

Ambow Education Files 2011 Annual Report on Form 20-F and Confirms Adjustments to 2011 Financial Results

BEIJING, May 29, 2012 /PRNewswire-Asia/ -- Ambow Education Holding Ltd. ("Ambow" or the "Company") (NYSE: AMBO), a leading national provider of educational and career enhancement services in China, today announced that it has filed its 2011 annual report on Form 20-F (the "2011 Annual Report") with the U.S. Securities and Exchange Commission (the "SEC"). The 2011 Annual Report is available on the SEC's website at <http://www.sec.gov>. The Company will provide a hard copy of the 2011 Annual Report containing its audited consolidated financial statements, free of charge, to its shareholders and ADS holders upon request.

The Company also reached a conclusion on certain discussions included in its press release dated May 16, 2012 (the "May 16 Press Release"), regarding the preliminary adjustments to the Company's 2011 unaudited annual financial results included in the Company's press release dated March 5, 2012 (the "March 5 Press Release"), which was included as an exhibit to the Company's Form 6-K furnished to the SEC on March 5, 2012. The Company has determined the following:

1. For those distributors with a proven payment history, the Company will continue to recognize revenue upon delivery of services and products. For those distributors without adequate history of timely payments, the Company will recognize revenue at the later of cash collection or the delivery of services and products. Accordingly, the Company determined that US\$14.1 million[1] (RMB88.8 million) of revenue previously recognized in 2011 should be reversed and recognized in the future when cash is collected from certain distributors without a proven history of timely payments. The related account receivables have also been removed from the balance sheet. This adjustment does not impact revenue in 2010. As of the date of this press release, the Company has collected approximately US\$12.2 million (RMB77 million) of the cash associated with the revenue to be deferred as of December 31, 2011, which collected revenue (together with any additional collections before June 30, 2012) will be recognized by the Company in the first half of 2012. Any remaining balance will be recognized when collected. All future sales to distributors without adequate history of timely payment will be recognized on the cash basis until such time as a proven payment history is established.

[1] The reporting currency of the Company is Renminbi ("RMB"). For the convenience of the reader, RMB amounts presented throughout this press release include translations into U.S. dollars ("US\$"). Unless otherwise stated, all translations from RMB to US\$ are based on the historical exchange rate of US\$1.00 to RMB6.2939, representing the noon buying rate as set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 30, 2011. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at such rate.

2. The Company determined to make a bad debt provision of US\$2.2 million (RMB14.0 million).

3. The Company identified an additional 12 tutoring centers that were already operating in December 2011. As a result, depreciation and other expense were determined to increase by US\$0.5 million (RMB3.3 million). The balance sheet is also adjusted accordingly: US\$4.4 million (RMB 27.8 million) was reclassified from other non-current assets to leasehold improvements. As of December 31, 2011, the Company had a total of 150 tutoring centers.

As a result of the above adjustments, the corresponding tax impact led to a reduction in income tax expense of US\$1.6 million (RMB 9.8 million).

In addition to the above adjustments, the Company determined certain other adjustments which had no impact on the Company's net income. The major items concerning these other adjustments are as follows:

4. The Company revised the treatment of US\$2.6 million (RMB16.6 million) of amortization expense attributable to student population to be reclassified from general and administrative expense to cost of revenue on the basis that this expense contributed directly to revenue generation. At the same time, the Company revised the treatment of US\$0.3 million (RMB1.9 million) of expenses, which were research and development in nature, to be reclassified from cost of revenue to research and development expense.

5. In December 2011, the Company signed an agreement to sell Beijing Century College Group and Beijing 21st Century International School ("21st School") to Xihua Investment Group ("Xihua Group"). The transaction was recorded as a disposal as of December 31, 2011 with all the related assets and liabilities removed from the balance sheet in the unaudited annual financial results included in the March 5 Press Release. It was subsequently determined that as of December 31, 2011, the disposal transaction had not been completed. Accordingly, Beijing Century College Group is currently classified as held for sale on the balance sheet. As of December 31, 2011, assets classified as held for sale were US\$61.1 million (RMB384.4 million) and liabilities classified as held for sale were US\$23.1 million (RMB145.2 million). 21st School remains included as held for use on the balance sheet since the Company will have significant continuing operation in 21st School following the planned disposal. Accordingly, US\$74.1 million (RMB466.5 million) of assets and US\$23.8 million (RMB149.5 million) of liabilities from 21st School

were consolidated on the Company's balance sheet.

There were three other minor adjustments to the balance sheet, which had no impact on the Company's net income.

All of the adjustments described above had no effect on the Company's cash flow in 2011 and had no negative impact on the Company's previously announced cash balance at December 31, 2011. Cash flow from operating activity in 2011 was US\$47.1 million (RMB296.7 million)

After evaluating the potential acquisition impairment charge and tax provision discussed in the May 16 Press Release, the Company has also determined these charges are not necessary.

For ease of comparison, please refer to the tables set forth at the end of this release which set out the primary differences between the unaudited annual financial results included in the March 5 Press Release and the actual annual financial results reflected in the Company's audited financial statements included in the 2011 Annual Report.

About Ambow Education Holding Ltd.

Ambow Education Holding Ltd. (NYSE: AMBO) is a leading national provider of educational and career enhancement services in China, offering high-quality individualized services and products. Ambow has two business divisions: "Better Schools," which includes tutoring centers and K-12 schools; and "Better Jobs," which includes career enhancement centers and colleges. With its extensive network of regional service hubs complemented by a dynamic proprietary learning platform and distributors, Ambow provides its services and products to students in 30 out of the 31 provinces and autonomous regions within China.

Forward-looking Statements

This press release includes statements that may constitute forward-looking statements made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Ambow may also make written or oral forward-looking statements in its reports to the SEC, including on Forms 20-F and 6-K, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about Ambow's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Potential risks and uncertainties include, but are not limited to, risks related to Ambow's ability to complete its annual audits in a timely manner, risks related to Ambow's ability to file its annual reports on Form 20-F within the time periods prescribed by the rules of the SEC (or any extension period thereof) and risks related to Ambow's identification of adjustments in its audited financial statements subsequent to announcing preliminary financial results, as well as risks outlined in Ambow's filings with the SEC, including its annual reports on Form 20-F. Ambow does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

About Non-GAAP Financial Measures

To supplement Ambow's consolidated financial results presented in accordance with GAAP, Ambow uses the following measures defined as non-GAAP financial measures by the SEC: [(i) Non-GAAP operating income from continuing operations, (ii) Net income from continuing operations excluding disposal loss from continuing operations, (iii) Non-GAAP net income from continuing operations excluding disposal loss from continuing operations, (iv) Non-GAAP net income from continuing operations, (v) EBITDA from continuing operations excluding disposal loss from continuing operations, (vi) Adjusted EBITDA from continuing operations excluding disposal loss from continuing operations, (vii) Non-GAAP net income from continuing operations per ADS basic and diluted. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. For more information on these non-GAAP financial measures, please see the tables captioned "Reconciliations of non-GAAP measures to the most comparable GAAP measures" set forth at the end of this release.

Ambow believes that these non-GAAP financial measures provide meaningful supplemental information regarding its performance and liquidity that may not be indicative of its operating performance from a cash perspective. Ambow believes that both management and investors benefit from referring to these non-GAAP financial measures in assessing its performance and when planning and forecasting future periods. These non-GAAP financial measures also facilitate management's internal comparisons to Ambow's historical performance and liquidity. Ambow computes its non-GAAP financial measures using the same consistent method from quarter to quarter. These non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures should be considered

as supplemental in nature and not as a substitute for the related financial information prepared in accordance with GAAP. Ambow believes that these non-GAAP financial measures are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision making. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from each non-GAAP measure. The accompanying tables have more details on the reconciliations with GAAP financial measures that are most directly comparable to non-GAAP financial measures.

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AMBOW EDUCATION HOLDING LTD
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(ALL AMOUNTS IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

| | For the year ended December 31 | | | |
|--|--------------------------------|------------------|------------------|------------------|
| | 6-K | | Adjusted | |
| | 2011 USD | 2011 RMB | 2011 USD | 2011 RMB |
| Better Schools | | | | |
| Tutoring | 127,897 | 804,969 | 127,897 | 804,969 |
| Revenue deferred (adjustment 1) | - | - | (4,290) | (27,000) |
| K-12 Schools | 42,908 | 270,059 | 42,908 | 270,059 |
| Better Job | | | | |
| Career Enhancement | 90,088 | 567,005 | 90,088 | 567,005 |
| Revenue deferred (adjustment 1) | - | - | (9,820) | (61,803) |
| Colleges | 18,428 | 115,982 | 18,428 | 115,982 |
| NET REVENUES | 279,321 | 1,758,015 | 265,211 | 1,669,212 |
| Cost of revenues | (111,594) | (702,364) | (111,594) | (702,364) |
| Depreciation (adjustment 3) | - | - | (523) | (3,293) |
| Associated with revenue deferred | - | - | 796 | 5,014 |
| Amortization reclassified from G&A (adjustment 4) | - | - | (2,631) | (16,560) |
| Expenses reclassified to R&D (adjustment 4) | - | - | 297 | 1,871 |
| GROSS PROFIT | 167,727 | 1,055,651 | 151,556 | 953,880 |
| Operating expenses: | | | | |
| Selling and marketing | (56,154) | (353,425) | (56,154) | (353,425) |
| General and administrative | (52,825) | (332,473) | (52,825) | (332,473) |
| Bad debt provision (adjustment 2) | - | - | (2,224) | (14,000) |
| Amortization reclassified to cost (adjustment 4) | - | - | 2,631 | 16,560 |
| Research and development | (5,985) | (37,670) | (5,985) | (37,670) |
| Expensed reclassified from cost (adjustment 4) | - | - | (297) | (1,871) |
| Impairment loss (note 2) | - | - | (4,025) | (25,336) |
| TOTAL OPERATING EXPENSES | (114,964) | (723,568) | (118,879) | (748,215) |
| OPERATING INCOME | 52,763 | 332,083 | 32,677 | 205,665 |
| OTHER EXPENSE | | | | |
| Interest expense, net | (3,909) | (24,603) | (3,909) | (24,603) |
| Foreign exchange losses, net | (849) | (5,343) | (849) | (5,343) |
| Other income, net | 367 | 2,312 | 367 | 2,312 |
| Disposal loss from continuing operations (note 2) | (4,025) | (25,336) | - | - |
| INCOME BEFORE TAX AND NON-CONTROLLING INTEREST | 44,347 | 279,113 | 28,286 | 178,031 |
| Income tax expense | (8,265) | (52,019) | (8,265) | (52,019) |
| Decrease due to lower taxable income | - | - | 1,555 | 9,788 |
| INCOME FROM CONTINUING OPERATIONS | 36,082 | 227,094 | 21,576 | 135,800 |
| Income (Loss) from discontinued operations, net of income taxes | (19,000) | (119,581) | (19,000) | (119,581) |
| NET INCOME/(LOSS) | 17,082 | 107,513 | 2,576 | 16,219 |
| Add: Net loss attributable to non-controlling interest | 789 | 4,966 | 789 | 4,966 |
| NET INCOME/(LOSS) ATTRIBUTABLE TO AMBOW EDUCATION HOLDING LTD | 17,871 | 112,479 | 3,365 | 21,185 |
| Preferred shares redemption value accretion | - | - | - | - |
| Allocation of net income to participating preferred shareholders | - | - | - | - |
| NET INCOME (LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS | 17,871 | 112,479 | 3,365 | 21,185 |

Net income/(loss) from continued operations per ADS attributable to ordinary

shareholders

| | | | | |
|---------|------|------|------|------|
| Basic | 0.52 | 3.25 | 0.32 | 1.96 |
| Diluted | 0.49 | 3.09 | 0.30 | 1.88 |

Net income/(loss) from discontinued operations per ADS attributable to ordinary shareholders

| | | | | |
|---------|--------|--------|--------|--------|
| Basic | (0.27) | (1.67) | (0.27) | (1.67) |
| Diluted | (0.25) | (1.59) | (0.25) | (1.59) |

Weighted average number of ADS (note1)

| | | | | |
|---------|------------|------------|------------|------------|
| Basic | 71,469,519 | 71,469,519 | 71,469,519 | 71,469,519 |
| Diluted | 75,216,406 | 75,216,406 | 75,216,406 | 75,216,406 |

Supplementary Information:**Share-based compensation expense included in:**

| | | | | |
|----------------------------|--------------|---------------|--------------|---------------|
| Selling and marketing | 1,158 | 7,286 | 1,158 | 7,286 |
| General and administrative | 4,007 | 25,220 | 4,007 | 25,220 |
| Research and development | 134 | 842 | 134 | 842 |
| | <u>5,299</u> | <u>33,348</u> | <u>5,299</u> | <u>33,348</u> |

Note1: Each ADS represents two common shares.

Note2: Impairment loss was reclassified from other operating expense to operating expense as of Dec 31, 2011.

AMBOW EDUCATION HOLDING LTD
RECONCILIATION OF NON-GAAP MEASURES TO THE MOST COMPARABLE GAAP MEASURES
(ALL AMOUNTS IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

| | For the year ended December 31 | | | |
|---|---------------------------------------|----------------|-----------------|----------------|
| | 6-K | | Adjusted | |
| | 2011 | 2011 | 2011 | 2011 |
| | USD | RMB | USD | RMB |
| Operating income from continuing operations | 52,763 | 332,083 | 32,677 | 205,665 |
| Share-based compensation expenses | 5,299 | 33,348 | 5,299 | 33,348 |
| Impairment loss | - | - | 4,025 | 25,336 |
| Non-GAAP operating income from continuing operations | <u>58,062</u> | <u>365,431</u> | <u>42,001</u> | <u>264,349</u> |
| Net income from continuing operations | 36,871 | 232,060 | 22,365 | 140,766 |
| Impairment loss | 4,025 | 25,336 | 4,025 | 25,336 |
| Net income from continuing operations excluding impairment loss from continuing operations attributable to Ambow | <u>40,896</u> | <u>257,396</u> | <u>26,390</u> | <u>166,102</u> |
| Share-based compensation expenses | 5,299 | 33,348 | 5,299 | 33,348 |
| Non-GAAP net income from continuing operations | <u>46,195</u> | <u>290,744</u> | <u>31,689</u> | <u>199,450</u> |
| Net income from continuing operations margin | 13.2% | 13.2% | 8.4% | 8.4% |
| Non-GAAP net income from continuing operations margin | 16.5% | 16.5% | 11.9% | 11.9% |
| Net income from continuing operations per ADS attributable to Ordinary Shareholders - Basic (note4) | 0.52 | 3.25 | 0.32 | 1.96 |
| Net income from continuing operations per ADS attributable to Ordinary Shareholders - Diluted | 0.49 | 3.09 | 0.30 | 1.88 |
| Net income from continuing operations per adjusted ADS attributable to Ambow - Basic | 0.52 | 3.25 | 0.32 | 1.96 |
| Net income from continuing operations per adjusted ADS attributable to Ambow - Diluted (note3) | 0.49 | 3.09 | 0.30 | 1.88 |
| Non-GAAP net income from continuing operations per adjusted ADS attributable to Ambow - Basic | 0.65 | 4.07 | 0.44 | 2.79 |
| Non-GAAP net income from continuing operations per adjusted ADS attributable to Ambow - Diluted | 0.61 | 3.87 | 0.42 | 2.65 |
| Adjusted weighted average number of ADS used in calculating net and non GAAP from continuing operations net income attributable to Ambow per ADS - basic | 71,469,519 | 71,469,519 | 71,469,519 | 71,469,519 |
| Adjusted weighted average number of ADS used in calculating net income and non GAAP net income from continuing operations attributable to Ambow per ADS - diluted | 75,216,406 | 75,216,406 | 75,216,406 | 75,216,406 |
| EBITDA from continuing operations excluding impairment loss from continuing operations (note1) | 70,061 | 440,957 | 55,267 | 347,842 |

| | | | | |
|--|---------------|----------------|---------------|----------------|
| Share-based compensation expenses | <u>5,299</u> | <u>33,348</u> | <u>5,299</u> | <u>33,348</u> |
| Adjusted EBITDA from continuing operation excluding impairment loss from continuing operations (note2) | <u>75,360</u> | <u>474,305</u> | <u>60,566</u> | <u>381,190</u> |

| | | | | |
|--|-------|-------|-------|-------|
| EBITDA margin from continuing operations excluding impairment loss from continuing operations | 25.1% | 25.1% | 20.8% | 20.8% |
| Adjusted EBITDA margin from continuing operations excluding impairment loss from continuing operations | 27.0% | 27.0% | 22.8% | 22.8% |

Note1: EBITDA from continuing operations, a non-GAAP measure, being net income from continuing operations attributable to Ambow excluding interest expense, income tax expenses, depreciation and amortization. The depreciation and amortization from continuing operations for the twelve months of 2011(6-k) and 2011 (adjusted) were RMB 106,940 and RMB 114,906, respectively.

Note2: Adjusted EBITDA from continuing operations being EBITDA from continuing operations excluding share based compensation.

Note3: Net income from continuing operations per adjusted ADS attributable to Ambow - diluted is computed by dividing net income from continuing operations attributable to Ambow by weighted average number of common shares outstanding for the period plus (1) shares issuable upon the exercise of outstanding share options and (2) the number of common shares resulting from the assumed conversion of all the outstanding redeemable convertible preferred share and exercise of warrants upon closing of the initial public offering as if the conversion or exercise had occurred at the beginning of the period.

Note4: Net income from continuing operations used to calculate EPADS is equal to net income (loss) attributable to AMBOW EDUCATION HOLDING LTD minus income (loss) from discontinued operations, net of income taxes.

AMBOW EDUCATION HOLDING LTD
CONDENSED CONSOLIDATED BALANCE SHEETS
(ALL AMOUNTS IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

| | As of December 31, | | | |
|---|--------------------|------------------|----------------|------------------|
| | 6-K | | Adjusted | |
| | 2011 USD | 2011 RMB | 2011 USD | 2011 RMB |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 61,818 | 389,075 | 74,784 | 470,682 |
| Restricted cash | 350 | 2,200 | 350 | 2,200 |
| Term deposits | 7,341 | 46,205 | 7,341 | 46,205 |
| Accounts receivable, net | 33,820 | 212,857 | 17,199 | 108,247 |
| Amounts due from related parties | 10,569 | 66,521 | 10,569 | 66,521 |
| Deferred tax assets, current | 2,406 | 15,142 | 2,721 | 17,126 |
| Prepaid and other current assets | 130,498 | 821,344 | 91,219 | 574,123 |
| Assets classified as held for sale (adjustment 5) | - | - | 61,075 | 384,401 |
| TOTAL CURRENT ASSETS | 246,802 | 1,553,344 | 265,258 | 1,669,505 |
| Property and equipment, net | 101,563 | 639,225 | 125,362 | 789,016 |
| Intangible assets and land use rights, net | 119,985 | 755,174 | 120,082 | 755,784 |
| Goodwill | 170,796 | 1,074,980 | 184,207 | 1,159,386 |
| Deferred tax assets, non-current | 763 | 4,800 | 763 | 4,800 |
| Amounts due from related parties | 3,569 | 22,463 | 3,569 | 22,463 |
| Other non-current assets | 53,170 | 334,645 | 50,791 | 319,673 |
| TOTAL NON-CURRENT ASSETS | 449,846 | 2,831,287 | 484,774 | 3,051,122 |
| TOTAL ASSETS | 696,648 | 4,384,631 | 750,032 | 4,720,627 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term borrowings | 18,759 | 118,070 | 18,759 | 118,070 |
| Current portion of Long-term borrowings | 2,542 | 16,000 | 2,542 | 16,000 |
| Deferred revenue | 69,746 | 438,975 | 72,481 | 456,189 |
| Accounts payable | 7,632 | 48,034 | 8,245 | 51,896 |
| Accrued expenses and other current liabilities | 71,550 | 450,326 | 76,658 | 482,476 |
| Income tax payable | 21,303 | 134,079 | 21,037 | 132,406 |
| Amount due to related parties | 7,552 | 47,531 | 7,552 | 47,531 |
| Liabilities classified as held for sale (adjustment 5) | - | - | 23,065 | 145,169 |
| TOTAL CURRENT LIABILITIES | 199,084 | 1,253,015 | 230,339 | 1,449,737 |
| Deferred tax liabilities, non-current | 17,990 | 113,227 | 24,527 | 154,368 |
| Long-term borrowings | 7,388 | 46,500 | 7,388 | 46,500 |
| Non-current portion of consideration payable for acquisitions and other liabilities | 18,337 | 115,414 | 48,231 | 303,559 |
| TOTAL NON-CURRENT LIABILITIES | 43,715 | 275,141 | 80,146 | 504,427 |
| TOTAL LIABILITIES | 242,799 | 1,528,156 | 310,485 | 1,954,164 |
| SHAREHOLDERS' EQUITY | 445,129 | 2,801,594 | 430,827 | 2,711,582 |
| TOTAL AMBOW EDUCATION HOLDING LTD'S EQUITY | 445,129 | 2,801,594 | 430,827 | 2,711,582 |

| | | | | |
|---|----------------|------------------|----------------|------------------|
| Non-controlling interest | 8,720 | 54,881 | 8,720 | 54,881 |
| TOTAL SHAREHOLDER'S EQUITY | 453,849 | 2,856,475 | 439,547 | 2,766,463 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | 696,648 | 4,384,631 | 750,032 | 4,720,627 |

SOURCE Ambow Education Holding Ltd.

<https://www.ambow.com/2012-05-29-Ambow-Education-Files-2011-Annual-Report-on-Form-20-F-and-Confirms-Adjustments-to-2011-Financial-Results>