
**ChinaEdu Q3 2011 Earnings
Conference Call Script**

Operator: Good evening and thank you for standing by for ChinaEdu's third 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 third quarter 2011 earnings conference call. The company's third 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 and chief executive officer, Julia Huang, who will talk about our company and strategy, Mr. Shawn Ding, our president and chief operating officer, who will discuss business operations and Mr. Simon Mei, our chief financial officer who will discuss the financial results in more detail. After their prepared remarks, the team 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 and chief executive officer, Julia Huang.

Julia Huang, CEO

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

I would first like to take the opportunity to introduce you all to our new CFO, Simon Mei who joined ChinaEdu at the beginning of this month. As you have likely read, Simon joined us from Deloitte Touche Tohmatsu., where he was a senior manager in assurance and advisory services in Beijing. In the nine years before he joined Deloitte, Simon worked with E&Y and KPMG in Canada. His years of Big Four audit work included multiple IPO audits including those of education companies. Before going into audit, Simon had a career in financial management in China, giving him the hands-on China-experience needed to get his hands dirty on the business side of our organization. Simon's impressive career experience coupled with his strong academic credentials and certified accountant designations made him the clear choice for the job. Our team has been pleased to see his immediate contributions to ChinaEdu.

Turning now to our results from the quarter:

Business maintained positive momentum this quarter with third quarter total net revenue growing 12.7% year-over-year to \$17.9 million and third quarter net revenue from online degree programs increasing 12.5% year-over-year to \$14.2 million. We also maintained a very healthy balance sheet with cash and cash equivalents, term deposits and short term investments of \$54.1 million as of September 30th 2011. Most importantly, this quarter marks another quarter of profitability for ChinaEdu. We add this quarter to our already robust track record of consistent profitability since our IPO in 2007.

In our core business of online degree programs, even with the shorter enrollment period for the Fall Semester, the enrollment numbers for online degree programs for the Fall enrollment period were better than we projected. With inflation on the rise in China, better jobs are in demand. Students recognize the need for higher education to attain career goals. As China continues to modernize and urbanize, we anticipate growing demand for post-secondary educational opportunities that can be met through our online degree programs.

Steady growth in our online degree division, from which we derive 70% of our current net revenue, provides a solid foundation for new business initiatives. We continue to expand our programs to leverage our core knowledge of interactive, engaging and high quality learning to meet the needs of students across China who demand supplemental educational resources to give them an advantage over stiff academic competition.

The technology in use by students today provides an opportunity to supply interactive web and mobile-based learning and content in a range of products and services. We continue to invest in content development and integration so that we are positioned to be the partner of choice as new products and devices come to market. We have also expanded our own online tutoring and Q&A services in the quarter. In fact, daily page views on August 31 topped 1.64 million for our online Q&A services, demonstrating our strong and growing user base. We anticipate continued strong demand in our highly scalable online tutoring programs.

As we have mentioned before, brand building in the education industry can take time because it is primarily a word-of-mouth process to build trust among parents. Recently, students at our private schools have done

particularly well on high school and college entrance examinations, entering top tier colleges and universities, and thereby directly bolstering our private school brand name. This, in turn has had a positive impact on enrollment at our private schools.

ChinaEdu has a strong brand in online degree programs. Trusted for the high quality of our offerings, we will continue to develop additional products and services that allow us to scale our business. We are making progress in each of our new initiatives. Through careful cost control measures, we make a conscious effort to maintain profitability throughout this investment and development phase of the company's growth and we look forward to reporting another strong fourth quarter as we close out 2011.

I will now turn the call over to Shawn Ding, our president and chief operating officer for third quarter business and operational highlights.

Shawn Ding - ChinaEdu Corporation - President, COO

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

The "back to school" third quarter is a very important recruiting and enrollment season for ChinaEdu. As we mentioned last quarter, due to regulatory requirements, the Fall recruiting season for online degree programs ended early this year in mid-September. Although recruiting goes on year round, we had anticipated that the number of students that could be enrolled and recognized as Fall semester students would be reduced by this regulation. In anticipation of the shorter Fall recruiting period, we accelerated the recruiting process and were very pleased to see the number of applicants exceed our expectations. We are now in the process of enrollment and tuition collection and the preliminary results are very encouraging.

In line with our strategy of focusing 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, we added just three new learning centers in the third quarter of 2011. As of September 30 2011, our learning centers network was providing online degree programs for 21 universities with 103 operational learning centers, including 59 proprietary centers and 44 contracted centers. This compares to 86 operational learning centers as of the end of the third quarter of 2010, of which 43 were proprietary and an equal number were contracted centers.

Benefiting from the strong results of our students on college entrance and high school entrance exams, our K-12 private schools have also seen strong enrollment growth exceeding our forecast. In fact, we have seen record matriculation at all three of our school campuses.

Over all, I am happy to report that each of our business segments is progressing on track and our fundamentals remain strong. We are continuously making progress in operational efficiency, standardization, content development and quality improvements, as well as in technological improvements. We are also seeing very encouraging signals in some of the non-regulated new

businesses we are incubating. While their revenue contribution is still relatively small in 2011, we believe they will make more important contributions in 2012.

For example, leveraging our strong Anqing school brand, we kicked off our after school tutoring program and made great progress. In 2011, we have made significant investments in product development and marketing in 101 online and Q&A services. We have started to see positive user feedback on several new products and services. For our Q&A services, traffic increased almost 50% and the user base grew by 60% in the third quarter over the same period last year. Third quarter page views exceeded 30 million versus 20 million in the second quarter of 2011.

With steady revenue growth from our core online degree programs, and with the positive developing trends in our new business initiatives, We are confident in the long term success of our new programs and the continued diversification of our revenue streams. .

I will now turn the call over to our newly appointed chief financial officer, Simon Mei.

Simon.

Simon Mei, Chief Financial Officer

Thanks Shawn. And thank you both for the warm welcome.

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 to expectation. As anticipated, total net revenue for the third quarter of 2011 was \$17.9 million; a 12.7 percent increase from \$15.8 million in the corresponding period in 2010.

Net revenue from online degree programs in the third quarter was \$14.2 million, a 12.5 percent increase from \$12.6 million in the same period last year. As stated in our second quarter 2011 results, enrollment for 2011 Spring semester online degree programs was approximately 159,000 revenue students, a 1.3 percent increase from approximately 157,000 revenue students enrolled in the Spring 2010 semester. 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 third quarter when compared to the same period in 2010. Revenue contribution from proprietary centers is generally higher than that from 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 third quarter of 2011 was \$3.7 million, a 13.7 percent increase from \$3.2 million in the third quarter of 2010. Of that, approximately \$0.3 million was attributable to increased student enrollment at our private school in Anqing. We continue to see the branding of that school pay off with increased enrollment.

Total cost of revenue for the third quarter of 2011 was \$7.5 million, an increase of 28.8 percent, from \$5.8 million in the corresponding period of 2010. Learning center network expansion and spending related to the development of teacher training programs hosted by collaborative alliance university partners, drove the increase in cost of revenue for online degree programs.

Gross profit for the third quarter of 2011 was \$10.4 million, compared to \$10.1 million in the corresponding period of 2010.

In terms of operating expenses...

General and administrative expenses for the third quarter of 2011 were \$3.7 million, an increase of 18.9 percent from \$3.1 million for the corresponding period in 2010. As a percentage of net revenue, general and administrative expenses increased to 20.5 percent from 19.4 percent in the same period in 2010. Increased staff costs and rising costs associated with leased facilities were the primary reasons for the increase.

Selling and marketing expenses were \$2.2 million in the third quarter of 2011, an increase of 44.7 percent compared to \$1.5 million for the corresponding period in 2010. As a percentage of net revenue, selling and marketing expenses increased to 12.5 percent, up from 9.7 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 promotional and branding activities on a national level.

Research and development expenses for the third quarter of 2011 were \$1.7 million, an increase of 12.2 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, the research and development expense was 9.5 percent in the third quarter 2011, a slight decrease from 9.6 percent in the same period of 2010.

As at September 30, 2011, we had cash and cash equivalents and term deposits of \$48.5 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.

Now turning to guidance....

We expect total net revenue in the fourth quarter of 2011 to range from RMB110 million to RMB115 million or approximately \$17.4 million to \$18.0 million. This forecast reflects our current and preliminary view, which is subject to change.

At this time, we would like to open the call up to 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 Helen Plummer, Senior Investor Relations Coordinator for ChinaEdu.

Helen Plummer

Thank you again for participating in our third quarter 2011 earnings conference call. As always, we 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 and have a good day.