowing rate, adjusted for the amount of the lease payments, the lease term and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.
- Lease payments included in the measurement of the lease liability are comprised of fixed payments, including in-substance fixed payments, owed over the lease term, which includes termination.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. The leases entered into within the Group do not incur initial direct costs or lease incentives. For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost is recognized on a straight-line basis over the lease term.

Variable lease payments associated with the Group's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expense in the Group's consolidated statements of comprehensive income (loss) in the same line item as expense arising from fixed lease payments for operating leases.

ROU assets for operating lease are periodically reduced by impairment losses. The Group uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment – Overall*, to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

The Group monitors for events or changes in circumstances that require reassessment of its leases. When a reassessment results in the re-measurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

Operating lease ROU assets are presented as operating lease right of use assets on the consolidated balance sheet. The current portion of operating lease liabilities is included in lease liabilities-current and the long-term portion is presented separately as lease liabilities-non-current on the consolidated balance sheets.

The Group has elected not to recognize ROU assets and lease liabilities for short-term leases of training centers and offices that have a lease term of 12 months or less. The Group recognizes the lease payments associated with its short-term training centers and offices leases as an expense on a straight-line basis over the lease term.

As of December 31, 2024 and 2025, the Company did not have any finance leases.

(l) Income taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax loss carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or tax status is recognized in income in the period that includes the enactment date or the date of change in tax status. A valuation allowance is provided to reduce the amount of deferred income tax assets if it is considered more likely than not that some portion or all of the deferred income tax assets will not be realized.

A deferred tax liability is not recognized for the excess of the Company's financial statement carrying amount over the tax basis of its investment in a foreign subsidiary, if there exists specific plans for reinvestment of undistributed earnings of a subsidiary which demonstrates that remittance of the earnings will be postponed indefinitely.

The Group recognizes in the consolidated financial statements the impact of a tax position, if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Group's accounting policy is to accrue interest and penalties related to unrecognized tax benefits, if and when required, as interest expense and a component of general and administrative expenses, respectively in the consolidated statements of comprehensive income (loss).

(m) Share-based payment

The Group applies ASC 718 ("ASC 718"), Compensation - Stock Compensation, to account for its employee share-based payments. In accordance with ASC 718-10, share-based payment transactions with employees, such as share options and restricted shares, are measured based on the grant-date fair value of the equity instrument issued and recognized as compensation expense over the requisite service period, with a corresponding addition to equity. Under this method, compensation cost related to employee share options or similar equity instruments is measured at the grant date based on the fair value of the award and is recognized over the period during which an employee is required to provide service in exchange for the award, which generally is the vesting period.

The Group measures the cost of employee share options and non-vested shares based on the grant date fair value of the award and recognizes that cost over the period during which an employee is required to provide services in exchange for the award, which generally is the vesting period. For the graded vesting share options and non-vested shares, the Group 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. When no future services are required to be performed by the employee in exchange for an award of equity instruments, and if such award does not contain a performance or market condition, the cost of the award is expensed on the grant date. Awards granted to employees with performance conditions are measured at fair value on the grant date and are recognized as compensation expenses in the period and thereafter when the performance goal becomes probable to achieve. We elect to recognize the effect of forfeitures as compensation cost when they occur. To the extent the required vesting conditions are not met which leads to the forfeiture of the share-based awards, previously recognized compensation expenses relating to such awards will be reversed.

When there is a modification of the terms and conditions of an award of equity instruments, the Group calculates the incremental compensation cost of a modification as the excess of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, the Group recognizes incremental compensation cost in the period the modification occurred. For unvested options, the Group recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date. Cancellations in the vesting period are treated as an acceleration of vesting, and recognized immediately for the amount that would otherwise be recognized for services over the vesting period.

When there is a change in the grantee status from an employee to a non-employee, if grantee retains the awards on a change in status and continues to provide substantive services to the Group, the change in status results in a new measurement date for the unvested awards with compensation costs measured as if the awards were newly issued to the grantee on the date of the change in status. If grantee retains the awards on a change in status and is not required to provide substantive services to the grantor subsequent to that change in status, the change in status is, in substance, an acceleration of the vesting of the arrangement.

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and highly liquid investments with original maturity less than three months and readily convertible to known amount of cash.

(o) Accounts receivable

Accounts receivable are recorded at the gross billing amount less an allowance for any uncollectible accounts due from the customers. Accounts receivable do not bear interest.

Since January 1, 2024, the Company adopted Accounting Standards Update (“ASU”) No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), using the modified retrospective transition method. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. Upon adoption, the Company changed the impairment model to utilize a forward-looking current expected credit losses (CECL) model in place of the incurred loss methodology for financial instruments measured at amortized cost and receivables resulting from the application of ASC 606, including contract assets.

The Group maintains an allowance for credit losses and records the allowance for credit losses as an offset to accounts receivable. The estimated credit losses charged to the allowance are classified as “General and administrative expenses” in the unaudited condensed consolidated statements of comprehensive loss. The Group assesses collectability by reviewing accounts receivable on aging schedules. In determining the amount of the allowance for credit losses, the Group considers historical collectability based on past due status, the age of the balances, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect the Group’s ability to collect from customers. Delinquent account balances are written-off against the allowance for expected credit losses after management has determined that the likelihood of collection is not probable.

(p) Long-term investments

Equity method investments

The Group applies the equity method to account for an equity interest in an investee over which the Group has significant influence but does not own a majority equity interest or otherwise control.

Under the equity method of accounting, the Group’s share of the investee’s results of operations is reported as investment income (loss) in the consolidated statements of comprehensive loss.

[Table of Contents](#)

The Group recognizes an impairment loss when there is a decline in value below the carrying value of the equity method investment that is considered to be other than temporary. The process of assessing and determining whether impairment on an investment is other than temporary requires a significant amount of judgment. To determine whether an impairment is other than temporary, management considers whether it has the ability and intent to hold the investment until recovery and whether evidence indicating the carrying value of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the decline in value, any change in value subsequent to the period end, and forecasted performance of the investee.

Other equity investments

In connection with the adoption of ASC321 *Investment—Equity Securities* as of January 1, 2018, the Group have elected to apply the measurement alternative to measure the equity investments that do not have readily determinable fair values at cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. The Group considers information in periodic financial statements and other documentation provided by the investees to determine whether observable price changes have occurred.

The Group makes a qualitative assessment considering impairment indicators to evaluate whether the equity investments without a readily determinable fair value is impaired at each reporting period, and write down to its fair value if a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than its carrying value. If an equity security without a readily determinable fair value is impaired, the Group includes an impairment loss in net income equal to the difference between the fair value of the investment and its carrying amount.

(q) Property and equipment, net

Property and equipment, are stated at cost less accumulated depreciation. Depreciation expenses are computed using the straight-line method over the estimated useful lives of the assets with a 5% residual value. The estimated useful lives are as follows:

Categories	Estimated Useful Life
Building	30 years
Computer equipment	3 to 5 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	5 years
Leasehold improvements	The shorter of lease terms and estimated useful lives

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the consolidated statements of comprehensive loss. Expenditures for maintenance and repairs are charged to earnings as incurred, while additions, renewals and betterments, which are expected to extend the useful life of assets, are capitalized. The Group also re-evaluates the periods of depreciation to determine whether subsequent events and circumstances indicate a change in estimates of useful lives. No such events were identified for the years ended December 31, 2025 and 2024.

(r) Intangible assets

Intangible asset is stated at cost less accumulated amortization and amortized in a method which reflects the pattern in which the economic benefits of the intangible asset are expected to be consumed or otherwise used up. The balance of intangible asset represents trademark and software. The software is acquired externally tailored to the Group's requirements and is amortized straight-line over 3 to 10 years in accordance with the way the Group estimates to generate economic benefits from such trademark and software.

The Group has no intangible assets with indefinite useful lives.

Categories	Estimated Useful Life
Trademark	10 years
Software	3 to 5 years

(s) Impairment of long-lived assets, excluding goodwill

Long-lived assets, including property and equipment, intangible assets, other non-current assets subject to amortization and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Group first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

(t) Goodwill

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. An impairment loss is recognized for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order: first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization other than goodwill is recognized immediately in consolidated statements of comprehensive loss.

(u) Employee benefit plans

As stipulated by the regulations of the PRC, the Company's PRC subsidiaries are required to contribute to various defined contribution plans, organized by municipal and provincial governments on behalf of their employees. The contributions to these plans are based on certain percentages of the employee's standard salary base as determined by the local Social Security Bureau. The Group has no other obligation for the payment of employee benefits associated with these plans beyond the annual contributions described above.

Employee benefit expenses recognized under these plans for the years ended December 31, 2023, 2024 and 2025 are allocated to the following expense items.

	Years Ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Cost of revenues	7,161,205	8,655,350	8,739,684
Research and development	294,859	261,176	256,475
Sales and marketing	4,033,438	5,218,767	3,824,152
General and administrative	3,405,996	3,399,854	3,150,296
Total expense due to employee benefit plans	14,895,498	17,535,147	15,970,607

(v) Earnings (losses) per share

Basic earnings (losses) per share is computed by dividing net income (losses), considering the accretions to redemption value of the redeemable non-controlling interests, by the weighted average number of common shares outstanding during the year using the two-class method. Under the two-class method, any net income (losses) is allocated between common shares and other participating securities based on their participating rights in undistributed earnings (losses). Net losses are not allocated to participating securities when the participating securities does not have contractual obligation to share losses. The Company's certain non-vested shares relating to the share-based awards under the share incentive plan were considered participating securities since the holders of these securities have non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid). The non-vested shares do not have a contractual obligation to fund or otherwise absorb the Group's losses. Accordingly, any net income is allocated on a pro rata basis to the common shares and the non-vested shares that were considered participating securities, whereas net loss is allocated to common shares only.

Diluted earnings (losses) per share is calculated by dividing net income (losses) adjusted for the effect of dilutive common equivalent shares, if any, by the weighted average number of common and dilutive common equivalent shares outstanding during the year. Common equivalent shares consist of common shares issuable upon vesting of the non-vested shares or exercise of outstanding share options (using the treasury stock method). Common equivalent shares are not included in the denominator of the diluted earnings (losses) per share computation when inclusion of such shares would be anti-dilutive.

The Group uses net loss as the control number in determining whether the potential common shares are dilutive or anti-dilutive.

(w) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment.

In accordance with ASC 280, Segment Reporting, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), in deciding how to allocate resources and in assessing performance. The Group's revenue segments have similar economic characteristics and they are managed as a single business unit. The Group uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Group's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Group's reportable segments. The Group's CODM has been identified as the chief executive officer (the "CEO", who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group classified the operating segments for the years ended December 31, 2023, 2024 and 2025 into (i) Overseas art study services (ii) Other educational services and (iii) Other services. Substantially all of the Group's operations, customers and long-lived assets are located in the PRC. Consequently, no geographic information is presented.

(x) Business combination

Business combinations are recorded using the acquisition method of accounting in accordance with ASC topic 805 ("ASC 805"): Business Combinations. The acquisition method of accounting requires an acquirer to determine the identifiable acquired assets, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. The consideration transferred for an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities assumed, equity instruments issued as well as the contingent considerations as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total cost of the acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

(y) Recent accounting pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments enhance the transparency and decision usefulness of income tax disclosures, including additional requirements related to the income tax rate reconciliation (disaggregation of significant reconciling items) and disaggregation of income taxes paid by jurisdiction. These enhancements enable users to better understand the Company's exposure to changes in jurisdictional tax legislation, assess income tax information affecting cash flow forecasts and capital allocation decisions, and identify potential opportunities to improve future cash flows. The amendments are effective for public business entities for annual periods beginning after December 15, 2024, including interim periods therein. Early adoption is permitted. The Company adopted this standard in the current period, and the adoption did not have a material effect on the Company's consolidated financial position, results of operations, or cash flows.

In March 2024, the FASB issued ASU 2024-02, *Codification Improvements — Amendments to Remove References to the Concepts Statements*. The amendments remove outdated references to various FASB Concepts Statements within the Accounting Standards Codification and apply to all entities within the scope of the affected guidance. The amendments are effective for public business entities for fiscal years beginning after December 15, 2024, including interim periods therein. Early adoption is permitted for any fiscal year or interim period for which financial statements have not yet been issued or made available for issuance. The Company adopted this standard in the current period, and the adoption did not have a material effect on the Company's consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The amendments require public business entities to disclose, in tabular format within the notes to consolidated financial statements, disaggregated information for certain expense categories included in income from continuing operations—specifically inventory purchases, employee compensation, depreciation, amortization, and depletion—as well as qualitative descriptions of remaining expense amounts. The amendments are effective for public business entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments may be applied prospectively to all applicable periods after the effective date or retrospectively to any or all prior periods presented. The Company is currently evaluating the timing and method of adoption, as well as the impact of adoption on its consolidated financial statements and related disclosures.

In November and December 2025, the FASB issued ASU 2025-08, *Financial Instruments—Credit Losses (Topic 326): Purchased Loans*; ASU 2025-09, *Financial Instruments—Investments—Equity Method and Joint Ventures (Topic 323): Improvements to the Equity Method of Accounting*; ASU 2025-10, *Government Grants (Topic 832): Accounting for Government Grants to Business Entities*; and ASU 2025-11, *Interim Reporting (Topic 270): Targeted Improvements to Interim Disclosures*. These updates are intended to simplify accounting guidance, improve consistency in application, and enhance the transparency of related financial statement disclosures—specifically, ASU 2025-08 eliminates the “day 1” credit loss expense for most purchased loans, ASU 2025-09 clarifies equity method accounting for basis differences and deferred taxes, ASU 2025-10 establishes a comprehensive model for government grant accounting, and ASU 2025-11 streamlines interim disclosure requirements. ASU 2025-08, 2025-09, and 2025-11 are effective for public business entities for annual periods beginning after December 15, 2026, including interim periods therein. ASU 2025-10 is effective for public business entities for annual periods beginning after December 15, 2028, including interim periods therein. Early adoption is permitted for all of the above standards. The Company is currently evaluating the impact of these standards on its consolidated financial statements and related disclosures and does not expect adoption to have a material effect on its consolidated financial position, results of operations, or cash flows.

On September 18, 2025, the FASB issued Accounting Standards Update (ASU) 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. ASU 2025-06 modernizes the accounting for internal-use software (the existing internal-use software guidance does not contemplate more current methods of software development). The amendments in ASU 2025-06 are limited and focused on the key challenge that entities face in applying FASB Accounting Standards Codification (FASB ASC) 350-40—applying that guidance to software that is developed using modern, iterative approaches such as Agile, DevOps, and continuous-deployment models that do not fit neatly into the legacy “preliminary-project / application-development / post-implementation” stages described in today’s Subtopic 350-40. The amendments in this Update are effective for all entities for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period. The Company expects the adoption on this ASU will not have a material effect on the Company’s consolidated financial statements.

In December 2025, the FASB issued ASU No. 2025-09, “Accounting Changes and Error Corrections (Topic 250): Disclosure Improvements.” The amendments in this Update are intended to improve the qualitative and quantitative disclosures related to voluntary changes in accounting principles and corrections of prior-period errors. For public business entities, the ASU is effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual periods. Early adoption is permitted. The Company plans to adopt this guidance at its effective date and will provide the required disclosures upon adoption. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial position, results of operations, or cash flows.

Other recently issued accounting pronouncements not discussed above are not expected to have a material impact on the Company’s consolidated financial position, results of operations, or cash flows.

(3) BUSINESS ACQUISITION

In 2023, we completed the acquisition of 100% equity interests of Jinan City Shizhong District Nuobi Education Training School Co., Ltd. (Jinan Nuobi). The equity interest was transferred from Jun Zhang, the President and Director of the Company, and a consideration of RMB 0.5 million was paid in August, 2023. In October 2024, 100% equity interests of Jinan Nuobi were transferred to a third party with nil consideration.

(4) PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	As of December 31,	
	2024	2025
	RMB	RMB
VAT-input deductible	837,896	536,022
Income tax refundable	15,463	15,463
Amount due from Beijing Shouyiren (i)	1,696,285	1,696,285
Amount due from Beijing Kamo (ii)	2,800,000	2,800,000
Amount due from Beijing Huimei (iii)	9,824,724	10,859,923
Advances to employees (iv)	4,580,000	5,045,078
Prepaid marketing fee	1,783,457	836,368
Advances to suppliers	3,666,957	2,821,444
Allowance of credit loss	—	(1,696,285)
Other current assets	2,198,052	2,918,161
Total prepaid expenses and other current assets	27,402,834	25,832,458

(i) Amount due from Beijing Shouyiren Network Technology Co., Ltd. is expected to be irrecoverable, and a full provision for impairment has been made in 2025.

- (ii) Amount due from Beijing Kamo Intelligent Health Management Co., Ltd. is mortgaged the real estate ownership certificate (No. X Jing Fang Quan Zheng Chao Zi No.1362801) to Beijing Global Art Alliance International Education Consulting Co., Ltd. in May, 2024, with a maximum claim amount of RMB 2,800,000.
- (iii) Amount due from Beijing Huimei Life Health Technology Co., Ltd. and its subsidiary is expected to collect between October, 2026, with nil interest rate.
- (iv) Advances to employees represent cash advances provided to employees for project-related purposes, which are expected to be settled upon completion of the relevant projects, with nil interest rate.

(5) LONG-TERM INVESTMENTS

	As of December 31,	
	2024	2025
	RMB	RMB
EEO Group	38,000,000	—
Total other equity investments	38,000,000	—

The Group accounts for its equity investments that do not have readily determinable fair value in accordance with ASC321 *Investment—Equity Securities* effective on January 1, 2018, and elected to measure these investments without readily determinable fair value at cost adjusted for changes resulting from impairments, if any, and observable price changes in orderly transactions for the identical or similar securities of the same issuer.

Prior to January 1, 2019, the Group acquired 7.95% equity interests of ApplySquare Education & Technology Co., Ltd (“ApplySquare”) in exchange for USD 3,000,000 (equivalent to RMB 19,721,700) in cash. As of January 1, 2019, the carrying amount of the investment in ApplySquare was RMB 22,471,700. As of December 31, 2019, ACG made a qualitative assessment and identified that Applysquare failed to meet the expected milestones and operation forecasts and encountered shortage of working capital resulted from continuous negative operating cash flows, which indicated that impairment existed. With the assistance of an independent appraiser, the Company evaluated the fair value of the investment in Applysquare as of December 31, 2019 and recorded an impairment loss of RMB 20,895,309 based on the valuation result. Due to the severe shortage of working capital and negative market impact on its business in the year ended December 31, 2020, the Group recognized an impairment loss of RMB 1,576,391 to reduce the investment to zero. In 2024, due to new investments of other parties, the Group’s equity interests of ApplySquare were diluted to 7.6442%.

Prior to January 1, 2019, the Group acquired 20% equity interests of Beijing Xiaozhi Education Technology Co., Ltd. (“Xiaozhi”) in exchange for RMB 6,000,000 in cash. According to the shares purchase agreement, ACG has the right to appoint one director. The Company paid RMB 6,000,000 in cash to Xiaozhi in January 2019. The investment is not in-substance common stock due to the liquidation preference feature. During the year ended December 31, 2021, ACG made a qualitative assessment and identified that Xiaozhi failed to meet the expected milestones and operation forecasts and encountered shortage of working capital resulted from continuous negative operating cash flows, which indicated that impairment existed. The Group recognized an impairment loss of RMB 6,000,000 to reduce the investment to zero.

Long-term investment in Beijing Futou Technology Co., Ltd (“Futou Technology”) was acquired in connection with the acquisition of Huanquiyimeng in 2019, which held 15% equity interests in Futou Technology. Due to the severe shortage of working capital and negative market impact on its business in the year ended December 31, 2020, the Group recognized an impairment loss of RMB 150,000 to reduce the investment to zero.

Prior to January 1, 2019, the Group acquired 8.33% equity interests of Beijing Empower Education Online Co., Ltd. (“EEO”) in exchange for RMB 38,000,000 in cash.

In July 2020, EEO underwent an internal reorganization pursuant to which the Company exchanged its equity interest in EEO to EEO Group, a newly established holding company incorporated in Cayman Islands. The equity interests in EEO Group are substantially equivalent to the exchanged equity interests in EEO. EEO Group also entered into two rounds of financing agreements with certain new investors in July and November 2020, respectively. After the internal reorganization and new financings in 2020, ACG's equity interest in EEO Group decreased from 8.33% to 4.822%. Since the securities issued during new financing arrangements are not identical or similar in terms of rights and obligations to the equity securities held by the Company, the Company did not adjust the carrying amount of the long-term investments in EEO Group.

On March 30, 2021, EEO Group entered into a financing agreement with a group of new investors. After EEO Group's new financing, ACG's equity shares decreased from 4.822% to 4.433%. Since the securities issued during this new financing arrangements are not identical or similar in terms of rights and obligations to the equity securities held by the Company, the Company did not adjust the carrying amount of the long-term investments in EEO Group. In September, 2025, the Group disposed of its entire equity interest in EEO Group for a consideration of USD 7,047,163, recognizing a gain on investment of USD 1,673,100 (equivalent to approximately RMB 11,932,631).

Long-term investment in Beijing Quanouyimeng Culture Communication Co., Ltd. ("Quanouyimeng"), an entity that mainly delivers foreign language training services, was acquired in connection with the acquisition of Huanqiuyimeng in 2019, which held 100 % equity interests in Quanouyimeng.

On June 10, 2022, the Group entered into a loan agreement with Quanouyimeng and committed to provide an interest free loan up to RMB0.95 million to Quanouyimeng, pursuant to which, the Group paid RMB0.65 million before September 30, 2022 and the remaining RMB0.30 million in October 2022.

On July 1, 2022, Huanqiuyimeng sold 70 % equity interests in Quanouyimeng to its management employee at nil consideration. As a result, the Group deconsolidated Quanouyimeng as of July 1, 2022 when the Company no longer has a controlling financial interest in Quanouyimeng, by removing its net liabilities, writing-off the receivables due from Quanouyimeng and recognizing a disposal gain of RMB682,996 according to ASC 810-10, with the remaining 30 % equity interests of Quanouyimeng remeasured at nil fair value.

(6) FAIR VALUE MEASUREMENT

The other equity investments without readily determinable fair value are recorded at fair value only if an impairment or observable price adjustment is recognized in the current period. If an impairment or observable price adjustment is recognized on the equity securities during the period, the Company will classify these assets as Level 3 within the fair value hierarchy based on the nature of the fair value inputs.

The Group's other financial instruments consist of cash and cash equivalents, accounts receivable, advances to third parties, employees and suppliers, which are included in the prepaid expenses and other current assets, loan receivable, net, accrued expenses and other payables and short-term loans, all of which have a carrying amount that approximate fair value because of the short maturity of these instruments.

The Group did not have any non-financial assets and liabilities that are measured at fair value on a non-recurring basis as of December 31, 2024 and 2025, respectively.

(7) PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

	As of December 31,	
	2024	2025
	RMB	RMB
Building (i)	53,049,213	53,049,213
Computer equipment	3,687,643	3,087,640
Furniture, fixtures and office equipment	3,933,670	3,948,444
Motor vehicles	1,667,222	1,265,707
Leasehold improvements	12,428,593	12,428,593
	74,766,341	73,779,597
Less: accumulated depreciation and amortization	(36,097,058)	(41,639,915)
Property and equipment, net	38,669,283	32,139,682

- (i) In September 2025, Beijing Miusi Education Consultation Co., Ltd. (Beijing Miusi), a wholly-owned subsidiary of Huanqiuyimeng entered into a three-year Commercial Loan Facility with Huaxia Bank Co., Ltd. Beijing Shilipu Sub-branch to borrow up to RMB 22,000,000 which is pledged by the real estate property owned by ATA Education, see Note 10 for details.

Total depreciation expense recognized for the years ended December 31, 2023, 2024 and 2025 is allocated to the following expense items:

	Years ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Cost of revenues	1,061,367	435,993	305,688
Research and development	26,669	17,761	15,812
Sales and marketing	15,231	38,651	17,871
General and administrative	3,623,378	6,059,663	7,287,449
Total depreciation expense	4,726,645	6,552,068	7,626,820

(8) GOODWILL AND INTANGIBLE ASSETS, NET

(a) Goodwill

ACG acquired 100% equity interests of Huanqiuyimeng and its subsidiaries in the year of 2019. This acquisition was accounted for under the acquisition method of accounting and the excess of fair values of the consideration and non-controlling interests over the fair value of the identifiable net assets of Huanqiuyimeng is recorded as goodwill of RMB 200,478,795.

In May and August 2020, the Group disposed three campuses in relation to the junior art education service to third parties. A decrease in goodwill of RMB 5,723,832 allocated to these campuses within the junior art education service was recognized based on the relative fair values of the campuses being disposed of and the portion of the reporting unit retained.

In July 2022, the Group disposed 70 % equity interests of Quanouyimeng in relation to majority of the foreign language training services to a third party, see Note 5 for details. Nil goodwill was allocated to the disposal group, of which the fair value is determined as nil.

In September 2022, the Group entered into an agreement with Youru. This acquisition was accounted for under the acquisition method and the company recognized a goodwill amounting to RMB1,534,529 accordingly, see Note 3 for details.

The carrying amount of goodwill by reporting unit is as follows:

	Overseas art study services	Other Educational Services	Consolidate
	RMB	RMB	RMB
Balance as of December 31, 2024	177,581,176	18,708,316	196,289,492
Less: Goodwill impairment	(29,848,577)	(4,060,142)	(33,908,719)
Balance as of December 31, 2025	147,732,599	14,648,174	162,380,773

The Company performs goodwill impairment testing on an annual basis and whenever events or changes in circumstances indicate that the carrying value of a reporting unit likely exceeds its fair value. This involves estimating the fair value of the reporting units using discounted cash flow models and the key assumptions used in the valuation models include forecasted revenue growth rates, forecasted operating margins and the discount rate. No impairment was identified and recorded for fiscal years ended December 31, 2023 and 2024.

For fiscal years ended December 31, 2025, the impairment charge was primarily triggered by a material decrease in the projected long-term revenue growth rates for the related reporting units compared to the growth assumptions used at the acquisition date. As a result of this decline, the expected future revenue scale and cash flows have been revised downward, leading to a reduction in the recoverable amount of goodwill relative to its carrying value at the time of acquisition.

(b) Intangible assets

The following table summarizes the Company's intangible assets, as of December 31, 2024 and 2025.

	As of December 31, 2025			Weighted average amortization period Years
	Gross carrying amount	Accumulated amortization /deduction	Net carrying amount	
	RMB	RMB	RMB	
Trademark (i)	84,000,000	(51,608,333)	32,391,667	10
Non-compete arrangements (ii)	56,000,000	(56,000,000)	—	6
Software	1,654,860	(1,564,014)	90,846	10
Total intangible assets	141,654,860	(109,172,347)	32,482,513	—

	As of December 31, 2024			Weighted average amortization period Years
	Gross carrying amount	Accumulated amortization /deduction	Net carrying amount	
	RMB	RMB	RMB	
Trademark (i)	84,000,000	(43,208,333)	40,791,667	10
Non-compete arrangements (ii)	56,000,000	(50,555,556)	5,444,444	6
Software	1,565,195	(1,536,392)	28,803	10
Total intangible assets	141,565,195	(95,300,281)	46,264,914	—

Total amortization expense recognized for the years ended December 31, 2023, 2024 and 2025 is allocated to the following expense items:

	Years ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
General and administrative	17,257,737	17,674,404	13,872,066

(i) Trademark was recorded as a result of the acquisition of Huanquiyimeng businesses.

(ii) Non-compete arrangements were recorded as a result of the acquisition of Huanquiyimeng businesses.

[Table of Contents](#)

As of December 31, 2025, the estimated amortization expense for the next five years and thereafter are as follows:

	<u>December 31</u>
	<u>RMB</u>
2026	8,416,873
2027	8,408,966
2028	8,408,966
2029	5,117,300
2030	508,966
Thereafter	1,621,442
Total estimated amortization expense	<u>32,482,513</u>

(9) LEASES

The primary leases that the Group entered into were for training centers and office spaces. Certain leases include renewal options and/or termination options, which are factored into the Group's determination of lease payments when appropriate.

As of December 31, 2024, the Company has 25 operating leases for training center and office spaces with remaining terms expiring from 2 through 54 months and a weighted average remaining lease term of 3.55 years. As of December 31, 2025, the Company has 28 operating leases for training center and office spaces with remaining terms expiring from 1 through 42 months and a weighted average remaining lease term of 2.38 years. Weighted average discount rates used in the calculation of the lease liability is 6.38%. The discount rates reflect the estimated incremental borrowing rate, which includes an assessment of the credit rating to determine the rate that the Company would have to pay to borrow, on a collateralized basis for a similar term, an amount equal to the lease payments in a similar economic environment.

Operating lease costs for the years ended December 31, 2023, 2024 and 2025 were RMB 18,600,344, RMB 19,889,910 and RMB 20,346,914, respectively, which excluded cost of short-term contracts. Short-term lease expense, with a lease term of 12 months or less, for the years ended December 31, 2023, 2024 and 2025 were RMB 3,412,129, RMB 3,950,259 and RMB 1,413,635, respectively. There were no variable lease costs or sublease income for leased assets for the years ended December 31, 2023, 2024 and 2025.

The impact of ASC 842 on the consolidated balance sheets as of December 31, 2024 and 2025 was as follows:

	<u>As of December 31,</u>	
	<u>2024</u>	<u>2025</u>
	<u>RMB</u>	<u>RMB</u>
Operating leases:		
Right-of-use assets	35,907,761	30,638,920
Lease liabilities-current	18,085,643	15,303,799
Lease liabilities-non-current	17,120,842	14,617,119
Total for lease liabilities	35,206,485	29,920,918

Maturities of lease liabilities under non-cancellable leases as of December 31, 2025 are as follows:

	<u>Operating leases</u>
	<u>RMB</u>
2026	15,706,609
2027	10,965,141
2028	5,101,789
2029	377,318
2030	—
Total undiscounted lease payments	32,150,857
Less: Imputed interest	(2,229,939)
Total lease liabilities	<u>29,920,918</u>

(10) TERM LOANS

Lender	Type	Maturity date	Currency	Weighted average interest rate as of September 30, 2025	Balance as of September 30,	
					2025	2025
					RMB	USD
Huaxia Bank Co., Ltd	Term loan	Within 3 year or on demand	RMB	2.44 %	16,031,900	2,292,531
Shanghai Pudong Development Bank Co., Ltd.	Term loan	Within 1 year or on demand	RMB	3.00 %	—	—
Total					16,031,900	2,292,531

Loan Facility

In September 2025, Beijing Miusi entered into a three-year Commercial Loan Facility (the “2025 Facility”) with Huaxia Bank Co., Ltd. Beijing Shilipu Sub-branch to borrow up to RMB 22,000,000 at an interest rate, which is subject to potential adjustment based on premium interest rate stipulated by the People’s Bank of China at the time upon drawing of credit lines to support the working capital need of the Group. The 2025 Facility is pledged by the real estate property owned by ATA Education under a five-year pledge agreement among ATA Education, Beijing Miusi and Hua Xia Bank Co., Ltd. Beijing Shilipu Sub-branch. For the year ended December 31, 2025, the Group has withdrawn RMB 16,031,900 from the credit line under this loan facility. Based on the repayment schedule outlined in the loan agreement, the amount repayable within 2026 is RMB 1 million. Consequently, this portion is presented as a short-term liability, while the remaining balance of RMB 15,031,900, which is repayable after one year, is presented as a long-term liability.

(11) ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables consist of the following:

	December 31, 2024	December 31, 2025
	RMB	RMB
Refund liability*	23,923,454	24,266,893
Accrued payroll and welfare	19,185,023	16,707,104
Accrued professional services expenses	3,237,079	2,014,707
Other current liabilities	10,027,404	13,505,087
Total accrued expenses and other payables	56,372,960	56,493,791

Other current liabilities as of December 31, 2024 and 2025 mainly include accrued advertising and outsourcing fees, value-added tax and other taxes payable, and other operating expense payable.

*Refund liability represents the estimated amount of refund if a student decides to withdraw from the Group’s programs or services or a full or partial return of the service fees are repaid to students based on the final outcome of the performance targets and is estimated based on historical experience and performance.

(12) NET REVENUES

The components of net revenues for the years ended December 31, 2023, 2024 and 2025, are as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Portfolio training services	166,448,699	199,325,957	187,913,693
Research-based learning services	6,512,650	14,948,520	19,636,016
Overseas study counselling services	28,993,831	32,287,258	35,867,956
Other educational services	19,663,788	21,498,427	24,695,211
Net Revenues	221,618,968	268,060,162	268,112,876

Deferred revenue is recorded when the Group has an obligation to transfer goods or services to a customer for which the Group has received consideration from the customer in advance. Changes in the deferred revenue balances during the year ended December 31, 2024 and 2025 are as follows:

	Fiscal years ended December 31,	
	2024	2025
	RMB	RMB
Balance at the beginning of the period	252,145,949	280,036,806
Cash received in advance, net of VAT	295,839,038	260,201,415
Acquisition of Youru and subsequent movement	(198,332)	—
Revenue recognized from opening balance of deferred revenue	(156,304,362)	(158,550,252)
Revenue recognized from deferred revenue arising during the year	(109,645,083)	(109,562,624)
Disposal of equity interests in subsidiaries for deconsolidation	(18,830)	—
Change of refund liabilities	(1,781,574)	(343,439)
Balance at the end of the period	280,036,806	271,781,906

(13) INCOME TAXES

Cayman Islands and British Virgin Islands

Under the current laws of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

Hong Kong

ACG HK did not derive any income that is subject to Hong Kong profits tax for the taxable years ended December 31, 2023, 2024 and 2025. Accordingly, no provision for Hong Kong profits tax was required.

People's Republic of China

The Company's consolidated PRC entities file separate income tax returns.

Under the Enterprise Income Tax Law ("EIT Law"), the statutory income tax rate is 25% effective from January 1, 2008. Entities that qualify as "high-and-new technology enterprises eligible for key support from the State" ("HNTE") are entitled to a preferential income tax rate of 15%. If an HNTE enterprise no longer satisfies the related accreditation criteria, its certificate will be cancelled and it will cease to be entitled to the related tax incentives.

The Company's PRC entities are subject to income tax at 25%, unless otherwise specified.

[Table of Contents](#)

In December 2008, ATA Education received approval from the tax authority that it qualified as an HNTE. The certificate entitled ATA Education to the preferential income tax rate of 15 % effective retroactively from January 1, 2008 to December 31, 2010. In October 2011, ATA Education received approval from the tax authority on its renewal as an HNTE which entitled it to the preferential income tax rate of 15 % effective retroactively from January 1, 2011 to December 31, 2013. In October 2014 and 2017, ATA Education received approval from the tax authority on its renewal as an HNTE, which entitled it to the preferential income tax rate of 15 % effective from January 1, 2014 to December 31, 2016 and from January 1, 2017 to December 31, 2019, respectively. In December 2020, ATA Education received approval from the tax authority on its renewal as an HNTE, which entitled it to the preferential income tax rate of 15 % effective retroactively from January 1, 2020 to December 31, 2022.

The EIT Law and its relevant regulations impose a withholding tax at 10% for earnings generated beginning January 1, 2008, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC. Undistributed earnings generated prior to January 1, 2008 are exempt from withholding tax. As of December 31, 2024 and 2025, the Company has not accrued income taxes on earnings of RMB 1,966,439 and RMB nil respectively, generated by its PRC consolidated entities, as the Company plans to reinvest these earnings indefinitely in the PRC. The unrecognized deferred income tax liability related to these earnings was RMB196,644 and RMB nil, respectively as of December 31, 2024 and 2025.

Loss before income taxes were generated in the following jurisdictions:

	Years Ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Cayman Islands and British Virgin Islands	(5,467,559)	(6,727,284)	10,064,437
PRC	(35,026,914)	(35,730,880)	(61,634,756)
Hong Kong	(27,777)	(41,399)	(55,407)
Loss before income taxes	(40,522,250)	(42,499,563)	(51,625,726)

Income tax expense (benefit) recognized in the consolidated statements of comprehensive income (loss) consists of the following:

	Years Ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
PRC			
Current income tax expense	1,081	—	—
Deferred income tax benefit	(6,812,790)	(6,401,691)	(3,578,203)
Total income tax benefit	(6,811,709)	(6,401,691)	(3,578,203)

The actual income tax expense (benefit) reported in the consolidated statements of comprehensive income (loss) differs from the respective amount computed by applying the PRC statutory income tax rate of 25% for each of the years ended December 31, 2023, 2024 and 2025 to earnings before income taxes due to the following:

	Years Ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Computed “expected” income tax benefit	(10,130,563)	(10,624,891)	(12,906,431)
Increase in valuation allowance	(2,014,183)	8,623,561	4,627,171
Entities not subject to income tax	606,823	989,238	(2,644,684)
Non-deductible expenses			
Entertainment	177,509	291,380	287,932
Share-based compensation	767,010	702,933	142,427
Other non-deductible expenses	4,186,105	(6,287,462)	8,477,180
Disposal of equity interests in subsidiaries	—	—	(1,561,796)
Other	(404,410)	(96,450)	—
Actual income tax benefit	(6,811,709)	(6,401,691)	(3,578,203)

The applicable PRC statutory income tax rate is used since the Group’s taxable income is generated in the PRC.

[Table of Contents](#)

The tax effects of the Group's temporary differences that give rise to significant portions of the deferred income tax assets and liabilities are as follows:

	December 31, 2024 RMB	December 31, 2025 RMB
Deferred income tax assets:		
Tax loss carry forwards	48,344,761	51,712,895
Impairment and investment loss of long-term investments	10,598,946	10,848,946
Lease liabilities	8,801,622	7,480,229
Provision for loan receivable and other receivables	2,927,994	4,352,766
Accrued expenses and other payables	2,173,427	2,710,859
Property and equipment, net	265,165	583,362
Donation	—	—
Total gross deferred income tax assets	73,111,915	77,689,057
Less: valuation allowance	(53,311,495)	(57,938,666)
Total deferred income tax assets, net	19,800,420	19,750,391
Deferred income tax liabilities:		
Intangible assets	10,413,194	7,077,083
Right-of-use assets	8,359,975	7,201,636
Contract cost assets	6,692,073	7,558,291
Total gross deferred income tax liabilities	25,465,242	21,837,010
Net deferred income tax liabilities	5,664,822	2,086,619

The movements of the valuation allowance are as follows:

	Years Ended December 31,		
	2023 RMB	2024 RMB	2025 RMB
Balance at the beginning of the year	51,769,696	47,255,513	53,311,495
Additions	(2,014,183)	8,555,982	4,627,171
Reduction due to expiration of temporary difference	(2,500,000)	(2,500,000)	—
Balance at the end of the year	47,255,513	53,311,495	57,938,666

As of December 31, 2025, the valuation allowance of RMB 57,938,666 was related to the deferred income tax assets of PRC entities which were in loss position.

As of December 31, 2025, the Group had tax loss carry forwards for PRC income tax purpose of RMB 199,720,766, of which RMB 4,244,932, RMB 42,999,864, RMB 30,760,091, RMB 54,480,536, RMB 28,926,903, RMB 18,012,840 and RMB 20,295,600 will expire if unused by December 31, 2026, 2027, 2028, 2029, 2030, 2031 and 2032 respectively.

For the years ended December 31, 2023, 2024 and 2025, the Group had no unrecognized tax benefits, and thus no related interest and penalties were recorded. Also, the Group does not expect that the amount of unrecognized tax benefits will significantly increase within the next twelve months.

According to the PRC Tax Administration and Collection Law, the statute of limitation is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances where the underpayment of taxes is more than RMB 100,000. In the case of transfer pricing issues, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion. The income tax return of each of the Company's PRC consolidated entities is subject to examination by the relevant tax authorities for the calendar tax years beginning 2018.

(14) SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as the Chief Executive Officer who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group uses the management approach to determine the operating segments. The management approach considers the internal organization and reporting used by the Group's chief operating decision maker for making decisions, allocating resources and assessing the performance. There are no inter-segment revenue transactions and, therefore, revenues are only generated from external customers. The accounting policies of the segments are the same as those used by the Group.

For the years ended December 31, 2023, 2024 and 2025, the Group classified the operating segments into (i) Overseas art study services (ii) Other educational services and (iii) Other services.

Overseas art study services and Other educational services have been identified as two separate reportable segments, as the two operating segments have met the quantitative threshold of 10 percent to be considered reportable respectively. Other services are reported as others because revenue from reportable segments of Overseas art study services and Other educational services exceeds 75 percent of the total consolidated net revenues and management determines that no further reportable segments need to be identified and disclosed.

Furthermore, the Group's chief operating decision maker evaluates performance based on each reporting segment's net revenue, operating cost and expenses, and income (loss) from operations. There are no separate segment assets and segment liabilities information provided to the Group's Chief Executive Officer, as he does not use this information to allocate resources or evaluate the performance of the segments.

The following table presents selected financial information relating to the Group's segments:

For the year ended December 31, 2025:	Overseas art study services	Other educational services	Others	Consolidated
	RMB	RMB	RMB	RMB
Net revenues	243,417,665	24,695,211	—	268,112,876
Operating cost and expenses:				
Cost of revenues	124,684,300	13,046,819	70,407	137,801,526
Research and development	3,057,742	10,887	3,030	3,071,659
Selling and marketing	76,929,461	5,678,365	24,000	82,631,826
Goodwill impairment	29,848,577	4,060,142	—	33,908,719
Unallocated corporate expenses*	—	—	—	78,767,406
Reversal of provision for loan receivable and other receivables	—	—	(3,781,662)	(3,781,662)
Total operating cost and expenses	234,520,080	22,796,213	(3,684,225)	332,399,474
Other operating income, net	100,677	—	75,221	175,898
Income (Loss) from operations	8,998,262	1,898,998	3,759,446	(64,110,700)
Unallocated other income, net	—	—	—	12,484,974
Loss before income taxes	—	—	—	(51,625,726)

[Table of Contents](#)

For the year ended December 31, 2024:	Overseas art study services RMB	Other educational services RMB	Others RMB	Consolidated RMB
Net revenues	246,561,735	21,498,427	—	268,060,162
Operating cost and expenses:				
Cost of revenues	117,900,852	8,748,249	146,108	126,795,209
Research and development	3,470,286	70,554	162,338	3,703,178
Selling and marketing	91,458,227	8,341,122	93,455	99,892,804
Unallocated corporate expenses*	—	—	—	80,888,058
Total operating cost and expenses	212,829,365	17,159,925	401,901	311,279,249
Other operating income, net	105,978	—	68,953	174,931
Income (Loss) from operations	33,838,348	4,338,502	(332,948)	(43,044,156)
Unallocated other income, net	—	—	—	544,593
Loss before income taxes	—	—	—	(42,499,563)
For the year ended December 31, 2023:	Overseas art study services RMB	Other educational services RMB	Others RMB	Consolidated RMB
Net revenues	201,955,180	19,663,788	—	221,618,968
Operating cost and expenses:				
Cost of revenues	96,661,054	10,225,877	74,828	106,961,759
Research and development	3,672,094	114,516	843,270	4,629,880
Selling and marketing	73,182,842	5,437,897	116,753	78,737,492
Unallocated corporate expenses*	—	—	—	72,816,606
Total operating cost and expenses	173,515,990	15,778,290	1,034,851	263,145,737
Other operating income, net	30,865	—	—	30,865
Income (Loss) from operations	28,470,055	3,885,498	(1,034,851)	(41,495,904)
Unallocated other income, net	—	—	—	973,654
Loss before income taxes	—	—	—	(40,522,250)

*Unallocated corporate expenses represent the general and administrative expenses for the years ended December 31, 2023, 2024 and 2025.

Majority of the Group's operations, customers and long-lived assets are located in the PRC. Consequently, no geographic information is presented.

(15) SHARE-BASED COMPENSATION

2008 Share incentive plan

On January 7, 2008, the Company adopted a share incentive plan (the “2008 Plan”), pursuant to which the Company is authorized to issue options and other share-based awards to officers, employees, directors and consultants of the Group to purchase up to 336,307 of its common shares, plus, unless the board of directors determines a lesser amount, an annual increase on January 1 of each calendar year beginning in 2009 equal to the lesser of 1) one percent of the number of shares issued and outstanding on December 31 of the immediately preceding calendar year, and 2) 336,307 shares (the “replenish terms”). The 2008 Plan expires in ten years. Options awards provide for accelerated vesting if there is a change in control (as defined in the 2008 Plan). On December 30, 2016, the Company amended the 2008 Plan to increase the number of Common Shares of the Company reserved for issuance to 5,726,763 shares and extend the plan together with the replenish terms for ten years from December 30, 2016 (the “Amendment and Restatement of 2008 Plan”). On October 26, 2018, the Company amended and restated the Amendment and Restatement of 2008 Plan to increase the number of Common Shares the Company reserved for issuance to 6,965,846 shares, extend its terms to last till October 25, 2028 and change the number of common shares automatically added to the option pool on each calendar year during its term to an amount equal to the lesser of (i) one percent of the total number of common shares issued and outstanding on December 31 of the immediately preceding calendar year, or (ii) such number of common shares as may be established by the board of directors (the “Second Amendment and Restatement of 2008 Plan”). As of December 31, 2025, 11,190,901 shares were reserved for issuance under the Second Amendment and Restatement of 2008 Plan.

Under the 2008 Plan (including the original and both versions of the Amendment and Restatement), share options are generally granted with 25% vesting on the first anniversary of the grant date and the remaining 75% vesting ratably over the following 36 months, unless a shorter or longer duration is established at the time of the option grant. Share options are granted at an exercise price equal to or as an average over a certain number of trading days of the fair market value of the Company’s share at the date of grant and expire 10 years from the grant date, unless a shorter or longer expiration period is specified.

Under the 2008 Plan (including the original and both versions of the Amendment and Restatement), non-vested shares are generally granted with a graded vesting as to 25% at the end of each year from the grant date over 4 years, or with certain percentage vesting on the grant date or first anniversary of the grant date and the remaining portion vesting ratably over the following 36 months, unless a shorter or longer duration is established at the time of the grant.

For the graded vesting share options and non-vested shares, 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.

In January 2017, 2,700,000 non-vested shares were granted to employees and officers with a graded vesting as to 25% at the end of each year from the grant date over 4 years and 900,000 share options were granted to Company’s employees and officers, 25% of the options vest on the first anniversary of the grant date with the remaining 75% vesting evenly over the following 36 months. The exercise price of these options is USD 1.705 per common share.

In August 2017, 50,000 share options were granted to an employee, 25% of the options vest on the first anniversary of the grant date with the remaining 75% vesting evenly over the following 36 months. The exercise price of these options is USD 2.35 per common share.

In July 2018, 129,168 share options and 1,262,250 non-vested shares were cancelled in connection with the ATA Online Sale Transaction. RMB 6,753,771 compensation costs were accelerated and recognized for the year ended December 31, 2018.

In November 2018, 1,772,584 share options, including 1,215,114 vested share options and 557,470 non-vested share options were cancelled in accordance with the board of directors’ resolutions. RMB 877,321 of compensation costs were accelerated and recognized for the year ended December 31, 2018.

[Table of Contents](#)

In November 2018, 1,452,600 share options were issued to certain employees and officers with 4 years' service condition and annual performance targets for the year 2018, 2019, 2020 and 2021, among which 363,150 share options were granted in November 2018 and the remaining portion will be granted when the employee knows the specific performance target. As the performance condition for the year 2018 was not achieved, no compensation cost was recognized for these share options. In addition, 690,000 share options were granted to employees and officers, with 25% vesting on the first anniversary of the grant date and the remaining 75% vesting ratably over the following 36 months. The exercise price of these options is USD 0.578 per common share. In addition, 800,000 non-vested shares were granted to directors, with 25% vesting on the first anniversary of the grant date and the remaining 75% vesting ratably over the following 36 months.

In December 2018, 1,772,584 shares were granted to employees and officers, among which 1,412,336 shares vested immediately on the grant date and the remaining shares vested for a period from January 1, 2019 to September 1, 2021.

In January and March 2019, 50,000 and 20,000 share options were granted to employees and officers, with 25% vesting on the first anniversary of the grant date and the remaining 75% vesting ratably over the following 36 months. The exercise prices of these two tranches options are USD 0.4868 and USD 0.532 per common share respectively.

In 2019, 1,698,790 share options with exercise price at USD 1.2611 per common share were issued to certain officer with service condition and specific performance target, among which 424,698 share options (the "First Tranche") were granted on March 25, 2020 and vested on April 1, 2022; 424,698 share options (the "Second Tranche") were granted on March 15, 2022 and vested on April 1, 2023; 424,697 share options (the "Third Tranche") were granted on May 5, 2023 and vested on April 1, 2024; 424,697 share options (the "Fourth Tranche") were granted on March 19, 2024, none vested on April 1, 2024 due to failure to meet the specific performance target.

In November 2020, 842,000 share options with exercise price at USD 0.5697 per common share were issued to certain employees with service condition and specific performance target, among which 181,750 share options (the "First Tranche -A"), 173,002 share options (the "Second Tranche-A"), 158,000 share options (the "Third Tranche-A"), and 149,250 share options (the "Fourth Tranche-A") were granted on April 15, 2021, April 15, 2022, April 15, 2023, and April 15, 2024, respectively. 46,050 share options among the First Tranche-A has met the performance condition set forth in the grant agreements and vested on June 30, 2022. 57,250 share options among the Second Tranche-A has met the performance condition set forth in the grant agreements and has vested on April 1, 2023. 83,400 share options among the Third Tranche-A has met the performance condition set forth in the grant agreements and has vested on April 1, 2024. 71,950 share options among the Fourth Tranche-A has met the performance condition set forth in the grant agreements and has vested on April 1, 2025.

In November 2020, 310,000 restricted shares were issued to certain employees with service condition and specific performance target, among which 77,500 shares (the "First Tranche- B"), 77,500 shares (the "Second Tranche-B"), 72,500 shares (the "Third Tranche-B"), and 71,250 shares (the "Fourth Tranche-B") were granted on April 15, 2021, April 15, 2022, April 15, 2023, and April 15, 2024, respectively. 16,000 shares among the First Tranche-B has met the performance condition set forth in the grant agreements and vested on June 30, 2022, 24,750 shares among the Second Tranche-B has met the performance condition set forth in the grant agreements and vested on April 1, 2023, 43,250 shares among the Third Tranche - B has met the performance condition set forth in the grant agreements and vested on April 1, 2024, and 38,750 shares among the Fourth Tranche-B has met the performance condition set forth in the grant agreements and vested on April 1, 2025.

In February 2022, 200,000 share options with exercise price at USD 0.79 per common share were granted to certain officer with service condition, with one fourth of the total number vesting on each of the first, second, third and fourth anniversary date of the grant date.

273,000 restricted shares were granted to an employee with a service condition on October 27, 2022, of which 40% vested on October 27, 2023, 40% vested on October 27, 2024 and the remaining vested on October 27, 2025.

[Table of Contents](#)

In November 2023, 20,000 share options with exercise price at USD 0.48 per common share were issued with service condition and specific performance target, among which 5,000 shares (the “First Tranche-C”) and 5,000 shares (the “Second Tranche-C”) were granted on November 1, 2023 and April 15, 2024, 5,000 shares (the “Third Tranche-C”) were granted on April 15, 2025 respectively. The remaining portion will be granted when the specific performance target is established and there is mutual understanding of the terms of the award. 5,000 shares among the First Tranche-C has met the performance condition set forth in the grant agreements and vested on April 1, 2024. 5,000 shares among the Second Tranche-C has met the performance condition set forth in the grant agreements and vested on April 1, 2025. The Third Tranche-C was cancelled due to failure to meet the performance conditions.

800,000 non-vested shares were granted to directors in November 2023, with 25% vesting on the first anniversary of the grant date and the remaining 75% vesting ratably over the following 36 months.

In April 2024, 585,000 share options with exercise price at USD 0.43 per common share were issued with service condition and specific performance target, among which 146,250 shares (the “First Tranche-D”) were granted on April 15, 2024, 142,500 shares (the “Second Tranche-D”) were granted on April 15, 2025. The remaining portion will be granted when the specific performance target is established and there is mutual understanding of the terms of the award. 96,250 shares among the First Tranche-D has met the performance condition set forth in the grant agreements and vested on April 1, 2025. 75,125 shares among the Second Tranche-D has met the performance condition set forth in the grant agreements and vested on April 1, 2026.

In April 2024, 100,000 restricted shares were issued to certain employees with service condition and specific performance target, among which 25,000 shares (the “First Tranche-E”) and 12,500 shares (the “Second Tranche-E”) were granted on April 15, 2024 and April 15, 2024, respectively. The remaining portion will be granted when the specific performance target is established and there is mutual understanding of the terms of the award. 12,500 shares among the First Tranche-E has met the performance condition set forth in the grant agreements and vested on May 15, 2024; 5,000 shares among the Second Tranche-E has met the performance condition set forth in the grant agreements and vested on April 1, 2025. 2,500 shares among the Third Tranche-E has met the performance condition set forth in the grant agreements and vested on April 1, 2026.

Other than the restricted shares issued in November 2020 and October 2022, the restricted shares were awarded with non-forfeitable dividend rights before vesting.

[Table of Contents](#)

A summary of the share options activities for years ended December 31, 2023, 2024 and 2025:

	Number of shares	Weighted average exercise USD	Weighted remaining contractual years	Aggregate Intrinsic Value USD
Outstanding as of December 31, 2022	1,376,742	1.03	—	—
Granted	587,697	1.07	—	—
Exercised	(113,328)	0.58	—	—
Forfeited	(162,518)	0.57	—	—
Cancelled	—	—	—	—
Expired	—	—	—	—
Outstanding as of December 31, 2023	1,688,593	1.12	—	—
Granted	725,197	0.95	—	—
Exercised	—	—	—	—
Forfeited	(580,872)	1.06	—	—
Cancelled	—	—	—	—
Expired	—	—	—	—
Outstanding as of December 31, 2024	1,832,918	1.07	—	—
Granted	147,500	0.43	—	—
Exercised	(97,120)	0.11	—	—
Forfeited	(73,000)	0.40	—	—
Cancelled	—	—	—	—
Expired	—	—	—	—
Outstanding as of December 31, 2025	1,810,298	1.07	—	—
Vested and expected to vest as of December 31, 2025	1,810,298	1.07	4.48	—
Exercisable as of December 31, 2025	1,685,173	1.11	4.23	—

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2025, was determined based on the closing price of the Company's common shares on December 31, 2025.

Information relating to options outstanding and exercisable as of December 31, 2025 is as follows:

Options outstanding as of December 31, 2025			Options exercisable as of December 31, 2025		
Number of Shares	Exercise Price per Share USD	Remaining Contractual Life Years	Number of Shares	Exercise Price per Share USD	Remaining Contractual Life Years
1,274,093	1.26	3.60	1,274,093	1.26	3.60
181,650	0.57	5.00	181,650	0.57	5.00
200,000	0.79	6.10	150,000	0.79	6.10
430	0.48	8.01	430	0.48	8.01
154,125	0.43	9.01	79,000	0.43	9.01
1,810,298	1.07	4.48	1,685,173	1.11	4.23

[Table of Contents](#)

The Company calculated the fair value of the share options on the grant date, for the years ended December 31, 2023, 2024 and 2025, using the Black-Scholes-Merton pricing valuation model. The assumptions used in the valuation model are summarized as follows:

	Years Ended December 31,		
	2023	2024	2025
Expected dividend yield	0 %	0 %	0 %
Expected volatility	68 %	69%/70%/70%/70 %	73%/73 %
Expected term	3.58/4.29/5.25	3.17/3.79/5.29/5.46	4.96/4.79
Risk-free interest rate (per annum)	3.57%/3.68%/4.68 %	4.46%/4.73%/4.65%/4.65 %	3.90%/3.89 %

The expected volatility was based on the historical volatilities of the Company. The expected term was related to the period of time the options are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the United States treasury yield curve in effect at the time of grant.

Compensation expense recognized for share options for the year ended December 31, 2023, 2024 and 2025 is allocated to the following expense items:

	Years Ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Cost of revenues	53,104	81,748	57,172
Sales and marketing	53,133	54,001	16,548
General and administrative	1,443,900	625,709	133,507
Total share-based compensation expense	1,550,137	761,458	207,227

The weighted-average grant-date fair value of share options granted in 2023, 2024 and 2025 were USD 0.46, USD 0.24 and USD 0.05, respectively. The total intrinsic value of share options exercised by the Group's employees during the years ended December 31, 2023, 2024 and 2025 were USD 8,773, nil and 1,860 respectively.

As of December 31, 2025, RMB 45,210 of total unrecognized compensation expense related to non-vested share options is expected to be recognized over a weighted average period of approximately 0.24 years.

Non-vested shares

A summary of the non-vested shares activities for the year ended December 31, 2023, 2024 and 2025 is presented below:

	Number of shares	Weighted average grant date fair value USD
Outstanding at December 31, 2022	297,750	0.881
Granted	872,500	0.467
Vested	(133,950)	0.851
Forfeited	(29,250)	0.925
Cancelled	—	—
Outstanding at December 31, 2023	1,007,050	0.525
Granted	108,750	0.430
Vested	(381,617)	0.636
Forfeited	(52,500)	0.430
Cancelled	—	—
Outstanding at December 31, 2024	681,683	0.489
Granted	6,250	0.470
Vested	(251,664)	0.549
Forfeited	(11,250)	0.443
Cancelled	—	—
Outstanding at December 31, 2025	425,019	0.455

The total fair value of shares vested during the years ended December 31, 2023, 2024 and 2025 was, USD76,300, USD 192,834 and USD 145,277 respectively.

Upon vesting of the non-vested shares, the Company withholds shares issued to the employees to meet the relevant minimum tax withholding requirements. For the years ended December 31, 2023, 2024 and 2025, the Company withheld 19,004, 27,582 and 105,936 vested shares upon vesting of the non-vested shares to satisfy the minimum tax withholding obligation. Compensation expense recognized for non-vested shares for the years ended December 31, 2023, 2024 and 2025 is allocated to the following expense items:

	Years Ended December 31,		
	2023 RMB	2024 RMB	2025 RMB
Cost of revenues	21,722	64,361	13,229
Sales and marketing	63,321	38,854	7,453
General and administrative	1,432,861	1,947,059	341,799
Total share-based compensation expense	1,517,904	2,050,274	362,481

As of December 31, 2025, RMB 693,192 of total unrecognized compensation expense related to non-vested shares is expected to be recognized over a weighted average period of approximately 1.84 years.

(16) COMMON SHARES

On December 18, 2019, the Company entered into a subscription agreement with CL-TCC, a company focusing on investments in culture and education industry, in connection with a private placement for the Company's common shares. ACG completed this private placement with CL-TCC on December 24, 2019, under which it issued 5,662,634 common shares of the Company for gross proceeds of approximately \$10.0 million. As of December 31, 2019, ACG has received cash consideration of \$8.8 million (RMB 61.7 million) in accordance with the payment terms of the subscription agreement. The rest of the proceeds of \$1.2 million (RMB 8.5 million) was received on April 10, 2020.

In May 2020, ACG's Board of Directors approved a share repurchase plan authorizing the Company to repurchase up to USD1.0 million of its issued and outstanding ADSs from the open market and through privately negotiated transactions, effective through December 31, 2020. By December 31, 2020, the Company had repurchased 450,337 ADSs at an average stock price of USD1.2631 for a total cash consideration of \$0.6 million (RMB 4.0 million). This share repurchase plan expired on December 31, 2020. The Company has cumulatively used 1,124,626 ADSs and 1,124,626 ADSs purchased from the open market for settlement of vested share options and restricted shares vesting as of December 31, 2024 and 2025 respectively. During the current period, the Company's common shares increased by 344,570 shares as a result of the issuance of common shares with net-settlement of employee individual income tax.

(17) STATUTORY RESERVES

In accordance with the relevant laws and regulations of the PRC, the Company's PRC consolidated entities are required to transfer 10% of their respective after-tax profit, as determined in accordance with PRC accounting standards and regulations to a general reserve fund until the balance of the fund reaches 50% of the registered capital of the respective entity. The transfer to this general reserve fund must be made before any distribution of dividends. As of December 31, 2024 and 2025, the PRC consolidated entities had accumulated statutory reserve balances of RMB 25,671,341 and RMB 25,671,341, respectively, which is restricted for distribution to the Company.

(18) RELATED PARTY TRANSACTIONS

(1) Purchase of equity interest from a Related Party

In 2023, we acquired 100% equity interests of Jinan Nuobi. The equity interest was transferred from Jun Zhang, the President and Director of the Company, and a consideration of RMB 0.5 million was paid in August, 2023.

(2) Purchase of Office Sharing Service and System Development and Data Services from an Affiliate Company

In October 2021, Huanquiyimeng entered into an agreement for utilizing certain office space of ApplySquare with a term from October 16, 2021 to October 15, 2022. The total amount of the agreement was RMB1.2 million and expense of RMB 275,967 was recorded for the year ended December 31, 2021. In June 2022, Huanquiyimeng entered into a supplementary agreement with Applysquare to increase the contract amount by RMB 22,000 for certain expense incurred. In September 2022, Huanquiyimeng extended the above office space agreement for another year to October 15, 2023 and a total expense of RMB1,128,016 was recorded for the year ended December 31, 2022 in accordance with the above agreements. The office space agreement was terminated in March 2023 due to certain changes in operations. A total expense of RMB 236,960 was recorded for the year ended December 31, 2023.

[Table of Contents](#)

In January 2022, Huanqiyimeng entered into an agreement with Applysquare, pursuant to which ApplySquare shall develop system platforms and provide related data services to support Huanqiyimeng’s operations and service delivery. The total amount of the agreement was RMB 6.5 million, which includes a one-year charge of data and system maintenance services. RMB 3.7 million expense was recorded for the year ended December 31, 2022 in accordance with the development progress. In March 2023, Huanqiyimeng entered into a supplementary agreement with Applysquare, under which the contract amount was reduced to RMB 6.3 million due to cost optimization. RMB 1.8 million and RMB 0.6 million expenses were recorded for the year ended December 31, 2024 and 2025. As of December 31, 2024, the system development has been completed.

(3) Purchase of video services from an Affiliate Company

In September 2022, Huanqiyimeng entered into an agreement with ATA Learning Inc., pursuant to which ATA Learning Inc. provided professional videography and production of video services to Huanqiyimeng. The total amount of the agreement was USD10,000. Majority of the services were completed in December 2022 and expense of RMB 49,579 and RMB 21,248 was recorded accordingly for the years ended December 31, 2022 and 2023, respectively.

(4) Purchase of outsourcing services from an Affiliate Company

Huanqiyimeng recorded an expense of RMB 259,083 for the year ended December 31, 2024 for outsourcing services purchased from ATA Learning Inc. The services were mainly in relation to master classes.

(19) COMMITMENTS AND CONTINGENCIES

Non-cancellable operating leases

As of December 31, 2025, operating lease commitments for property management expenses under lease agreements amounts to RMB 5,777,888.

The Company entered into several lease agreements for office spaces and employee dormitories. As of December 31, 2025, the following table set forth our contractual obligations for property management fees:

For the Twelve Months Ending December 31,	
2026	88,798.04
2027	1,611,206.65
2028	3,610,540.48
2029	467,342.46
Total future payments	5,777,887.63

Legal Proceedings

In March 2020, Mr. Xiaofeng Ma, our chairman and chief executive officer, received copies of the civil complaints with respect to a lawsuit filed by our two shareholders Alpha Advantage Global Limited (“Alpha”) and Dynamic Fame Limited (“Dynamic”), respectively with the Beijing Fourth Intermediate People’s Court (the “Beijing Intermediate Court”) relating to the Company’s sale of the ATA Online Business. The Company was also listed as a defendant and ATA Online was listed as an interested third party in such lawsuits. Alpha was a holder of 4,529,100 common shares of the Company and Dynamic was a holder of 188,000 common shares of the Company at the time of the completion of the sale of ATA Online Business.

[Table of Contents](#)

The plaintiffs claimed that the sale of the ATA Online Business was a related-party transaction or a self-dealing transaction, for which approval by unrelated shareholders is required and the board of the directors of the Company did not have the right to approve such transaction; the plaintiffs also claimed that the ATA Online Business was worth more than the consideration of USD 200.0 million paid by the buyer group, and thus the sale of ATA Online Business has caused losses to the plaintiffs as shareholders of the Company. The plaintiffs are requesting that the Beijing Intermediate Court rule that (i) all board resolutions of the Company regarding the sale of the ATA Online Business are invalid; (ii) Mr. Xiaofeng Ma shall compensate the loss incurred by Alpha and Dynamic from the Company's sale of the ATA Online Business for RMB 95.0 million and RMB 5.0 million, respectively; and (iii) the Company and Mr. Xiaofeng Ma shall jointly bear the attorney's fees of Alpha and Dynamic for RMB 1.5 million and RMB 0.5 million, respectively, and other litigation costs.

The Company filed an application for jurisdiction objection for each of the foregoing two cases, which was not supported by court order. As a result, Beijing Intermediate Court had jurisdiction over these two cases. On March 18, 2022, the Supreme People's Court issued (2022) Supreme People's Court Ruling No. 48 and No. 49, holding that these two cases are international commercial cases of great influence and typical significance, and should be tried by the Second International Commercial Court of the Supreme People's Court. On June 20, 2024, the Supreme People's Court rendered the final judgment holding that shareholder approval was not required for the sale of the ATA Online Business and the board of the directors of the Company had the right to approve such transaction, and the consideration paid by the buyer group for the sale of the ATA Online Business was not unreasonable, therefore the all of the claims raised by Alpha and Dynamic were dismissed.

In addition, Alpha and Dynamic jointly filed a lawsuit with the Ningbo City Intermediate People's Court (the "Ningbo Intermediate Court") against Mr. Xiaofeng Ma, certain entities controlled by management members of ATA Online which were members of the buyer group, New Beauty Holdings Limited, the Company's director Zhilei Tong, Chinese All Digital Publishing Group Co., Ltd. and ATA Learning in connection with the Company's sale of the ATA Online Business, and listed the Company and ATA Online as interested third parties. The plaintiffs are requesting that the Ningbo Intermediate Court rule that (i) all related party transactions between the defendants and the Company relating to the sale of ATA Online Business are invalid; (ii) Mr. Xiaofeng Ma, the entities controlled by the management members of ATA Online and Chinese All Digital Publishing Group Co., Ltd. shall return the equity interest of ATA Online and ATA Learning they acquired to ATA Learning and ATA BVI, a wholly owned subsidiary of the Company, as the case may be; and (iii) all defendants and the Company shall jointly bear the attorney's fees of the plaintiffs for RMB 15.0 million and other litigation costs.

The case was transferred by the Ningbo Intermediate Court to Beijing Intermediate Court for further proceeding. On January 18, 2023, the Beijing Intermediate Court issued an order of nonsuit which dismissed the case. On February 17, 2023, the plaintiffs appealed such order to Beijing High People's Court and Beijing High People's Court later accepted such appeal. On July 30, 2024, the Beijing Intermediate Court accepted this case. On August 15, 2024, Alpha and Dynamic filed a withdrawal application and the Beijing Intermediate Court approved such withdrawal application on August 27, 2024.

In accordance with ASC Topic 450, no accrual of loss contingency was accrued as of December 31, 2024 and 2025.

Investment commitments

In August 2021, Huanquiyimeng entered into an agreement with two third parties to invest in a new company, pursuant to which Huanquiyimeng will invest RMB110.0 million in cash representing 55 % equity interests of the new company. The agreement was subsequently amended in March 2022 and October 2022. Pursuant to the amendments, the capital contribution by Huanquiyimeng decreased to RMB30.0 million, representing 15% equity interests of the company, while a new investor ATA Learning (Beijing) Inc., a company controlled by Mr. Xiaofeng Kevin Ma, CEO and Chairman of the Group, will invest RMB 80.0 million, representing 40 % equity interests in the new company. The capital contribution obligations of Huanquiyimeng amounting to RMB30.0 million is due on December 31, 2031. In October 2024, Huanquiyimeng transferred its 15% equity interests in the new company to a third party, upon which, Huanquiyimeng may still have supplementary liability for the remaining investment commitment if the transferee fails to make the capital contribution before the due date, which is June 2032.

(20) EARNINGS (LOSSES) PER COMMON SHARE

Basic and diluted losses per common share are calculated as follows:

	Years ended December 31,		
	2023 RMB	2024 RMB	2025 RMB
Numerator:			
Net loss attributable to ATA Creativity Global	(33,660,245)	(36,097,777)	(48,047,494)
Net loss available to common shareholders	(33,660,245)	(36,097,777)	(48,047,494)
Denominator:			
Denominator for basic loss per share:			
Weighted average common shares outstanding	62,789,811	62,978,139	63,407,020
Denominator for diluted loss per share	62,789,811	62,978,139	63,407,020
Basic loss per common share attributable to ATA Creativity Global	(0.54)	(0.57)	(0.76)
Diluted loss per common share attributable to ATA Creativity Global	(0.54)	(0.57)	(0.76)

The following table summarizes potential common shares outstanding excluded from the calculation of diluted losses per share for the year ended December 31, 2023, 2024 and 2025, because their effect is anti-dilutive:

	Years ended December 31,		
	2023	2024	2025
Shares issuable under restricted shares and share options	2,730,129	2,514,601	2,235,317

(21) SUBSEQUENT EVENTS

On January 28, 2026, the Company completed a round of financing. The funds, totaling USD 8,854,035.14, were received on January 22, 2026. The net proceeds are intended for general working capital purposes.

In February 2026, all remaining unvested shares originally granted in November 2023 were cancelled on February 2, 2026. Additionally, 200,000 Restricted Shares were granted to the directors in a single tranche on February 2, 2026.

(22) ATA CREATIVITY GLOBAL (“PARENT COMPANY”)

The following presents condensed financial information of the Parent Company only.

Condensed Balance Sheets

	December 31,	December 31,	December 31,
	2024 RMB	2025 RMB	2025 USD
Cash and cash equivalents	4,608,462	1,057,465	151,215
Prepaid expenses and other current assets	4,336	4,240	606
Investments in subsidiaries	78,329,251	33,544,606	4,796,815
Total assets	82,942,049	34,606,311	4,948,636
Accrued expenses and other payables	3,231,601	2,559,166	365,955
Total liabilities	3,231,601	2,559,166	365,955
Common shares	4,755,623	4,780,117	683,548
Treasury shares	(8,201,046)	(8,201,046)	(1,172,734)
Additional paid in capital	547,915,003	548,769,331	78,472,970
Accumulated other comprehensive loss	(36,952,183)	(37,446,814)	(5,354,823)
Accumulated deficit	(427,806,949)	(475,854,443)	(68,046,280)
Total shareholders' equity	79,710,448	32,047,145	4,582,681
Total liabilities and shareholders' equity	82,942,049	34,606,311	4,948,636

Condensed Statements of Comprehensive Income (Loss)

	Years ended December 31,			
	2023	2024	2025	2025
	RMB	RMB	RMB	USD
Cost of revenues	(74,827)	(146,109)	(70,406)	(10,068)
Operating expenses	(5,141,980)	(6,750,893)	(4,904,148)	(701,284)
Provision for loan receivables	—	—	2,485,349	355,400
Investment loss	(28,469,235)	(29,233,857)	(45,582,703)	(6,518,240)
Interest income	25,802	33,082	24,417	3,492
Foreign currency exchange losses, net	(5)	—	(3)	—
Loss before income taxes	(33,660,245)	(36,097,777)	(48,047,494)	(6,870,700)
Income tax expense	—	—	—	—
Net loss	(33,660,245)	(36,097,777)	(48,047,494)	(6,870,700)
Other comprehensive income (loss)	(1,422)	52,324	(494,631)	(70,731)
Comprehensive loss	(33,661,667)	(36,045,453)	(48,542,125)	(6,941,431)

Condensed Statements of Cash Flows

	Years ended December 31,			
	2023	2024	2025	2025
	RMB	RMB	RMB	USD
Net cash used in operating activities	(1,637,065)	(3,887,093)	(5,010,733)	(716,525)
Cash flows from investing activities:				
Cash received from subsidiaries	2,546,883	9,934,336	5,011,346	716,612
Cash lent to subsidiaries	(1,437,720)	(2,540,662)	(3,896,505)	(557,193)
Net cash provided by investing activities	1,109,163	7,393,674	1,114,841	159,419
Cash flows from financing activities:				
Cash received for exercise of share options	471,765	—	366,694	52,437
Net cash provided by financing activities	471,765	—	366,694	52,437
Effect of foreign exchange rate changes on cash	25,418	33,704	(21,799)	(3,117)
Net increase(decrease) in cash	(30,719)	3,540,285	(3,550,997)	(507,786)
Cash and cash equivalents at beginning of year	1,098,896	1,068,177	4,608,462	659,001
Cash and cash equivalents at end of year	1,068,177	4,608,462	1,057,465	151,215

**DESCRIPTION OF SECURITIES
REGISTERED UNDER SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

The American Depositary Shares (“ADSs”), each representing two common shares of ATA Creativity Global (“we,” “our,” the “Company,” or “us”), are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, and are listed and traded on the Nasdaq Capital Market. This exhibit contains a description of the rights of (i) the holders of our common shares and (ii) the holders of our ADSs. Our common shares underlying the ADSs are held by Citibank, N.A., as depository, and holders of our ADSs are not treated as holders of our common shares.

General

Our authorized share capital is US\$5,000,000, divided into 500,000,000 common shares, par value US\$0.01 per share. Our common shares may be certificated or uncertificated, and ownership is not recognized until registered in our Register of Members. No shares shall be issued as bearer securities. Our common shares are not available to the market; rather, our ADSs are traded on the Nasdaq Capital Market.

We are an exempted company limited by shares, with limited liability incorporated under the Companies Act (as amended) of the Cayman Islands (the “Companies Act”), on September 22, 2006. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their common shares. A Cayman Islands exempted company:

- is a company that conducts its business outside the Cayman Islands;
- is exempted from certain requirements of the Companies Act, including the filing of an annual return of its shareholders with the Registrar of Companies and holding an annual general meeting;
- does not have to make its register of members open to inspection;
- may obtain an undertaking against the imposition of any future taxation; and
- may issue shares with no par value.

Our affairs are governed by our fourth amended and restated memorandum of association (the “Memorandum”) and articles of association (the “Articles of Association”), as amended (collectively, the “Memorandum and Articles of Association”) and the Companies Act. The following summarizes the material terms of our Memorandum and Articles of Association and the Companies Act insofar as they relate to the material terms of our common shares. This summary is not complete, and you should read our Memorandum and Articles of Association, which were filed with the U.S. Securities and Exchange Commission (the “SEC”) and are incorporated by reference as an exhibit to the annual report of which this exhibit is a part.

The following discussion primarily addresses our common shares and the rights of holders of common shares. The holders of our ADSs are not to be treated as our shareholders and will be required to surrender their ADSs for cancellation and withdrawal from the depository facility in which the common shares are held in order to receive the shares that their ADSs represent, and to exercise shareholders’ rights in respect of the common shares. However, the holders of ADSs generally have the right under the deposit agreement to instruct the depository bank to exercise the voting rights for the common shares represented by their ADSs. See “Description of American Depositary Shares” below.

Meetings

Subject to the Company’s regulatory requirements, an annual general meeting and any extraordinary general meeting shall be called by not less than ten clear days’ notice in writing. Notice of every general meeting will be given to all of our shareholders other than those that, under the provisions of our Memorandum and Articles of Association or the terms of issue of the common shares they hold, are not entitled to receive such notices from us, and also to our principal external auditors. Extraordinary general meetings may be called only by the chairman of our board of directors or a majority of our board of directors and may not be called by any other person.

A meeting called by shorter notice than that mentioned above, nevertheless, subject to the Companies Act, will be deemed to have been duly called, if it is so agreed (1) in the case of a meeting called as an annual general meeting by all of our shareholders entitled to attend and vote at the meeting; (2) in the case of any other meeting, by a majority in number of our shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued common shares giving that right.

All general meetings (including an annual general meeting, any adjourned meeting or postponed meeting) may be held as a physical meeting, a hybrid meeting or an electronic meeting, as may be determined by the person or persons calling the meeting or, in absence of such determination, as may be determined by our board of directors in its absolute discretion. Two shareholders present in person or by proxy that represent not less than one-third in nominal value of our total issued and outstanding voting shares will constitute a quorum. Any shareholder or any proxy attending and participating in an electronic meeting or a hybrid meeting by means of electronic facilities is deemed to be present at and shall be counted in the quorum. No business other than the appointment of a chairman may be transacted at any general meeting unless a quorum is present at the commencement of business. If present, the chairman of our board of directors shall be the chairman presiding at any shareholders meetings.

A corporation being a shareholder shall be deemed for the purpose of our Memorandum and Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting or at any relevant general meeting of any class of our shareholders. Such duly authorized representative shall be entitled to exercise the same powers on behalf of the corporation that he represents as that corporation could exercise if it were our individual shareholder.

The quorum for a separate general meeting of the holders of a separate class of shares is described in “—Modification of Rights” below.

Voting Rights Attaching to the Shares

Subject to any special rights or restrictions as to voting attached to any shares, in the case of a physical general meeting, on a show of hands every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote, and at any general meeting on a poll every shareholder present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote for each fully paid share of which such shareholder is the holder.

Under our Memorandum and Articles of Association, a resolution put to the vote of a meeting other than a physical meeting, shall be decided by way of a poll. A resolution put to the vote of a physical meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Nasdaq Capital Market, or a poll is demanded by (i) the chairman of the meeting, (ii) at least three shareholders present in person or in the case of a shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting, (iii) any shareholder or shareholders present in person or in the case of a shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting, (iv) by a shareholder or shareholders present in person or in the case of a shareholder being a corporation by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at a meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid on all shares conferring that right, or (v) if required by the rules of the Nasdaq Capital Market, by any director or directors of the Company who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at such meeting.

No shareholder shall be entitled to vote or be reckoned in a quorum, in respect of any share, unless such shareholder is duly registered as our shareholder at the applicable record date for that meeting and all calls or installments due by such shareholder to us have been paid.

If a recognized clearing house (or its nominee(s)), being a corporation, is our shareholder, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting or at any meeting of any class of shareholders provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person

authorized pursuant to this provision is entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of our shares held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Protection of Minority Shareholders

The Grand Court of the Cayman Islands may, on the application of shareholders holding not less than one-fifth of our shares in issue, appoint an inspector to examine our affairs and to report thereon in a manner as the Grand Court of the Cayman Islands shall direct.

Any shareholder may petition that the Grand Court of the Cayman Islands may make a winding up order, if the court is of the opinion that it is just and equitable that we should be wound up.

Claims against us by our shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our Memorandum and Articles of Association.

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against, or derivative actions in our name to challenge (1) an act which is ultra vires or illegal, (2) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of us, and (3) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

Pre-Emption Rights

There are no pre-emption rights applicable to the issue of new shares under either Cayman Islands law or our Memorandum and Articles of Association.

Liquidation Rights

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares, (1) if we are wound up and the assets available for distribution among our shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* among those shareholders in proportion to the amount paid up at the commencement of the winding up on the shares held by them, respectively; and (2) if we are wound up and the assets available for distribution among the shareholders as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively.

If we are wound up, the liquidator may with the sanction of our special resolution and any other sanction required by the Companies Act, divide among our shareholders in specie or kind the whole or any part of our assets (whether or not they shall consist of properties of the same kind) and may, for such purpose, set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may also vest any part of these assets in trustees upon such trusts for the benefit of the shareholders as the liquidator shall think fit, but so that no shareholder will be compelled to accept any shares or other property upon which there is a liability.

Modification of Rights

Except with respect to share capital (as described below) and the location of the registered office, alterations to our Memorandum and Articles of Association may only be made by special resolution, meaning a majority of not less than two-thirds of votes cast at a shareholders meeting.

Subject to the Companies Act and without prejudice to the provisions relating to share rights in our Memorandum and Articles of Association, all or any of the special rights attached to shares of any class (unless otherwise provided for by the terms of issue of the shares of that class) may be varied, modified or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of our Memorandum and Articles of Association relating to general meetings shall apply similarly to every such separate general meeting, but so that the quorum for the purposes of any such separate general meeting or at its adjourned meeting shall be a person or persons together holding

(or represented by proxy) on the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by such holder and that any holder of shares of that class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking *pari passu* therewith.

Alteration of Capital

We may from time to time by the vote of a majority of the shares entitled to vote thereon (an “**ordinary resolution**”):

- increase our capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of larger amounts than our existing shares;
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of our share capital by the amount of the shares so cancelled subject to the provisions of the Companies Act;
- sub-divide our shares or any of them into shares of smaller amounts than is fixed by the Memorandum, subject nevertheless to the Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have any such preferred, deferred or other rights, or be subject to any such restrictions as compared with the others as we have power to attach to unissued or new shares; and
- divide our shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares, attach to these shares respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions that in the absence of any such determination in general meeting may be determined by our directors.

We may, by the vote of two-thirds of the votes entitled to vote thereon (a “**special resolution**”), subject to any confirmation or consent required by the Companies Act, reduce our share capital or any capital redemption or other undistributable reserve in any manner authorized by law.

Transfer of Shares

Subject to any applicable restrictions set forth in our Memorandum and Articles of Association, any of our shareholders may transfer all or any of his or her shares by an instrument of transfer in the usual or common form or in a form prescribed by the Nasdaq Capital Market or in any other form that our directors may approve.

Our directors may decline to register any transfer of any share which is not paid up or on which we have a lien. Our directors may also decline to register any transfer of any share unless:

- the instrument of transfer is lodged with us accompanied by the certificate for the shares to which it relates and such other evidence as our 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 share;
- the instrument of transfer is properly stamped (in circumstances where stamping is required); and
- a fee of such maximum sum as the Nasdaq Capital Market 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 two 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 notice being given by announcement or by electronic communication or by advertisement in such one or more newspapers or by any other means in accordance with the requirements of the Nasdaq Capital Market, be suspended and the register closed at such times and for such periods as our directors may from time to time determine; provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our directors may determine, unless the members by ordinary resolution approve to extend the period of 30 days in respect of any year.

Share Repurchase

We are empowered by the Companies Act and our Memorandum and Articles of Association to purchase our own shares, subject to certain restrictions. Our directors may only exercise this power on our behalf, subject to the Companies Act, our Memorandum and Articles of Association and to any applicable requirements imposed from time to time by the Nasdaq Capital Market, the SEC, or by any other recognized stock exchange on which our securities are listed.

Dividends

Subject to the Companies Act, our directors may declare dividends in any currency to be paid to our shareholders. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our directors determine is no longer needed. Our board of directors may also declare and pay dividends out of the share premium account or any other fund or account that can be authorized for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provides, (1) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on that share; and (2) all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Our directors may also pay any dividend that is payable on any shares semi-annually or on any other dates, whenever our financial position, in the opinion of our directors, justifies such payment.

Our directors may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by such shareholder to us on account of calls or otherwise.

No dividend or other money payable by us on or in respect of any share shall bear interest against us.

In respect of any dividend proposed to be paid or declared on our share capital, our directors may resolve and direct that (1) such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that our shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof if our directors so determine) in cash in lieu of such allotment or (2) the shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our directors may think fit. Our directors may also resolve in respect of any particular dividend that, notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by check or dividend warrant sent by mail addressed to the holder at his registered address, or addressed to such person and at such addresses as the holder may direct. Every check or dividend warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or dividend warrant by the bank on which it is drawn shall constitute a good discharge to us.

All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by our board of directors for the benefit of our company until claimed. Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to us.

Whenever our directors have resolved that a dividend be paid or declared, our directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe for our securities or securities of any other company. Where any difficulty arises with regard to such distribution, our directors may settle it as they think expedient. In particular, our directors may issue fractional certificates, ignore fractions altogether or round the same up or down, fix the value for distribution purposes of any such specific assets, determine that cash payments shall be made to any of our shareholders upon the footing of the value so fixed in order to adjust the rights of the parties, vest any such specific assets in trustees as may seem expedient to our directors, and appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, which appointment shall be effective and binding on our shareholders.

Untraceable Shareholders

We are entitled to sell any shares of a shareholder who is untraceable, provided that:

- all checks or warrants in respect of dividends of such shares, being not less than three in total number, for any sums payable in cash to the holder of such shares have remained un-cashed for a period of 12 years prior to the publication of the advertisement and during the three months referred to below;
- we have not during that time received any indication of the existence of the shareholder or person entitled to such shares by death, bankruptcy or operation of law; and
- we have caused an advertisement to be published in newspapers in the manner stipulated by our Memorandum and Articles of Association, giving notice of our intention to sell these shares, and a period of three months has elapsed since such advertisement and the Nasdaq Capital Market has been notified of such intention.

The net proceeds of any such sale shall belong to us, and when we receive these net proceeds we shall become indebted to the former shareholder for an amount equal to such net proceeds.

Differences in Corporate Law

The Companies Act is modeled after similar laws in England but does not follow recent changes in English laws. In addition, the Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States.

Mergers and Similar Arrangements. The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with, among others, a declaration as to the solvency of the consolidated or surviving company, a statement of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For

this purpose a company is a “parent” of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provided that the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the ground that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by a majority in number of each class of shareholders or creditors with whom the arrangement is to be made, and who must in addition represent seventy-five per cent in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, by notice in the prescribed manner require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted, in accordance with the foregoing statutory procedures, a dissenting shareholder would have no rights comparable to appraisal rights which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits. In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires;

- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

Corporate Governance. Cayman Islands laws do not restrict transactions with directors, requiring only that directors exercise a duty of care and owe a fiduciary duty to the companies for which they serve. Under our Memorandum and Articles of Association, subject to any separate requirement for audit committee approval under the applicable rules of the Nasdaq Stock Market, Inc. or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his interest in any contract or arrangement which he is interested in, such a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such meeting.

Indemnification of Directors and Executive Officers and Limitation of Liability. The ability of Cayman Islands companies to provide in their articles of association for indemnification of officers and directors is limited, insofar as it is not permissible for the directors to contract out of the core fiduciary duties they owe to the company, nor would any indemnity be effective if it were held by the Cayman Islands courts to be contrary to public policy, which would include any attempt to provide indemnification against civil fraud or the consequences of committing a crime. Our Memorandum and Articles of Association provide that our directors and officers shall be indemnified against all actions, costs, charges, losses, damages and expenses they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices, or in relation thereto; provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of our directors and officers. In addition, each shareholder agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any director on account of any action taken by such director, or the failure of such director to take any action in the performance of his duties with or for the Company; provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such director.

Anti-Takeover Provisions in Our Memorandum and Articles of Association. Some provisions of our Memorandum and Articles of Association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders, and the fact that we have a classified board of directors, with three classes of directors, each of which stands for election in a given year to serve for a term of three years, unless a director earlier resigns or is removed.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Memorandum and Articles of Association, as amended and restated from time to time, for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties. Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation and its stockholders. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one

of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore he owes duties to the company including the following—a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his or her position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with diligence, skill and care. A director must exercise the skill and care of a reasonably diligent person having both – (a) the general knowledge, skill and experience that may reasonably be expected of a person in the same position (an objective test), and (b) if greater, the general knowledge, skill and experience that such director actually possesses (a subjective test).

Shareholder Proposals. Under the SEC's rules and regulations, a shareholder has the right to put any proposal before the annual meeting of shareholders of a public company, provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Cayman Islands law does not provide shareholders with any right to table resolutions at a general meeting. Our Memorandum and Articles of Association provide that, an annual general meeting of the Company shall be held in each year other than the year of the Company's incorporation; each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting, which may be called only by the chairman of our board of directors or a majority of our board of directors and may not be called by any other person. As an exempted Cayman Islands company, we are not obliged by law to hold shareholders' annual general meetings under the Companies Act.

Cumulative Voting. Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. Cayman Islands law does not prohibit cumulative voting, but our Memorandum and Articles of Association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Appointment of Directors. The shareholders may by ordinary resolution elect any person to be a director to fill a casual vacancy, and by special resolution elect any person to be a director as an addition to the existing board of directors. The directors may appoint any person as a director to fill a casual vacancy on the board of directors or as an addition to the existing board of directors. Any director appointed by the board of directors to fill a casual vacancy shall, unless designated by the board of directors as a class A director, a class B director or a class C director, hold office until the first general meeting after his appointment and be subject to re-election at such meeting, and any director appointed by the board of directors as an addition to the existing board of directors shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Removal of Directors. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our Memorandum and Articles of Association, directors may be removed at any time by special resolution of our shareholders notwithstanding any agreement between the Company and such director (but without prejudice to any claim for damages under such agreement).

Transactions with Interested Shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute in its certificate of incorporation or bylaws, it is prohibited from engaging in certain business combinations with an “interested shareholder” for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target’s outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation’s outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its shareholders or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its shareholders. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so. Under the Companies Act and our Memorandum and Articles of Association, our company may be dissolved, liquidated or wound up by a special resolution of our shareholders.

Variation of Rights of Shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our Memorandum and Articles of Association, subject to the Companies Act and without prejudice to the provisions relating to share rights in our Memorandum and Articles of Association, we may only vary the rights attached to any class of shares (subject to the terms of issue of the shares of that class) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

Amendment of Governing Documents. Under the Delaware General Corporation Law, a corporation’s certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under the Companies Act, our Memorandum and Articles of Association may only be amended by special resolution of our shareholders.

Rights of Non-Resident or Foreign Shareholders. There are no limitations imposed by our Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our Memorandum and Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed.

Directors’ Power to Issue Shares. Under our Memorandum and Articles of Association, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

Issuance of Additional Common Shares or Preferred Shares

Our Memorandum and Articles of Association authorizes our board of directors to issue additional common shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our Articles of Association authorize our board of directors to establish, subject to our Memorandum, from time to time one or more series of preferred shares and to determine, with respect to any series of preferred 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.

Subject to our Memorandum, our board of directors may issue series of preferred shares without action by our shareholders to the extent of authorized but unissued and undesignated shares. Accordingly, the issuance of preferred shares may adversely affect the rights of the holders of the common shares. In addition, the issuance of preferred shares may be used as an anti-takeover device without further action on the part of the shareholders. Issuance of preferred shares may dilute the voting power of holders of common shares.

Subject to applicable regulatory requirements, our board of directors may issue additional common shares without action by our shareholders to the extent of available authorized but unissued shares. The issuance of additional common shares may be used as an anti-takeover device without further action on the part of the shareholders. Such issuance may dilute the voting power of existing holders of common shares.

Inspection of Books and Records

Holders of our common shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, our Memorandum and Articles of Association provide that our register of members will be open to inspection for such times and on such days as our board of directors shall determine. Our accounting and other records are not available for inspection (other than by the board of directors) unless otherwise provided by applicable law, authorized by the board of the directors, or by the shareholders in a general meeting. However, we will provide our shareholders with annual audited financial statements.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

General

American Depositary Shares are frequently referred to as “ADSs” and represent ownership interests in securities that are on deposit with a depositary bank. ADSs may be represented by certificates that are commonly known as “American Depositary Receipts” or “ADRs.”

Citibank, N.A. (the “depositary” or the “depositary bank”) has agreed to act as the depositary bank for the American Depositary Shares. Citibank, N.A.’s depositary offices are located at 388 Greenwich Street, New York, New York 10013, U.S.A. A depositary bank typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Citibank Hong Kong (the “custodian”). We appointed Citibank, N.A. as depositary bank pursuant to a deposit agreement, which has been filed with the SEC under cover of a Registration Statement on Form F-6 and is incorporated by reference as an exhibit to the annual report of which this exhibit is a part.

We are providing you with a summary description of the material terms of the ADSs and of your material rights as an owner of ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that a holder’s rights and obligations as an owner of ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. The portions of this summary description that are italicized describe matters that may be relevant to the ownership of ADSs but that may not be contained in the deposit agreement. This summary is not complete, and you should read the entire deposit agreement.

Each ADS represents rights with regard to two common shares on deposit with the custodian, including the right to receive any other property received by the depositary bank or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations, and to instruct the depositary bank how you would like to vote the common shares which your ADSs represent. We and the depositary bank may agree to change the ADS-to-common share ratio by amending the deposit agreement. This amendment may give rise to, or change, the depositary fees payable by ADS owners. The custodian, the depositary bank and their respective nominees will hold all deposited property for the benefit of the holders and beneficial owners of ADSs. The deposited property does not constitute the proprietary assets of the depositary bank, the custodian or their nominees. Beneficial ownership in the deposited property will under the terms of the deposit agreement be vested in the beneficial owners of the ADSs. The depositary bank, the custodian and their respective nominees will be the record holders of the deposited property represented by the ADSs for the benefit of the holders and beneficial owners of the corresponding ADSs. A beneficial owner of ADSs may or may not be the holder of ADSs. Beneficial owners of ADSs will be able to receive, and to exercise beneficial ownership interests in, the deposited property only through the registered holders of the ADSs, the registered holders of the ADSs (on behalf of the applicable ADS owners) only through the depositary bank, and the depositary bank (on behalf of the owners of the corresponding ADSs) directly, or indirectly, through the custodian or their respective nominees, in each case upon the terms of the deposit agreement.

If you are an owner of ADSs, you are party to the deposit agreement and therefore will be bound to its terms and to the terms of the ADR that represents your ADSs. The deposit agreement and the ADRs specify our rights and obligations as well as your rights and obligations as an owner of ADSs and those of the depositary bank. As a holder of our ADSs, you appoint the depositary bank to act on your behalf in certain circumstances. The deposit agreement and the ADRs are governed by New York law. However, our obligations to the holders of common shares will continue to be governed by the laws of the Cayman Islands, which may be different from the laws of the United States.

In addition, applicable laws and regulations may require you to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. You are solely responsible for complying with such reporting requirements and obtaining such approvals. Neither the depositary bank, the custodian, us nor any of their or our respective agents or affiliates shall be required to take any actions whatsoever on your behalf to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

As an owner of ADSs, we will not treat you as one of our shareholders and you will not have direct shareholder rights. The depositary bank will hold on your behalf the shareholder rights attached to the common shares underlying your ADSs. As an owner of ADSs you will be able to exercise the shareholders rights for the common shares represented by your ADSs through the depositary bank only to the extent contemplated in the deposit agreement. To exercise any shareholder rights not contemplated in the deposit agreement you will, as an ADS owner, need to arrange for the cancellation of your ADSs and become a direct shareholder.

The manner in which you own the ADSs (e.g., in a brokerage account vs. as registered holder, or as holder of certificated vs. uncertificated ADSs) may affect your rights and obligations, and the manner in which, and extent to which, the depositary bank's services are made available to you. As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name, through a brokerage account, or through an account established by the depositary bank in your name reflecting the registration of uncertificated ADSs directly on the books of the depositary bank (commonly referred to as the "direct registration system"). The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depositary bank. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depositary bank to the holders of the ADSs. The direct registration system includes automated transfers between the depositary bank and The Depository Trust Company ("DTC"), the central book-entry clearing and settlement system for equity securities in the United States. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as an ADS owner. Banks and brokers typically hold securities such as ADSs through clearing and settlement systems such as DTC. The procedures of such clearing and settlement systems may limit your ability to exercise your rights as an owner of ADSs. Please consult with your broker or bank if you have any questions concerning these limitations and

procedures. All ADSs held through DTC will be registered in the name of a nominee of DTC. No ADSs will be issued in bearer form. This summary description assumes you have opted to own the ADSs directly by means of an ADR registered in your name and, as such, we will refer to you as the “holder.” When we refer to “you,” we assume the reader owns ADSs and will own ADSs at the relevant time. If you hold your ADSs through a brokerage, please consult your broker for their own procedures regarding the topics discussed below.

The registration of the common shares in the name of the depositary bank or the custodian shall, to the maximum extent permitted by applicable law, vest in the depositary bank or the custodian the record ownership in the applicable common shares with the beneficial ownership rights and interests in such common shares being at all times vested with the beneficial owners of the ADSs representing the common shares. The depositary bank or the custodian shall at all times be entitled to exercise the beneficial ownership rights in all deposited property, in each case only on behalf of the holders and beneficial owners of the ADSs representing the deposited property.

Notices

The depositary bank shall arrange, at our request and expense, to provide copies thereof to all holders or make such notices, reports and other communications, including proxy soliciting materials, available to all holders on a basis similar to that for holders of common shares or on such other basis as we may advise the depositary bank or as may be required by any applicable law, regulation or stock exchange requirement.

On or before the first date on which we give notice, by publication or otherwise, of any meeting of holders of common shares or of any adjourned meeting or of the taking of any action by such holders other than at a meeting, or of the taking of any action in respect of any cash or other distributions or the offering of any rights in respect of our common shares, we will transmit to the depositary bank and the custodian a copy of the notice thereof in the English language but otherwise in the form given or to be given to holders of our common shares. The Company shall also furnish to the custodian and the depositary bank a summary, in English, of any applicable provisions or proposed provisions of the Memorandum and Articles of Association that may be relevant or pertain to such notice of meeting or be the subject of a vote thereat.

The depositary bank will, at our expense, make available a copy of any such notices, reports or communications issued by us and delivered to the depositary bank for inspection by the holders of the ADSs at the depositary bank’s principal office, at the office of the custodian and at any other designated transfer office.

Dividends and Distributions

As a holder, you generally have the right to receive the distributions we make on the securities deposited with the custodian bank. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders will receive such distributions under the terms of the deposit agreement in proportion to the number of ADSs held as of a specified record date.

Distributions of Cash

Whenever we make a cash distribution for the securities on deposit with the custodian, we will give prior notice thereof to the depositary bank and we will deposit the funds with the custodian. Upon receipt of confirmation of the deposit of the requisite funds, the depositary bank will arrange, if necessary, for the funds to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to the laws of the Cayman Islands and regulations.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States. The amounts distributed to holders will be net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. The depositary bank will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The depositary bank will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depositary bank holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States.

Distributions of Shares

Whenever we make a free distribution of common shares for the securities on deposit with the custodian, we will give prior notice thereof to the depositary bank. The depositary bank will either distribute to holders new ADSs representing the common shares deposited or modify the ADS-to-common shares ratio, in which case each ADS you hold will represent rights and interests in the additional common shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-common shares ratio upon a distribution of common shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depositary bank may sell all or a portion of the new common shares so distributed.

No such distribution of new ADSs will be made if it would violate applicable law or if it is not operationally practicable. If the depositary bank does not distribute new ADSs as described above, it may sell the common shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of Rights

Whenever we intend to distribute rights to purchase additional common shares, we will give prior notice to the depositary bank and we will assist the depositary bank in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional ADSs to holders.

The depositary bank will establish procedures to distribute rights to purchase additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights. The depositary bank is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new common shares other than in the form of ADSs.

The depositary bank will not distribute the rights to you if:

- We do not timely request that the rights be distributed to you or we request that the rights not be distributed to you;
- We fail to deliver satisfactory documents to the depositary bank; or
- It is not reasonably practicable to distribute the rights.

The depositary bank will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary bank is unable to sell the rights, it will allow the rights to lapse.

Elective Distributions

Whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional common shares, we will give prior notice thereof to the depositary bank and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the depositary bank in determining whether such distribution is lawful and reasonably practicable.

The depositary bank will make the election available to you only if it is reasonably practical and if we have provided all of the documentation contemplated in the deposit agreement. In such case, the depositary bank will establish procedures to enable you to elect to receive either cash or additional ADSs, in each case as described in the deposit agreement.

If the election is not made available to you, you will receive either cash or additional ADSs, depending on what a shareholder would receive upon failing to make an election, as more fully described in the deposit agreement.

Other Distributions

Whenever we intend to distribute property other than cash, common shares or rights to purchase additional common shares, we will notify the depositary bank in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depositary bank in determining whether such distribution to holders is lawful and reasonably practicable.

If it is reasonably practicable to distribute such property to you and if we provide all of the documentation contemplated in the deposit agreement, the depositary bank will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary bank may sell all or a portion of the property received.

The depositary bank will not distribute the property to you and will sell the property if:

- We do not request that the property be distributed to you or if we ask that the property not be distributed to you;
- We do not deliver satisfactory documents to the depositary bank; or
- The depositary bank determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

Redemptions

Whenever we decide to redeem any of the securities on deposit with the custodian, we will notify the depositary bank. If it is reasonably practicable and if we provide all of the documentation contemplated in the deposit agreement, the depositary bank will provide a notice of the redemption to the holders.

The custodian will be instructed to surrender the common shares being redeemed against payment of the applicable redemption price. The depositary bank will convert the redemption funds received into U.S. dollars upon the terms of the deposit agreement and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their ADSs to the depositary bank. You may have to pay fees, expenses, taxes and other governmental charges upon the redemption of your ADSs. If less than all ADSs are being redeemed, the ADSs to be retired will be selected by lot or on a pro rata basis, as the depositary bank may determine.

Changes Affecting Shares

The common shares held on deposit for your ADSs may change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation or reclassification of such common shares or a recapitalization, reorganization, merger, consolidation or sale of assets.

If any such change were to occur, your ADSs would, to the extent permitted by law and the deposit agreement, represent the right to receive the property received or exchanged in respect of the common shares held on deposit. The depositary bank may in such circumstances deliver new ADSs to you, amend the deposit agreement, the ADRs and the applicable Registration Statement(s) on Form F-6, or call for the exchange of your existing ADSs for new ADSs and take any other actions that are appropriate to reflect as to the ADSs the change affecting the common shares. If the depositary bank may not lawfully distribute such property to you, the depositary bank may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

Issuance of ADSs upon Deposit of Common Shares

The depositary bank may create ADSs on your behalf if you or your broker deposit common shares with the custodian. The depositary bank will deliver these ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the common shares to the custodian. Your ability to deposit common shares and receive ADSs may be limited by U.S. and Cayman Islands legal considerations applicable at the time of deposit.

The issuance of ADSs may be delayed until the depository bank or the custodian receives confirmation that all required approvals have been given and that the common shares have been duly transferred to the custodian. The depository bank will only issue ADSs in whole numbers.

If you make a deposit of common shares, you will be responsible for transferring good and valid title to the depository bank. As such, you will be deemed to represent and warrant that:

- The common shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All preemptive (and similar) rights, if any, with respect to such common shares have been validly waived or exercised.
- You are duly authorized to deposit the common shares.
- The common shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the ADSs issuable upon such deposit will not be, “restricted securities” (as defined in the deposit agreement).
- The common shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the depository bank may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

Transfer, Combination and Split Up of ADRs

As an ADR holder, you will be entitled to transfer, combine or split up your ADRs and the ADSs evidenced thereby. For transfers of ADRs, you will have to surrender the ADRs to be transferred to the depository bank and also must:

- Ensure that the surrendered ADR is properly endorsed or otherwise in proper form for transfer;
- Provide such proof of identity and genuineness of signatures as the depository bank deems appropriate;
- Provide any transfer stamps required by the State of New York or the United States; and
- Pay all applicable fees, charges, expenses, taxes and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have your ADRs either combined or split up, you must surrender the ADRs in question to the depository bank with your request to have them combined or split up, and you must pay all applicable fees, charges and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split up of ADRs.

Withdrawal of Shares upon Cancellation of ADSs

As a holder, you will be entitled to present your ADSs to the depository bank for cancellation and then receive the corresponding number of underlying common shares at the custodian’s offices. Your ability to withdraw the common shares may be limited by U.S. and Cayman Islands legal considerations applicable at the time of withdrawal. In order to withdraw the common shares represented by your ADSs, you will be required to pay to the depository bank the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the common shares being withdrawn. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement.

If you hold ADSs registered in your name, the depository bank may ask you to provide proof of identity and genuineness of any signature and such other documents as the depository bank may deem appropriate before it will cancel your ADSs. The withdrawal of the common shares represented by your ADSs may be delayed until the depository bank receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depository bank will only accept ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your ADSs at any time except for:

- Temporary delays that may arise because (i) the transfer books for the common shares or ADSs are closed, or (ii) common shares are immobilized on account of a shareholders' meeting or a payment of dividends.
- Obligations to pay fees, taxes and similar charges.
- Restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

Voting Rights

As a holder, you generally have the right under the deposit agreement to instruct the depositary bank to exercise the voting rights for the common shares represented by your ADSs. The voting rights of holders of common shares are described in “—Voting Rights Attaching to the Shares” above.

At our request, the depositary bank will distribute to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary bank to exercise the voting rights of the securities represented by ADSs.

If the depositary bank timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities represented by the holder's ADSs in accordance with such voting instructions.

In the event of voting by a show of hands, each shareholder has one vote irrespective of the number of common shares held by such person and the depositary bank shall vote or cause the custodian to vote all the common shares then on deposit in accordance with instructions received from a majority of holders giving voting instructions. In the event of poll voting, each shareholder has an amount of votes equal to the number of common shares held as of record date for the meeting and the depositary bank shall vote or cause the custodian to vote the common shares on deposit in respect of ADSs for which holder of ADSs have timely given voting instructions to the depositary bank.

If the depositary bank timely receives voting instructions from a holder of ADSs that fail to specify the manner in which the depositary bank is to vote the common shares represented by that holder's ADSs, the depositary bank will deem the holder to have voted in favor of the items set forth in the voting instructions. If the depositary bank does not timely receive voting instructions from a holder of ADSs and we have timely provided the depositary bank with our notice of meeting and related materials, that holder will be deemed, and the depositary bank will deem that holder to have instructed the depositary bank to give a discretionary proxy to a person designated by us to vote the common shares represented by the ADSs at our discretion, unless:

- we have failed to timely provide the depositary bank with our notice of meeting and related voting materials;
- we have instructed the depositary bank that we do not wish a discretionary proxy to be given;
- we have informed the depositary bank that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- voting at the meeting is made on a show of hands.

We have advised the depositary bank that under the Cayman Islands' law as in effect as of the date of the deposit agreement, voting at any meeting of shareholders is by show of hands unless a poll is demanded. The depositary bank will not join in demanding a poll, whether or not requested to do so by holders of ADSs. Please see above under “—Voting Rights Attaching to the Shares.”

Please note that the ability of the depositary bank to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary bank in a timely manner.

Fees and Charges

As an ADS holder, you will be required to pay the following fees under the terms of the deposit agreement:

	Service	Rate
(1)	Issuance of ADSs upon deposit of Shares (excluding issuances as a result of distributions described in paragraph (4) below).	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) issued.
(2)	Delivery of Deposited Securities against surrender of ADSs.	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) surrendered.
(3)	Distribution of cash dividends or other cash distributions (<i>i.e.</i> , sale of rights and other entitlements).	Up to U.S. \$2.00 per 100 ADSs (or fraction thereof) held.
(4)	Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs.	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) held.
(5)	Distribution of securities other than ADSs or rights to purchase additional ADSs (<i>i.e.</i> , spin-off shares).	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) held.
(6)	Depository Services.	Up to U.S. \$2.00 per 100 ADSs (or fraction thereof) held.
(7)	Transfer of ADRs.	U.S. \$1.50 per certificate presented for transfer.

As an ADS holder you will also be responsible to pay certain charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- registration fees as may from time to time be in effect for the registration of common shares or other Deposited Securities on the share register and applicable to transfers of common shares or other Deposited Securities to or from the name of the Custodian, the Depository or any nominees upon the making of deposits and withdrawals, respectively;
- cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing or withdrawing Common shares or Holders and Beneficial Owners of ADSs;
- the expenses and charges incurred by the depository bank in the conversion of foreign currency;
- fees and expenses as are incurred by the depository bank in connection with compliance with exchange control regulations and other regulatory requirements applicable to common shares, Deposited Securities, ADSs and ADRs; and
- the fees incurred by the depository bank, the Custodian, or any nominee in connection with the servicing or delivery of Deposited Securities.

ADS fees and charges for (i) the issuance of ADSs, and (ii) the cancellation of ADSs are charged to the person for whom the ADSs are issued (in the case of ADS issuances) and to the person for whom ADSs are cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depository bank into DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with

the procedures and practices of the DTC participants as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS Holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the Holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

In the event of refusal to pay the depositary bank fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary bank fees from any distribution to be made to the ADS holder. Certain depositary fees and charges (such as the ADS services fee) may become payable shortly after the closing of the ADS offering. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary bank. You will receive prior notice of such changes. The depositary bank may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary bank agree from time to time.

Amendments and Termination

We may agree with the depositary bank to modify the deposit agreement at any time without your consent. We undertake to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the ADSs to be registered under the Securities Act of 1933, as amended, or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the deposit agreement if you continue to hold your ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the common shares represented by your ADSs (except to comply with mandatory provisions of law).

We have the right to direct the depositary bank to terminate the deposit agreement. Similarly, the depositary bank may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary bank must give notice to the holders at least 30 days before termination, which notice shall fix a date for termination of the deposit agreement.

After the termination and prior to any sale of the deposited securities held on deposit, you will be able to request the cancellation of your ADSs and the withdrawal of the common shares represented by your ADSs and the delivery of all other property held by the depositary bank in respect of those common shares on the same terms as prior to the termination. During such period, the depositary bank will continue to collect all distributions received on the common shares on deposit (e.g., dividends) but will not distribute any such property to you until you request the cancellation of your ADSs.

At any time after the date fixed for termination of the deposit agreement, the depositary bank may sell the securities held on deposit. The depositary bank will hold the proceeds from such sale and any other funds then held for the holders of ADSs in a non-interest bearing account. At that point, the depositary bank will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding (after deduction of applicable fees, expenses and taxes).

After termination, your obligations under the deposit agreement as an ADS holder will continue until your ADSs are presented to the depository bank for cancellation.

Books of Depositary

The depository bank will maintain ADS holder records at its depository office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depository bank will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADRs. These facilities may be closed from time to time, to the extent not prohibited by law.

Limitations on Obligations and Liabilities

The deposit agreement limits our obligations and the depository bank's obligations to you. Please note the following:

- We and the depository bank are obligated only to take the actions specifically stated in the deposit agreement without negligence or bad faith.
- The depository bank disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided that it acts in good faith and in accordance with the terms of the deposit agreement.
- The depository bank disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in common shares, for the validity or worth of the common shares, for any tax consequences that result from the ownership of ADSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the deposit agreement, for the timeliness of any of our notices or for our failure to give notice.
- We and the depository bank will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depository bank disclaim any liability if we or the depository bank are prevented or forbidden from or subject to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the deposit agreement, by reason of any provision, present or future of any law or regulation, any provision of our Memorandum and Articles of Association, any provision of any securities on deposit or by reason of any act of God or war or other circumstances beyond our control.
- We and the depository bank disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for the deposit agreement or in our Memorandum and Articles of Association or in any provisions of securities on deposit.
- We and the depository bank further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting common shares for deposit, any holder of ADSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the depository bank also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit which is made available to holders of common shares but is not, under the terms of the deposit agreement, made available to you.
- We and the depository bank may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.

- We and the depositary bank also disclaim liability for any consequential or punitive damages for any breach of the terms of the deposit agreement. No disclaimer of any Securities Act liability is intended by any provision of the deposit agreement.
- Nothing in the deposit agreement gives rise to a partnership or joint venture, or establishes a fiduciary relationship, among us, the depositary bank and you as ADS holder.
- Nothing in the deposit agreement precludes Citibank (or its affiliates) from engaging in transactions in which parties adverse to us or the ADS owners have interests, and nothing in the deposit agreement obligates Citibank to disclose those transactions, or any information obtained in the course of those transactions, to us or to the ADS owners, or to account for any payment received as part of those transactions.

As the above limitations relate to our obligations and the depositary's obligations to you under the deposit agreement, we believe that, as a matter of construction of the clause, such limitations would likely to continue to apply to ADS holders who withdraw the common shares from the ADS facility with respect to obligations or liabilities incurred under the deposit agreement before the cancellation of the ADSs and the withdrawal of the common shares, and such limitations would most likely not apply to ADS holders who withdraw the common shares from the ADS facility with respect to obligations or liabilities incurred after the cancellation of the ADSs and the withdrawal of the common shares and not under the deposit agreement.

In any event, you will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. In fact, you cannot waive our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.

Taxes

You will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. We, the depositary bank and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary bank may refuse to issue ADSs, to deliver, transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary bank and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary bank and to the custodian proof of taxpayer status and residence and such other information as the depositary bank and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary bank and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Foreign Currency Conversion

The depositary bank will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary bank may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical.
- Distribute the foreign currency to holders for whom the distribution is lawful and practical.
- Hold the foreign currency (without liability for interest) for the applicable holders.

Governing Law/Waiver of Jury Trial

The deposit agreement, the ADRs and the ADSs will be interpreted in accordance with the laws of the State of New York. The rights of holders of common shares (including common shares represented by ADSs) are governed by the laws of the Cayman Islands.

As an owner of ADSs, you irrevocably agree that any legal action arising out of the Deposit Agreement, the ADSs or the ADRs, involving the Company or the Depositary bank, may only be instituted in a state or federal court in the city of New York.

AS A PARTY TO THE DEPOSIT AGREEMENT, YOU IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, YOUR RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THE DEPOSIT AGREEMENT OR THE ADRs AGAINST US AND/OR THE DEPOSITARY BANK.

The deposit agreement provides that, to the extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary bank arising out of or relating to our common shares, the ADSs or the deposit agreement, including any claim under U.S. federal securities laws. If we or the depositary bank opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable case law. However, you will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.

List of Subsidiaries

Subsidiaries:

- ATA Testing Authority (Holdings) Limited, incorporated in the British Virgin Islands
- ATA Education Technology (Beijing) Limited (formerly known as “ATA Testing Authority (Beijing) Limited”), incorporated in the People’s Republic of China
- ATA Creativity Global (Hong Kong) Limited (formerly known as “Xing Wei Institute (HongKong) Limited”), incorporated in Hong Kong
- ACG International Group Limited, incorporated in the British Virgin Islands
- Beijing Huanquiymeng Education Consultation Corp., incorporated in the People’s Republic of China
- Hefei Yimeng Education Consultation Co., Ltd., incorporated in the People’s Republic of China

Consolidated Variable Interest Entity:

- ATA Intelligent Learning (Beijing) Technology Limited, incorporated in the People’s Republic of China
- Beijing Zhenwu Technology Development Co., Ltd., incorporated in the People’s Republic of China

Filing date: March 31, 2026

**Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Xiaofeng Ma, certify that:

1. I have reviewed this annual report on Form 20-F of ATA Creativity Global (the “Company”);
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; and
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: March 31, 2026

By: /s/ Xiaofeng Ma

Name: Xiaofeng Ma

Title: Chief Executive Officer

**Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Ruobai Sima, certify that:

1. I have reviewed this annual report on Form 20-F of ATA Creativity Global (the “Company”);
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; and
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: March 31, 2026

By: /s/ Ruobai Sima

Name: Ruobai Sima

Title: Chief Financial Officer

**Certification by the Chief Executive Officer Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Xiaofeng Ma, Chief Executive Officer of ATA Creativity Global (the "Company"), hereby certify, to the best of my knowledge, that the Company's annual report on Form 20-F for the year ended December 31, 2025 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for the periods presented in the Report.

Date: March 31, 2026

By: /s/Xiaofeng Ma

Name: Xiaofeng Ma

Title: Chief Executive Officer

**Certification by the Chief Financial Officer Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Ruobai Sima, Chief Financial Officer of ATA Creativity Global (the "Company"), hereby certify, to the best of my knowledge, that the Company's annual report on Form 20-F for the year ended December 31, 2025 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for the periods presented in the Report.

Date: March 31, 2026

By: /s/ Ruobai Sima

Name: Ruobai Sima

Title: Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (No. 333-150287, 333-157463, 333-168810, 333-176608, 333-182558, 333-189820, 333-197225, 333-205970, 333-212271, 333-215674, 333-224760, 333-231087, 333-238277, 333-255430, 333-264536, 333-271318, 333-278776 and 333-286682) on Form S-8 and (No. 333-278921) on Form F-3 of our report dated March 31, 2026, with respect to the consolidated financial statements of ATA Creativity Global.

/s/ Audit Alliance LLP
Singapore
March 31, 2026



JINCHENG TONGDA & NEAL

10th Floor, China World Tower A, No. 1 Jianguo Menwai Avenue,
Chaoyang District, Beijing, 100004, PRC
Tel: (8610) 5706 8585; Fax: (8610) 8515 0267

March 31, 2026
ATA Creativity Global
c/o Rm. 507, Bldg. 3, BinhuZhuoyueCheng,
WenhuaKechuangYuan, Huayuan Blvd. 365,
Baohe, Hefei, Anhui 230051, China

Ladies and Gentlemen:

We have acted as legal advisors as to the laws of the People's Republic of China to ATA Creativity Global (the "Company"), in connection with the filing by the Company with the United States Securities and Exchange Commission of an annual report on Form 20-F for the fiscal year ended December 31, 2025.

We hereby consent to the use of our name under "Item 3. Key Information — Government Regulations and Permissions," "Item 3. Key Information — Enforceability of Civil Liabilities," "Item 3. Key Information — D. Risk Factors," "Item 4. Information on the Company — A. History and Development of the Company" and "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information" in the Company's annual report on Form 20-F for the fiscal year ended December 31, 2025.

Yours sincerely,

/s/Peng Jun

Peng Jun
Partner
Jincheng Tongda & Neal

ATA Creativity Global
c/o Rm. 507, Bldg. 3, BinhuZhuoyueCheng,
WenhuaKechuangYuan, Huayuan Blvd. 365,
Baohe, Hefei, Anhui 230051, China

Re: ATA Creativity Global

March 31, 2026

Dear Sirs,

We are qualified lawyers of the People's Republic of China (the "**PRC**"), for the purpose of this legal opinion (the "**Opinion**"), excluding the Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan), and as such are qualified to issue legal opinions on the PRC laws, regulations or rules.

We are acting as the PRC counsel for ATA Creativity Global, an exempted company incorporated in the Cayman Islands with limited liability (the "**Company**"), in connection with the filing of its annual report on Form 20-F (the "**Annual Report**") for the fiscal year ended December 31, 2025 with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

In rendering this Opinion, we have examined the originals or copies certified or otherwise identified to our satisfaction, of documents provided to us by the Company and such other documents, corporate records, certificates issued by Governmental Agencies (as defined below) in the PRC, by officers of the Company, and/or by the Group Companies (as defined below) and other instruments (the "**Documents**") as we have considered necessary, advisable or desirable for the purpose of rendering this Opinion. Where certain facts were not or may not be possible to be independently established by us, we have relied upon certificates or statements or representations issued or made by relevant Governmental Agencies of the PRC and the appropriate representatives of the Company and/or the PRC Companies with the proper powers and functions.

In our examination of the Documents and for purpose of rendering this Opinion, we have assumed without further inquiry: (A) the genuineness of all signatures, seals and chops, and the authenticity of all documents submitted to us as originals and the conformity with authentic original documents submitted to us as copies; (B) the Documents as submitted to us remain in full force and effect up to the date of this Opinion, and have not been revoked, amended, revised, modified or supplemented except as otherwise indicated in such Documents; (C) the truthfulness, accuracy, fairness and completeness of Documents as well as all factual statements in the Documents; (D) that all information provided to us by the Company in response to our inquiries for the purpose of this Opinion is true, accurate, complete and not misleading and that the Company has not withheld anything that, if disclosed to us, would reasonably cause us to alter this Opinion in whole or in part; (E) other than in relation to the Control Agreements (as defined below), that all parties have the requisite power and authority to enter into, execute, deliver and perform the Documents to which they are parties; (F) other than in relation to the Control Agreements, that all parties have duly executed, delivered, performed, and will duly perform their obligations under the Documents to which they are parties; and (G) other than in relation to the Control Agreements, that all Documents are legal, valid, binding and enforceable under all such laws as govern or relate to them other than PRC Laws (as defined below).

This Opinion is rendered on the basis of the PRC Laws effective as at the date hereof. We do not purport to be an expert on, generally familiar with, or qualified to express legal opinions based on, any laws other than the PRC Laws. Accordingly, we express no opinion on the laws of any jurisdiction other than the PRC. Furthermore, there is no guarantee that any such PRC Laws will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect.

The following terms as used in this Opinion are defined as follows:

“ATA Education”	means ATA Education Technology (Beijing) Limited (formerly named as ATA Testing Authority (Beijing) Limited), a company incorporated under the PRC Laws of which 100% equity interest is indirectly owned by the Company.
“BVI Subsidiaries”	means ATA Testing Authority (Holdings) Limited, a company incorporated under the laws of British Virgin Islands of which 100% equity interest is directly owned by the Company; and ACG International Group Limited, a company incorporated under the laws of British Virgin Islands of which 100% equity interest is directly owned by the Company.
“Control Agreements”	means the agreements set forth in Item 4.A of the Annual Report headed “History and Development of the Company — Contractual Arrangements with the VIE” and as listed in Schedule I of this Opinion.
“Group Companies”	means the Company, BVI Subsidiaries, ATA Creativity Global (Hong Kong) Limited, the PRC Companies, Beijing Huanquyimeng Education Consultation Corp. and any other entities that are controlled directly or indirectly by any of the foregoing.
“Government Agency”	means any competent government authorities, courts, arbitration commissions or regulatory bodies of the PRC.
“Governmental Authorization”	means any approval, consent, permit, authorization, filing, registration, exemption, waiver, endorsement, annual inspection, qualification and license required by the applicable PRC Laws to be obtained from any Government Agency.
“Material Adverse Effect”	means any event, circumstance, condition, occurrence or situation or any combination of the foregoing that has or could be reasonably expected to have a material and adverse effect upon the conditions (financial or otherwise), business, properties or results of operations or prospects of the Group Companies taken as a whole.
“Initial Public Offering”	means the initial public offering of American depository shares representing the Company’s common shares as described in the prospectus for such offering dated January 28, 2008.
“PRC Laws”	means any and all laws, regulations, statutes, rules, decrees, notices and supreme court’s judicial interpretations currently in force and publicly available in the PRC as of the date hereof.
“PRC Companies”	means the PRC Wholly Owned Subsidiary, and the VIE.
“VIE”	means ATA Intelligent Learning (Beijing) Technology Limited (ATA Intelligent Learning), a company incorporated under the PRC Laws of which 90% of the equity interest is directly owned by Xiaofeng Ma and 10% of the equity interest is directly owned by Jun Zhang.
“PRC Wholly Owned Subsidiary”	means ATA Education.

Based on the foregoing, after our due inquiry, we are of the opinion that:

- (i) *Corporate Structure.* The descriptions of the corporate structure of the PRC Companies and the Control Agreements set forth in “Item 3. Key Information – Overview,” “Item 3. Key Information – Our Corporate Structure,” “Item 3. Key Information – Risk Factors,” “Item 4. Information on the Company – History and

Development of the Company— Contractual Arrangements with the VIE” and “Item 7. Major Shareholders and Related Party Transactions – Related Party Transactions” sections of the Annual Report are correct and accurate in all material respects and nothing has been omitted from such descriptions which would make the same misleading in any material respect.

We are of the opinion that, except as disclosed in the Annual Report, (A) the ownership structure of the PRC Companies as described in the Annual Report under the headings “Item 3. Key Information – Overview,” “Item 3. Key Information – Our Corporate Structure,” “Item 3. Key Information – Risk Factors,” “Item 4. Information on the Company – History and Development of the Company— Contractual Arrangements with the VIE” and “Item 7. Major Shareholders and Related Party Transactions – Related Party Transactions” is and has been in compliance with all current PRC Laws; (B) each of the Control Agreements has been duly executed and delivered by each of the parties thereto and constitutes its or his binding obligations; and (C) the contractual arrangements among ATA Education, the VIE and the shareholders of the VIE, established by the Control Agreements, individually and as a whole, are valid, legally binding and enforceable, and will not result in any violation of the PRC Laws currently in effect.

- (ii) *M&A Rules.* On August 8, 2006, six PRC regulatory agencies, namely, the PRC Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission (the “CSRC”), and the State Administration of Foreign Exchange of the PRC, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”), which became effective on September 8, 2006 and were amended on June 22, 2009. The M&A Rules purport, among other things, to require offshore special purpose vehicles (the “SPVs”) formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, pursuant to the M&A Rules and other PRC Laws and regulations, the CSRC, on its official website, promulgated relevant guidance with respect to the issues of listing and trading of PRC domestic enterprises’ securities on overseas stock exchanges, including a list of application materials with respect to the listing on overseas stock exchanges by SPVs.

We are of the opinion that as of the date hereof, the Company was not and is not required under the M&A Rules and other relevant PRC Laws to obtain the approval of the CSRC for the issuance and sale of the American depository shares representing the Company’s common shares or the listing of the Company’s American depository shares on Nasdaq in connection with the Initial Public Offering, because (1) the Company established the PRC Wholly Owned Subsidiary as a foreign-invested enterprise by means of direct investment and not through a merger or acquisition of the equity or assets of a “PRC domestic company” as such term is defined under the M&A Rules, and (2) there is no provision in the M&A Rules that clearly classifies contractual arrangements described under “Item 3. Key Information – Overview,” “Item 3. Key Information – Our Corporate Structure,” “Item 3. Key Information – Risk Factors,” “Item 4. Information on the Company – History and Development of the Company— Contractual Arrangements with the VIE” and “Item 7. Major Shareholders and Related Party Transactions – Related Party Transactions” sections of the Annual Report as the type of merger and acquisition transaction falling under the M&A Rules.

This Opinion is rendered to you and is intended to be used in the context which is specifically referred to herein and solely for the benefit of the Company in connection with its Annual Report filing and each paragraph should be looked at as a whole and no part should be extracted and referred to independently.

We hereby consent to the filing of this Opinion with the U.S. Securities and Exchange Commission as an exhibit to the Annual Report and to the use of and references to our name and this Opinion and its contents under the sections headed “Risk Factors”, “Regulation”, “History and Development of the Company”, “Consolidated statements and other financial information” and other sections of the Annual Report.

Yours faithfully,

/s/Jincheng Tongda & Neal Law Firm
Jincheng Tongda & Neal Law Firm

SCHEDULE I

List of Control Agreements

- (1) Exclusive Technical Consulting and Services Agreement, dated as of March 15, 2018, among ATA Intelligent Learning (Beijing) Technology Limited and ATA Testing Authority (Beijing) Limited (renamed as ATA Education Technology (Beijing) Limited).
- (2) Equity Interest Pledge Agreement, dated as of March 15, 2018, among ATA Testing Authority (Beijing) Limited (renamed as ATA Education Technology (Beijing) Limited) and Xiaofeng Ma.
- (3) Equity Interest Pledge Agreement, dated as of August 12, 2020, among ATA Testing Authority (Beijing) Limited (renamed as ATA Education Technology (Beijing) Limited) and Jun Zhang.
- (4) Loan Agreement, dated as of March 15, 2018, between ATA Testing Authority (Beijing) Limited (renamed as ATA Education Technology (Beijing) Limited) and Xiaofeng Ma.
- (5) Loan Agreement, dated as of August 12, 2020, between ATA Testing Authority (Beijing) Limited (renamed as ATA Education Technology (Beijing) Limited) and Jun Zhang.
- (6) Call Option and Cooperation Agreement, dated as of August 12, 2020, among ATA Testing Authority (Beijing) Limited (renamed as ATA Education Technology (Beijing) Limited), Xiaofeng Ma, Jun Zhang, and ATA Intelligent Learning (Beijing) Technology Limited.
- (7) Power of Attorney, dated as of March 15, 2018, between Xiaofeng Ma and ATA Testing Authority (Beijing) Limited (renamed as ATA Education Technology (Beijing) Limited).
- (8) Power of Attorney, dated as of August 12, 2020, between Jun Zhang and ATA Testing Authority (Beijing) Limited (renamed as ATA Education Technology (Beijing) Limited).
- (9) Payment Instructions for the Loan Agreement, dated as of April 3, 2018, between Xiaofeng Ma and ATA Testing Authority (Beijing) Limited (renamed as ATA Education Technology (Beijing) Limited).
- (10) Supplemental Agreement to ATA Intelligent Learning VIE Agreements, dated as of March 19, 2019, among ATA Education Technology (Beijing) Limited (formerly named as ATA Testing Authority (Beijing) Limited), Xiaofeng Ma, Haichang Xiong, and ATA Intelligent Learning (Beijing) Technology Limited.
- (11) Supplemental Agreement II to ATA Intelligent Learning VIE Agreements, dated as of April 20, 2019, among ATA Education Technology (Beijing) Limited (formerly named as ATA Testing Authority (Beijing) Limited), Xiaofeng Ma, Haichang Xiong, and ATA Intelligent Learning (Beijing) Technology Limited.