
**ChinaEduQ2 2011 Earnings
Conference Call Script**

Operator: Good evening and thank you for standing by for ChinaEdu's second quarter 2011 earnings conference call. At this time, all participants are in listen-only mode. After management's prepared remarks, there will be a question-and-answer session. Today's conference is being recorded. If you have any objections you may disconnect at this time. I would now like to turn the meeting over to your host for today's conference, Helen Plummer, Senior Investor Relations Coordinator for ChinaEdu.

Helen Plummer

Hello everyone and welcome to ChinaEdu's second quarter 2011 earnings conference call. The company's first quarter earnings results were released earlier today, and are available on the company's investor relations website at www.Chinaedu.net as well as on newswire services.

Today, you will hear from our chairman, chief executive officer and acting chief financial officer, Julia Huang, who will talk about our company, strategy and financial outlook and Mr. Shawn Ding, our president and chief operating officer, who will discuss business operations. After their prepared remarks, Julia and Shawn will be available to answer your questions.

Please note that today's discussion will contain forward-looking statements made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, our future results may be materially different from the views expressed today. Further information regarding these and other risks and uncertainties is included in our registration statement on Form F-1 and annual report on Form 20-F and in other documents filed with the U.S. Securities and Exchange Commission. ChinaEdu does not assume any obligation to update any forward-looking statements except as required under applicable law.

As a reminder, this conference is being recorded. In addition, a webcast of this conference call will be available on our investor relations website at www.chinaedu.net. I will now turn the call over to ChinaEdu's chairman, chief executive officer and acting chief financial officer, Julia Huang.

Julia Huang, CEO

Thank you Helen and thank you everyone for joining us today.

As you have read in our press release issued earlier today, I have taken on the role of acting CFO. To ensure continuity in our financial and general management, our management team has decided that it makes the most sense for me to fill this role until a superior CFO, who is willing to make a long term commitment to our company and shareholders can be found.

Moving onto our results from the second quarter:

Revenue from our four core business lines: online degree programs, online tutoring programs, private primary and secondary schools and international and elite curriculum programs tracked according expectation. As anticipated, 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, and gross profit for the second quarter of 2011 was \$10.2 million, compared to \$10.0 million in the corresponding period of 2010.

Net revenue from online degree programs in the second quarter was \$13.6 million a 9.8 percent increase from \$12.4 million in the same period last year. We had 159,000 revenue generating students registered this past quarter, a 1.3 percent increase over the same period last year. The increases we saw in online degree programs in the second quarter were driven by the expansion of our learning centers network and by organic growth in student enrollment in online degree programs. The reason that the increase in revenue generating students is not consistent with the increase in revenue from online degree programs is that the percentage of students enrolled through our proprietary learning centers increased disproportionately to students enrolled at our contracted learning centers in the second quarter when compared to the same period in 2010. Revenue contribution from proprietary centers is generally higher than that from contracted centers. Additionally, there was a payment from one of our cooperative alliance's contracted centers that came in late and therefore did not count towards student count or revenue in the second quarter.

We continue to see steady revenue growth in our online degree programs each quarter. This is driven by our strong brand name, marketing efforts and robust word of mouth promotion. However, with all new programs subject to the Ministry of Education's approval process and with new approvals slow to materialize, our growth in online degree programs has been somewhat limited. We do have several long-term contracts signed and awaiting approval and expect the robust growth in online degree programs will pick up just as soon as MOE approvals come through.

As a reminder, due to regulatory requirements, the fall recruiting season is going to end early this year, around the mid of September. Although recruiting goes on year round, the number of students that can be enrolled and recognized as fall semester students may be reduced by this regulation. While this will not negatively impact our business, it may shift where enrollments fall in comparison to where they fell traditionally.

Getting back to this past quarters results....

Cost of revenue for online degree programs in the second quarter was \$4.6 million, an increase of 20.8 percent over the same period a year ago. This was the result of expansion of our learning centers network as well as investment in teacher training programs that Shawn will address in greater detail in a moment.

While we wait for the MOE to open up new programs, we continue to build out our consumer driven business initiatives to diversify our revenue streams, thus enhancing our future growth potential.

In exploring new initiatives, we stay close to our core competency of delivering high quality learner-centric educational programs and services that actively engage students in the learning processes. New initiatives include our online interactive learning products and our international and elite programs.

We recently launched several new products: “Weekly Practice”, knowledge point based product and a new online assessment product was launched to compliment our Q&A tutoring website. We have had positive feedback on both offerings from students and we are currently marketing these products for the back-to-school season. In the second quarter, our interactive Q&A tutoring website logged more than twenty million page views.

Our international programs are designed for high school students wishing to travel abroad for university. Our elite program is K-12 focused, aimed at children who attend public schools and are looking for supplemental English instruction and extracurricular educational experiences to enhance their chances securing competitive study abroad opportunities later in their academic career.

In an effort to start off marketing and branding efforts for our new programs with a bang, we hosted the Company’s first ever “Super Student Competition” from May through the end of July. The event was successful, drawing national interest and participation beyond our initial goals. We plan to host the competition annually and anticipate even greater participation next year.

We are the dominant player in online degree programs and hold a top market position in the online K-12 after school market. I am confident that online education in China will benefit from improving internet speeds and access and through advancements in mobile devices. We intend to leverage our brand and market share to capitalize on opportunities in non-degree programs as well. Net revenue from non-degree programs in the second quarter was \$3.4 million, a 13.5 percent increase from \$3.0 million in the same period last year.

Included in our non-degree programs is revenue from our private schools. Graduates from our private schools have built a strong college and top high school admissions record and the schools have built a reputation for excellence in their respective surrounding geographical areas. In the past two years, we have seen a continued increase in enrollment at our private school in Anqing, In fact, revenue from our private schools in the second quarter increased 25.7% over the same period last year.

As CEO and acting CFO, our costs and margins are always on my mind. We have recently initiated control measures that should help improve our cost structure and margins next year. Cost of revenue for non-degree programs in the second quarter \$2.3 million, up from \$1.6 million in the same period in 2010. The increase was primarily related staff and facility rental cost increases from the expansion of our international and elite programs. Investment in the development of interactive and personalized learning products for our online tutoring programs also increased costs. Through the initiation of these cost control measures, we plan to tackle staffing and rental costs head-on, while maintaining a balance between infrastructure development and current enrollment targets. While we are confident in future enrollment in our new initiative programs, until we see concrete improvement in enrollment numbers, we intend to focus on reducing the costs associated with these programs.

In terms of operating expenses...

G&A expenses for the second quarter were \$3.8 million. As a percentage of net revenue, G&A expenses increased to 22.4 percent, from 18.5 percent in the same period in 2010. It is my hope to keep increases in G&A in line with revenue growth in the coming quarters.

Selling and marketing expenses were \$2.2 million in the second quarter of 2011. 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. We will focus our spending on areas of the market where we are the first mover and stand to gain the most from marketing our brand.

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. Spending on R&D has mainly revolved around our 101 Online tutoring program, our Q&A website and learning management system upgrades. Again, as internet speeds improve and access to internet increases, we are confident that spending in R&D in these areas of our business will bring solid future returns.

Our balance sheet remains healthy. As of June 30, 2011, we had cash and cash equivalent and term deposits \$46.3 million. Including our \$5.9 million in short term investments, total cash, term deposit and short term investment were \$52.1 Million. As an update on our share repurchase program, as of the end of the second quarter, we had purchased \$0.9 million worth of our own shares..

Now turning to guidance....

We expect total net revenue in the third quarter of 2011 to range from RMB111million to RMB118 million or approximately \$17.4 million to \$18.0 million. This forecast reflects our current and preliminary view, which is subject to change.

I will now turn the call over to Shawn Ding, our President and chief operating officer for his comments on the second quarter.

Shawn....

Shawn Ding - ChinaEdu Corporation - President, COO

Thank you, Julia. Ladies and gentlemen, thank you for joining us today.

As Julia mentioned, our online degree programs remain strong. In the second quarter, we successfully completed the 2011 spring recruiting season with enrollment growing to approximately 159,000 students up from approximately 157,000 students in the same period a year ago. Furthering our marketing and operational efficiency continue to be the main themes for improvement in our joint ventures.

As of June 30 2011, our learning centers network was providing online degree programs for 21 universities with 103 operational learning centers, including 57 proprietary centers and 46 contracted centers. 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. In the near-term, we will focus our efforts on improving the profitability of each of our learning centers, rather than aggressively expanding the total number of learning centers in our network.

Beyond the financial contributions made by our learning centers network, the network also offers strategic business value as a platform for enhancing the recognition of the ChinaEdu brand. This, in turn, further enhances Chinaedu's leading market position across our multiple business lines.

In terms of new contracts, in May 2011, we signed a joint venture contract with Zhejiang Normal University to exclusively operate the university's online degree and training programs. Zhejiang Normal is a leading institution in south east China. The joint venture will help Zhejiang Normal apply for the license to operate an online degree program. Before receiving this license, the JV will offer training programs to over 400,000 teachers in Zhejiang province and surrounding provinces..

Teacher training programs are a relatively new business segment at ChinaEdu. Online teacher training has proven an effective and efficient platform for the country's education system to re-train the 10 million plus teachers across China. In the second quarter, we officially launched the program in Guangdong province and we'll be launching the program in Zhejiang in the second half this year. As we build up our educational resources, the technology system used in the program and our marketing efforts surrounding this business line, we will be able to further expand into other provinces.

Technology and infrastructure is a corner stone to Chinaedu's online education business. In the second quarter, we completed several important projects that allowed us to upgrade our technology in the direction of cloud computing. Our investment in this area will greatly improve our system's reliability and scalability, an important step that will allow market share growth in the future.

I thank you again for joining us today and will now turn the call over to our operator to take your questions.

Operator...

Operator:

Ladies and gentlemen, we will now begin the question and answer portion of this call.
[Operator will give STANDARD instructions]

After questions....

I will now hand the call back to Julia Huang, CEO and Acting CFO of ChinaEdu

Julia Huang, CEO

Thank you again for participating in our second quarter 2011 earnings conference call. As the dominant player in the online degree market in China, we are confident in our future. We do face ongoing regulatory challenges in online degree programs, but our sails are trimmed and when the regulatory environment improves, we will be ready to set sail. In the meantime, we are investing in diversified revenue streams to bolster future growth beyond online degree programs. With a brand name and model that cannot be replicated, we are excited to be in the best position to take advantage of the opportunities arising in China's online education market. As always, we sincerely appreciate your interest and support. If you have any questions, please do not hesitate to contact us at ir@chinaedu.net. Thank you very much