

## CHINAEDU REPORTS SECOND QUARTER 2011 RESULTS

### *Second Quarter Net Revenue Grows 10.6 Percent Year-Over-Year, Exceeds Company Guidance Net Income Attributable to ChinaEdu per Diluted ADS is \$0.046*

BEIJING, CHINA – September 8, 2011 – ChinaEdu Corporation (NASDAQ: CEDU) (“ChinaEdu” or the “Company”), a leading online education services provider in China, today announced its unaudited financial results for the second quarter and six months ended June 30, 2011.<sup>1</sup>

#### **Key Quarterly Financial and Operating Data**

- Total net revenue for the second quarter of 2011 was \$17.0 million, a 10.6 percent increase from \$15.4 million in the corresponding period in 2010, exceeding Company guidance of \$15.7 million to \$16.2 million.
- Net revenue from online degree programs was \$13.6 million, an increase of 9.8 percent from \$12.4 million in the corresponding period of 2010.
- Net income attributable to ChinaEdu was \$0.8 million.
- Adjusted net income attributable to ChinaEdu<sup>2</sup> was \$1.2 million.
- Net income attributable to ChinaEdu per diluted ADS<sup>3</sup> was \$0.046, compared to \$0.121 in the corresponding period in 2010.
- Adjusted net income attributable to ChinaEdu per diluted ADS<sup>4</sup> was \$0.070, compared to \$0.132 in the corresponding period in 2010.
- The number of revenue students<sup>5</sup> in online degree programs was approximately 159,000 during the Spring 2011 semester.

“Revenue growth of ChinaEdu’s four core business lines tracked according to expectation in the second quarter of 2011,” said Julia Huang, chairman and chief executive officer of ChinaEdu. Ms. Huang added, “Investment in promising new business initiatives continues to put pressure on our margins; however, we have implemented cost control measures aimed at reducing costs in the coming quarters. Our foundation in online degree programs allows us to explore strategic initiatives, leveraging our expertise to capture the tremendous opportunities in China’s education market.”

<sup>1</sup> The reporting currency of the Company is RMB, but for the convenience of the reader, the amounts for the three and six months ended on June 30, 2010 and June 30, 2011 are presented in U.S. dollars. Unless otherwise stated, all translations from RMB to U.S. dollars were made at the rate of RMB6.4635 to \$1.00, the noon buying rate in effect on June 30, 2011 in the H.10 statistical release of the Federal Reserve Board. The Company makes no representation that the RMB or U.S. dollar amounts referred could be converted into U.S. dollars or RMB, as the case may be, at any particular rate or at all. For analytical presentation, all percentages are calculated using the numbers presented in the financial statements contained in this earnings release. An explanation of the Company’s non-GAAP financial measures is included in the section entitled “Non-GAAP Financial Measures” below, and the related reconciliations to GAAP financial measures are presented in the accompanying financial statements.

<sup>2</sup> “Adjusted net income attributable to ChinaEdu” is a non-GAAP measure defined as net income attributable to ChinaEdu excluding share-based compensation net of noncontrolling interest portion, and amortization of intangible assets and land use rights.

<sup>3</sup> “ADS” is American Depositary Share. Each ADS represents three ordinary shares.

<sup>4</sup> “Adjusted net income attributable to ChinaEdu per diluted ADS” is a non-GAAP measure which is computed using adjusted net income attributable to ChinaEdu over number of ADSs used in net income attributable to ChinaEdu per diluted ADS calculation.

<sup>5</sup> “Revenue students” refers to students of university online degree programs who have paid tuitions. The numbers for the three months ended 30 June 2011 are revenue students in spring 2011.

Ms. Huang continued, “We are pleased with our progress as we ramp up our new business initiatives. During the second quarter, our 101 online program team launched several successful new interactive knowledge-based products. These new product offerings attracted new users, growing our user base. The interactive Q&A tutoring website logged more than twenty million page views this past quarter and we have launched an in-depth user feedback program to help us improve the offering to drive continued growth.”

### **Recent Developments**

Julia Huang, chairman and chief executive officer of ChinaEdu Corporation, has taken on the role of acting chief financial officer effective immediately. Ms. Huang has served as the Company’s chairman since 2007 and as chief executive officer since 2000. Ms. Huang holds an MBA from Columbia Business School with concentrations in finance and international business, and a master’s degree in chemical engineering and microbiology from the University of Tennessee in Knoxville.

### **Financial Results for the Second Quarter Ended June 30, 2011**

#### **Net Revenue**

Total net revenue for the second quarter of 2011 was \$17.0 million, a 10.6 percent increase from \$15.4 million in the corresponding period in 2010. Net revenue from online degree programs for the second quarter of 2011 was \$13.6 million, a 9.8 percent increase from \$12.4 million for the corresponding period in 2010. The increase was primarily due to the continued expansion of the learning center network, with organic growth in revenue students enrolled in our online degree programs contributing as well. Enrollment for 2011 spring semester online degree programs was approximately 159,000 revenue students, a 1.3% increase from approximately 157,000 revenue students in the Spring 2010 semester

As of June 30, 2011, the ChinaEdu learning center network was providing online degree programs for 21 universities with 100 operational learning centers, of which 57 were proprietary centers<sup>6</sup> and 43 were contracted centers<sup>7</sup>. This compares to 65 operational learning centers as of the end of the second quarter of 2010, of which 27 were proprietary and 38 were contracted centers.

Net revenue from non-degree programs, including online tutoring programs, private primary and secondary schools and international and elite curriculum programs, in the second quarter of 2011 was \$3.4 million, a 13.5 percent increase from \$3.0 million in the second quarter of 2010. The \$0.4 increase was mainly attributable to increased student enrollment at our private school in Anqing.

#### **Cost of Revenue**

Total cost of revenue for the second quarter of 2011 was \$6.8 million, an increase of 26.3 percent, up from \$5.4 million in the corresponding period of 2010. Cost of revenue for online degree programs in the second quarter of 2011 was \$4.6 million, an increase of 20.8 percent compared to \$3.8 million in the corresponding period of 2010. Continued expansion of the Company’s learning center network, as well as spending related to the development of teacher training programs hosted by collaborative alliance partners, drove the increase in cost of revenue for online degree programs.

<sup>6</sup> Proprietary centers refer to self-owned learning centers operated either under the Company’s own brand name or the brand name of a university pursuant to a licensing arrangement with that university.

<sup>7</sup> Contracted centers refer to agreement with third party learning centers pursuant to which the Company only provides assistance applying for approval from provincial level education authorities as well as securing additional university online degree programs. In return, the Company receives a percentage of the tuition earned by these third party learning centers.

Cost of revenue for non-degree programs in the second quarter of 2011 was \$2.3 million, an increase of 38.9 percent from \$1.6 million in the second quarter of 2010. The rise in cost was related to an increase in staff and rental costs associated with the expansion of international and elite programs as well as the development of interactive and personalized learning products for online tutoring programs. The increase was also related to increased costs associated with the Anqing School, including increased teaching staff costs, cafeteria related costs and an increased depreciation charge for the new campus.

### **Gross Profit and Gross Margin**

Gross profit for the second quarter of 2011 was \$10.2 million, compared to \$10.0 million in the corresponding period of 2010. Total gross margin decreased to 59.9 percent, compared to 64.9 percent for the corresponding period in 2010. Gross margin for online degree programs decreased to 66.5 percent for the second quarter of 2011, compared to 69.6 percent in the corresponding period of 2010. The decrease in gross margin was primarily due to the expansion of our learning centers network and was also due to increased costs associated with developing teacher training programs. In the future, we expect gross margin for online degree programs to continue to decrease somewhat as the percentage of total net revenue contributed by the Company's learning centers network increases. This is because the learning centers network's sales and service scope results in a higher cost of sales for that area of our business.

Gross margin for online tutoring programs decreased slightly to 71.4 percent, down from 75.8 percent in second quarter of 2010, largely due to increased staff costs associated with expanding interactive course offerings and adding additional off-line personalized tutoring services. Despite increased cost of revenue, gross margin for private schools improved to 29.3 percent, compared to 25.8 percent in the corresponding period in 2010. The improvement was due to increased enrollment at the Anqing School's new campus.

With a new program launched in our international division this fiscal year, gross margin for the international curriculum and elite programs was negative 48.0 percent for the second quarter of 2011, compared to 45.9 percent for the second quarter of 2010. This was primarily due to investments in staff and rental costs related to the expansion of international and elite programs.

### **Operating Expenses**

Total operating expenses were \$7.6 million in the second quarter of 2011, a 36.8 percent increase from \$5.6 million for the corresponding period in 2010. As a percentage of net revenue, total operating expenses increased to 44.7 percent, compared with 36.1 percent in the corresponding period in 2010. The increase in total operating expenses resulted from the following:

- General and administrative expenses for the second quarter of 2011 were \$3.8 million, a 33.8 percent increase from \$2.8 million for the corresponding period in 2010. As a percentage of net revenue, general and administrative expenses increased to 22.4 percent, from 18.5 percent in the same period in 2010. Increased staff costs and rising costs associated with leased facilities were the primary reasons for the increase. ChinaEdu's donation of approximately RMB1 million, or \$0.2 million, in supplies to the Beijing Language and Culture University, in line with the Company's corporate social responsibility efforts, was also included in the quarterly general and administrative expense.
- Selling and marketing expenses were \$2.2 million in the second quarter of 2011, an increase of 74.8 percent compared to \$1.2 million for the corresponding period in 2010. As a percentage of net revenue, selling and

marketing expenses increased to 12.8 percent, up from 8.1 percent in the same period in 2010. The increase in selling and marketing expenses were mainly related to growth in sales force headcount for online tutoring programs in Beijing and expenses related to national promotion and branding activities.

- Research and development expenses for the second quarter of 2011 were \$1.6 million, an increase of 10.4 percent from \$1.5 million in the corresponding period in 2010. The increase was primarily attributable to an increase in research and development headcount in connection with upgrading learning management systems and enhancing courseware development, particularly for the development of interactive products. As a percentage of net revenue, research and development expense was 9.5 percent in the second quarter 2011, a slight decrease from 9.6 percent in the same period of 2010.
- Share-based compensation for the second quarter of 2011, which is allocated to the related cost and operating expense line items, increased to \$0.3 million from \$0.1 million in the corresponding period in 2010, due to a true-up adjustment of forfeiture rate that occurred in second quarter of 2010.

### **Income from Operations**

Income from operations for the second quarter of 2011 was \$2.6 million, a decrease of 41.6 percent compared to \$4.4 million in the corresponding period of 2010. Operating margin decreased to 15.2 percent for the second quarter of 2011, compared to 28.7 percent in the corresponding period of 2010.

Adjusted income from operations, a non-GAAP measure defined as income from operations excluding share-based compensation, and amortization of intangible assets and land use rights, was \$3.0 million for the second quarter of 2011, a decrease of 35.4 percent compared to \$4.7 million in the corresponding period of 2010.

Adjusted operating margin, a non-GAAP measure defined as the ratio of adjusted operating income from operations (non-GAAP) over net revenue, for the second quarter of 2011 decreased to 17.7 percent, compared to 30.3 percent for the corresponding period of 2010.

### **Interest Income and Investment Income**

Interest income and investment income for the second quarter of 2011 increased 48.3 percent to \$0.4 million, compared to \$0.3 million for the corresponding quarter of 2010.

### **Income Tax Expense**

In the second quarter of 2011, income tax expense was \$0.6 million and the effective income tax rate was 20.1 percent, compared with a tax rate of 21.0 percent in same period of 2010.

### **Net Income Attributable to Non-controlling Interests**

Net income attributable to non-controlling interests remained stable at \$1.7 million in the second quarter of 2011, compared to \$1.6 million in the corresponding period in 2010.

### **Net Income Attributable to ChinaEdu**

Net income attributable to ChinaEdu, which is net income, excluding net income attributable to non-controlling interests, was \$0.8 million in the second quarter of 2011, representing a decrease of 62.8 percent from \$2.1 million in the corresponding period of 2010.

Net income attributable to ChinaEdu per basic and diluted ADS was \$0.049 and \$0.046, respectively, for the second quarter of 2011, as compared to \$0.130 and \$0.121, respectively, for the corresponding period in 2010.

Adjusted net income attributable to ChinaEdu (non-GAAP) was \$1.2 million in the second quarter of 2011 compared to \$2.3 million in the corresponding period of 2010. Adjusted net margin, a non-GAAP measure defined as the ratio of adjusted net income attributable to ChinaEdu (non-GAAP) over net revenue, was 7.0 percent in the second quarter of 2011, compared to 14.8 percent in the corresponding period of 2010.

Adjusted net income attributable to ChinaEdu per basic and diluted ADS (non-GAAP) was \$0.076 and \$0.070, respectively, for the second quarter of 2011, compared to \$0.142 and \$0.132, respectively, in the corresponding period of 2010.

### **Deferred Revenue**

At the end of the second quarter of 2011, deferred revenue was \$20.0 million, consisting of current deferred revenue in the amount of \$18.5 million and non-current deferred revenue in the amount of \$1.5 million. Spring semester tuition is generally received during the second quarter but is recognized both in the second quarter and the third quarter of the year.

### **Cash and Cash Equivalents and Term Deposits**

As of June 30, 2011, the Company reported cash and cash equivalents and term deposits of \$46.3 million, which primarily consisted of cash, demand deposits with original maturity terms of three months or less, and term deposits with original maturity terms of greater than three months but less than one year.

### **Amounts Due from Related Parties**

Amounts due from related parties, which represents cash owed to the Company by collaborative alliance partners, were \$41.9 million as of June 30, 2011 as compared to \$38.2 million as of December 31, 2010.

## **2011 Year-to-Date Financial Results**

### **Net Revenue**

For the six months ended June 30, 2011, total net revenue was \$31.2 million, which represented an increase of 7.8 percent over \$28.9 million in the corresponding period in 2010. Net revenue from online degree programs for the first half of 2011 was \$24.7 million, representing a 7.4 percent increase from \$23.0 million in the corresponding period in 2010. And net revenue from non-online degree programs for the first half of 2011 was \$6.4 million, compared to \$5.9 million in 2010, a 9.3 percent increase. The growth in total net revenue was attributable to strong enrollment for the online degree programs both in the Fall semester of 2010 and Spring semester of 2011, particularly at learning centers. Growth in net revenue at the Anqing School and for 101 online tutoring programs also contributed to the net revenue increase, despite a decrease in revenue for international and elite curriculum programs.

### **Cost of Revenue**

For the six months ended June 30, 2011, total cost of revenue was \$13.0 million, an increase from \$10.3 million for the corresponding period in 2010. Cost of revenue for online degree programs in the first half of 2011 was \$8.7 million, an increase of 23.6 percent compared to \$7.0 million in the corresponding period of 2010. The increase was primarily due

to cost increases related to the expansion of the Company's learning centers network and increases in headcount across business lines.

Cost of revenue for non-online degree programs in the first half of 2011 was \$4.3 million, an increase of 32.8 percent compared to \$3.2 million in the corresponding period of 2010. The increase was primarily attributable to an increase in teaching and recruiting costs related to the expansion of international and elite programs to meet market demand for study-abroad opportunities. This increase was also due to an increase in depreciation charges at the Anqing School as well as additional headcount required to develop interactive and personalized learning products for online tutoring programs.

### **Gross Profit**

Gross profit for the six months ended June 30, 2011 was \$18.2 million, a slight decrease of 2.5 percent compared with \$18.6 million for the corresponding period in 2010. The decrease was primarily due to a decrease in gross margin for international and elite curriculum programs.

### **Income from Operations**

Income from operations was \$4.3 million for the six months ended June 30, 2011, representing a decrease of 42.7 percent from \$7.4 million for the corresponding period in 2010. Operating margin was 13.7 percent for the six months ended June 30, 2011 compared to 25.7 percent for the corresponding period in 2010.

Adjusted income from operations (non-GAAP) was \$5.1 million for the first half of 2011, representing a decrease of 37.6 percent, compared to \$8.2 million in the corresponding period of 2010. Adjusted operating margin (non-GAAP) for the six months ended June 30, 2011 was 16.4 percent, compared to 28.4 percent for the corresponding period in 2010.

### **Interest Income and Investment Income**

Interest income and investment income increased 60.0 percent to \$0.7 million in the year 2011, compared to \$0.5 million in the year 2010.

### **Income Tax Expense**

Income tax expense for the year 2011 was \$1.0 million, as compared with \$2.3 million for the year 2010.

### **Net Income Attributable to Non-controlling Interests**

Net income attributable to non-controlling interests was \$2.7 million in first half of 2011, an increase of 11.1 percent compared to \$2.5 million in the first half of 2010. The increase was primarily attributable to a non-controlling interest impact related to the increase in net income from online degree programs in the first half of 2011.

### **Net Income attributable to ChinaEdu**

Net income attributable to ChinaEdu was \$1.3 million for the six months ended June 30, 2011, representing a decrease of 58.9 percent from \$3.2 million for the corresponding period in 2010. Net margin was 4.2 percent for the six months ended June 30, 2011, compared to 11.1 percent for the corresponding period in 2010.

Adjusted net margin was 6.9 percent for the six months ended June 30, 2011, compared to 13.5 percent for the corresponding period of 2010. The decrease was primarily due to the decreased net profit in the second quarter of 2011.

### **Third Quarter 2011 Total Net Revenue Guidance**

ChinaEdu expects total net revenue in the third quarter of 2011 to range from RMB112 million to RMB116 million or \$17.4 million to \$18.0 million. This forecast reflects ChinaEdu's current and preliminary view, which is subject to change.

### **Conference Call**

ChinaEdu's management will hold an earnings conference call at 8:00 a.m. U.S. Eastern Time on September 8, 2011 (8:00 p.m. Beijing/Hong Kong Time on September 8, 2011).

Dial-in details for the earnings conference call are as follows:

U.S. Toll Free Number:	+1 866 519 4004
International Dial-in Number:	+1 718 354 1231
China Domestic (Mobile Callers):	400 620 8038
China Domestic:	800 819 0121
Hong Kong:	+852 2475 0994
Conference ID:	95956555

A live and archived webcast of the conference call will be available on the investor relations page of ChinaEdu's website at <http://ir.chinaedu.net> and a replay of the conference call may be accessed by phone at the following numbers until September 29, 2011.

Dial-in numbers for the replay are as follows:

U.S. Toll Free Number	+1 866 214 5335
International Dial-in Number	+1 718 354 1232
Conference ID:	95956555

### **Non-GAAP Financial Measures**

To supplement the unaudited condensed consolidated financial information presented in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"), the Company uses non-GAAP measures of income from operations and net income attributable to ChinaEdu, which are adjusted from results based on GAAP to exclude certain non-cash items of share-based compensation and amortization of intangible assets and land use rights. These non-GAAP financial measures are provided to enhance the investors' overall understanding of the Company's current and past financial performance in on-going core operations as well as prospects for the future. These measures should be considered in addition to results prepared and presented in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. Management considers the non-GAAP information as important measures internally and therefore deems it important to provide all of this information to investors.

### **About ChinaEdu**

ChinaEdu Corporation is an educational services provider in China, incorporated as an exempted limited liability company in the Cayman Islands. Established in 1999, the Company's primary business is to provide comprehensive services to the online degree programs of leading Chinese universities. These services include academic program development, technology services, enrollment marketing, student support services and finance operations. The Company's other lines of businesses include the operation of private primary and secondary schools, online interactive

tutoring services and providing marketing, support for international and elite curriculum programs and online learning community for adult students.

The Company believes it is the largest service provider to online degree programs in China in terms of the number of higher education institutions that are served and the number of student enrollments supported. The Company currently has 19 long-term contracts that generally vary from 10 to 50 years in length. ChinaEdu also performs recruiting services for 21 universities through nationwide learning center network.

### **Forward-Looking Statement**

This press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including certain plans, expectations, goals, and projections, which are subject to numerous assumptions, risks, and uncertainties. Forward-looking statements involve known and unknown risks, uncertainties and contingencies, many of which are beyond our control which may cause actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. The Company’s actual results could differ materially from those contained in the forward-looking statements due to a number of factors, including those described under the heading “Risk Factors” in the Company’s Annual Report on Form 20-F for the year ended December 31, 2010, and in documents subsequently filed by the Company from time to time with the Securities and Exchange Commission. Unless required by law, the Company undertakes no obligation to (and expressly disclaim any such obligation to) update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **For investor and media inquiries, please contact:**

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