

## **An Open Letter to Shareholders from Dr. Jin Huang, Chairwoman and CEO, Ambow Education Holding Ltd.**

BEIJING, June 24, 2013 /[PRNewswire](#)/ -- Ambow Education Holding Ltd. (NYSE: AMBO) has issued the following open letter to its shareholders from Dr. Jin Huang, Chairwoman and CEO of the Company:

My Fellow Shareholders:

As you have seen, the Grand Court of the Cayman Islands issued an order on June 7, 2013 appointing members of KPMG as provisional liquidators of the Company, which immediately turned control of the Company over to the provisional liquidators and marked an important turning point in the history of the Company. I am writing this open letter to shareholders in order for you to make informed decisions about your investment in Ambow and to open a dialogue that will be needed to ensure a promising future for the Company and the value of your shares.

### ***The Facts about Ambow***

Many rumors have circulated regarding the Company and the status of various important inquiries that it is the subject of. As investors, you are entitled to transparency and good governance and we are committed to providing you accurate, current information in this regard:

*Cash position.* As a result of our recent financing transaction with SummitView Investment Limited, a strategic and well-connected investment fund, some parties have questioned our liquidity and working capital position. Prior to the issuance of the order of the Grand Court, the Company had ready access to cash and cash equivalents on deposit in major banks in the People's Republic of China and available lines of credit more than sufficient for its current and future needs. In addition, as announced on June 7, 2013, we recently secured the strategic cooperation of the prestigious Bank of Beijing regarding the establishment of further credit lines and comprehensive financial services.

*Rationale for Financing.* The SummitView transaction was also the subject of speculation regarding the terms and purpose of the financing. We engaged in the deal with SummitView due to the resignation of certain directors of the Company resulting in a non-financial covenant having been triggered and the lender's resulting ability to require early repayment. By accepting SummitView's equity investment to replace debt, we not only added another sophisticated financial institution to the list of those who have examined and validated our business model and governance structure, but improved our debt to equity ratio.

*Fraud.* Many bloggers and market players have questioned whether Ambow is one of the PRC-based businesses which make false disclosures and inaccurate public filings. In this regard, I can inform you that my belief is the internal investigation by the international law firm DLA Piper into certain issues affecting the strength of our internal financial controls is close to completion and its findings are capable of release should the provisional liquidators allow DLA Piper to complete this process, although we will need the final report to be made to the Audit Committee in this regard. I am confident that a professionally prepared report would contradict any unfounded rumors regarding the Company.

Moreover, we were the subject of many years of audits conducted by a Big Four accounting firm, extensive due diligence conducted over the course of years by highly sophisticated investors, investment banks and law firms without any of these parties raising any concerns regarding our transparency or the accuracy of our public disclosures.

*Status of the Audit.* We are currently completing the final stages of the audit required to file our Annual Report on Form 20-F with the SEC, subject only to the completion of the internal investigation.

### ***What is at Stake***

For you, as public shareholders, there is a significant risk to your investment posed by the Grand Court's order. The investors who filed the petition seeking the winding up of the Company are led by Avenue Capital. Avenue Capital is a private equity fund that is not constrained to holding only public company shares – in other words, they target returns generated by holding private company shares and then driving a significant liquidity event – and this type of fund typically can hold private company shares for as long as ten years before seeking an exit. For this basic reason, their interests and your interests as public shareholders are not aligned, and their goal will be to buy out the public shares in Ambow at a steep discount to their true value, only to benefit upon the relisting or sale of the Company in a better market. Public shareholders, however, would not participate in

such a liquidity event and would be forced to sell their shares at the price these private equity funds acquired the company. In our case, these sophisticated investors have sought to file for liquidation, which could be to wind up the Company (leaving little upside for them) or more likely to benefit from a steep decline in value that would occur if a liquidation is imminent and accrue to their benefit when the public shareholders sell their shares at those prices and then profit upon the sale or relisting in a better market. The facts that this private equity fund still owns shares, has never sold them to date and recently initiated the Cayman Islands petition process with only two private equity firms in support, would strongly suggest that this may be their strategy. This is further evidence that our Company has significant value (or at least they believe so) or they would not be still allocating the significant resources required in their attempt to wrest control of the company. As a fiduciary to the public shareholders, I cannot allow one minority group of financial investors to realize a significant profit at the expense of all the public shareholders.

Moreover, even for those private shareholders who may have the opportunity to participate in taking the Company private, much risk is presented by the actions of these private equity funds. The order issued by the Grand Court on June 7 has raised significant concerns among the education authorities in the PRC, the school administrators and innocent students regarding the stability of the Company and its operations. As a result of my experience in viewing the actions of these constituencies in other situations, I am very worried that these events could have a significant impact on the operations of the Company and it is unclear to me what steps the relevant government authorities might take in this regard.

### ***What I did Wrong and How We Can Still Participate in a Turnaround***

Since taking Ambow public, I have learned much. Having spent most of my career focused on execution in a private company context, I was under-prepared for the demands of managing our relations with investors, building investor confidence in the organization's governance culture and preserving regular dialogue with Wall Street analysts and shareholders. I also did not act quickly enough once market confidence in the Company and my team began to decline, which was compounded by resignations and market-moving events affecting many companies in our industry segment.

On the other hand, I am still one of the largest shareholders of the Company and to date have not sold a single share of my holdings. While many other CEO's have adopted "10b5-1 plans" and other means of monetizing their company positions, I have preserved my commitment to Ambow and my long-term interests remain aligned with yours.

We have no desire to engage in a war with opportunistic private equity funds with vast resources and an investment focus that may not be aligned with all of our shareholders', and we certainly have no desire to destroy the Company we worked so hard to build. In fact, I sought to reconcile all outstanding issues with Avenue before the order was issued by the Grand Court and have consistently recommended that the governance dispute be the subject of an open vote of the Company's shareholders.

In sum, I am open to finding a solution that accommodates the legitimate concerns of shareholders so long as our business operations are not adversely affected. While my continued leadership as CEO has been challenged several times, I have retained this job only for two important reasons – I am responsible for the continued welfare of the thousands of full and part-time employees of Ambow and hundreds of thousands of students receiving our services. Secondly, many of the licenses in the PRC and critical relationships with government officials, lenders and business partners are based on my involvement with the Company, which cannot be jeopardized to suit the whims of one investor group's investment thesis. As one of the largest shareholders of Ambow, I need to take those actions which are prudent to continue the growth of the Company and I care about the value of my shares just as you do. If I saw there was another feasible option which I believed could increase the value of my shares, I would consider it.

The path I see as most beneficial to the mutual interests of all shareholders involves:

- Achieving a consensus among the factions within the Company that the most important focus of our efforts is to mitigate the anxiety of the education authorities and students regarding the future of the Company
- Co-operate with the provisional liquidators in compliance with the Grand Court's court order, hoping that they will acknowledge, understand and work with comments of management that founded the company and operated it for the past thirteen years
- Stabilizing the team within the Company and ensuring continued smooth operations of the education business
- Completion of the Internal Investigation and FY 2012 audit
- Filing of 20-F with the SEC
- Resumption of NYSE trading of our ADSs
- Opening the board to new independent candidates to add new voices and perspectives, unconnected to the deadlock of earlier this year and its adverse consequences (auditor resignation and trading halt)

- Continued growth in the education business and opportunistic partnering with high-quality profitable operations in the PRC

We believe that these issues should be resolved by you, and we hope that the issues facing the Company can be the subject of an emergency general meeting of shareholders so that the decision makers can hear the voices of all shareholders. We believe that liquidating the Company, or turning it over to the private equity funds seeking to profit to your detriment, is clearly not in the best interests of all shareholders and public shareholders in particular. As the founder of Ambow, I will continue to fight for the best interests of the shareholders, and we ask for your support.

Respectfully,

Dr. Jin Huang

For investor and media inquiries please contact:

Ms. Annie Wang  
Investor Relations  
Ambow Education Holding Ltd.  
Tel: +86-10-6206-8042  
Email: [ir@ambow.com](mailto:ir@ambow.com)

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