

# FINAL TRANSCRIPT

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**CEDU - Q4 2009 CHINAEDU CORP Earnings Conference Call**

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## CORPORATE PARTICIPANTS

**Jimmy Xia**

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**Julia Huang**

*ChinaEdu Corporation - Chairman, CEO*

**Shawn Ding**

*ChinaEdu Corporation - President, COO*

**Lily Liu**

*ChinaEdu Corporation - CFO*

## CONFERENCE CALL PARTICIPANTS

**Mark Marostica**

*Piper Jaffray - Analyst*

**Ella Ji**

*Oppenheimer & Co. - Analyst*

**Jeff Lee**

*Signal Hill - Analyst*

## PRESENTATION

**Operator**

Welcome to the ChinaEdu Fourth Quarter and Fiscal Year 2009 Financial Results Conference Call. At this time, all participants are in a listen-only mode. Following management's prepared remarks, we will hold a Q&A session.

(Operator Instructions)

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**Operator**

I would now like to turn the conference over to ChinaEdu's Investor Relations Manager, Mr. Jimmy Xia. Please go ahead, sir.

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**Jimmy Xia** - *ChinaEdu Corporation - Manager - IR*

Thank you. Good morning and good evening. Thank you for participating in today's call. Joining me today are Ms. Julia Huang, Chairman and CEO, Mr. Shawn Ding, President and COO and Ms. Lily Liu, CFO.

After the close of the US markets on Thursday, ChinaEdu issued a press release announcing its fourth quarter and fiscal year 2009 financial results which is available on the Company's IR webpage at [ir.chinaedu.net](http://ir.chinaedu.net). This call is also being broadcast live over the Internet and a copy of the presentation that is being used for today's call is also available under the quarterly results page on the Company's IR website.

Before the management's presentation, I would like to refer to the Safe Harbor statement in connection with today's call. This call may contain 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.

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Forward-looking statements involve known and unknown risks, uncertainties and contingencies, many of which are beyond our control which cause actual results, levels of activity, performance or achievements to differ materially for 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, 2008 filed with the SEC, and in documents subsequently filed by the Company from time to time with the SEC.

Unless required by law, the Company undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. I would also to note the reporting currency of the Company is Chinese RMB.

For the convenience of the reader, the amounts are presented in US dollars. All translations from RMB to US dollars were made at the rate of RMB 6.8259 to one US dollar, the noon buying rate in effect on December 31, 2009 in the H-10 statistical release of the Federal Reserve Board.

All percentages are calculated using the numbers presented in the financial statement contained in the earnings release presented in RMB. We make no representation that the RMB or US dollar amounts referred could be converted into US dollars or RMB at any particular rate or at all.

I would now like to turn the call over to ChinaEdu's Chairman and CEO, Ms. Julia Huang. Following our prepared remarks, we will be happy to take your questions. Julia?

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**Julia Huang** - *ChinaEdu Corporation - Chairman, CEO*

Thank you, Jimmy. Good morning and good evening. Thank you again for joining us for today's call. During the fourth quarter of 2009, ChinaEdu has once again exceeded management guidance with solid overall performance.

The management team continued to concentrate on improvements on our core competency in online education. The development of our core business, online degree programs, remains on course through both organic growth and ongoing business development efforts for new partnerships.

Our learning center network has provided strong growth with expansion of additional market penetration. Our 101 online school has continued to make progress in product and service development for our students.

Now let's look at some of our key items for the fourth quarter. Turn to slide five. Our overall net revenue in the fourth quarter of 2009 grew by 10.4% to \$14 million compared to \$12.7 million in the corresponding period of 2008 which surpassed both management guidance and analysts' consensus. Our diluted EPS was \$0.08 in the quarter compared to a loss of \$0.31 in the fourth quarter of 2008 while adjusted diluted EPS was \$0.10 in the quarter versus \$0.13 in the corresponding period of 2008.

Turning to slide six, for this fiscal year 2009, we saw operating results and EPS improved significantly. Our total net revenue grew 12% to \$52 million compared to \$47 million in 2008. Revenue students increased by 18.1% to 287,000 in 2009 compared to 243,000 in 2008.

Adjusted EBITDA increased 28% to \$16 million in 2009 compared to \$13 million in 2008. Net income increased to \$5.1 million in 2009 compared to a loss of \$6.3 million in 2008.

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Adjusted net income increased by 11% to \$7 million in 2009. Our diluted EPS in 2009 was \$0.29 compared to a loss of \$0.33 in 2008. And our adjusted diluted EPS in 2009 was \$0.39 compared to \$0.31 in 2008.

Over the past decade, ChinaEdu has built a unique and competitive position in online degree programs. The new MOE, Ministry of Education's need to long-term education plan came out on February 26. It indicates to enable working about to continue degree and non degree training through distant education assessment.

And the plan addresses the future reforms in self study exams and adopting continued education exams through corresponding study and night schools. We believe that future development in continuing education will be encouraged to be conducted through online education mechanisms or advanced technology such as Internet and mobile phone applications.

We see this as an opportunity for us. Given ChinaEdu's market position, resources and expertise developed in the past 10 years, ChinaEdu can further expand the market and service offerings to a more broad customer base in the long-term.

Now, let's turn to Shawn Ding, our President and CEO, for business and operational highlights, followed by Lily Liu, our CFO, for more financial highlights. Shawn?

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**Shawn Ding** - *ChinaEdu Corporation - President, COO*

Thank you, Julia. Ladies and gentlemen, thank you for joining us today. In the next couple minutes I will briefly discuss our operational accomplishments in 2009 and talk about what we are going to do in 2010 and moving forward. In 2009, ChinaEdu continued to make solid progress through organic growth as well as the development of our online education and online degree initiatives.

Let's look at slide seven. The fourth quarter saw the completion of our online degree programs, recruiting year. And once again, we saw strong annual organic growth of revenue students as stated by Julia.

In 2009, we signed an exclusive JV contract with Fujian Radio and TV University. Through this contract we will expand our product offering to Fujian Province, utilizing Fujian Radio and TV University's existing channel in the province.

We also signed an exclusive technology service arrangement with Jiangsu University for upgrading its existing adult degree program with our online capability. The agreement further defined a long-term technology service partnership once Jiangsu University starts its online degree programs offering.

We continue to invest in R&D, including technologies and content development. As you can see from our operating results, we also continue to make concerted efforts to streamline and improve our operational processes.

By the end of 2009, we had 38 franchise and 22 proprietary learning centers, making a total of 60 learning centers. These learning centers are working with 15 top tier universities' online degree programs, recruiting and student services. By the end of 2010, our target is to have somewhere between 90 to 100 learning centers across the nation.

Now, let's look at slide eight. Our 101 online tutoring process has taken additional steps forward through the expansion of sales channels through the country with an additional concentration in our home market of Beijing. We continue to operate product offerings and reach service levels.

In 2009, in addition to our 100% online tutoring products, we also successfully launched an online/offline hybrid product with in classroom tutoring to supplement the online learning model. It was well received in several piloting cities.

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One of 101 online's innovative offering is called the 101 tutor.com, which is our online question-and-answer product. A dedicated development team was established to develop this product with full speed. We expect to realize the potential of these initiatives in the near future.

As for our private schools, we successfully completed the phase two construction of Anqing School's new campus and Pingdingshan School's new building of dining and dormitory. In both schools, we further improved the program quality and the management processes.

As a result, we achieved better than expected fall recruiting numbers which drove the strong growth of this business. With the established capacity and brand name, we expect to see future growth in the next few years.

Now, let's look at slide nine. It is very difficult to talk about all the exciting things we are doing in the limited time we have. But first and foremost, we will focus on the fundamentals, that is, we will continue to execute the initiatives we set out in 2009.

Our primary focus is to further strengthen our core competency and leadership positions in online education such as our investment in R&D, our expansion of learning center networks, our expansion of 101 online sales efforts and improve our user -- and improve and enhance our user experiences. Now, further positioning the Company's long-term sustainable growth through business development efforts, we will develop online degree partnerships within 68 licensed universities.

We will develop long-term partnerships outside of 68 licensed universities, as well, in anticipation for their online degree offerings. We will also develop long-term partnerships to expand and penetrate into adult degree programs.

Currently, there are around 30 million students in all forms of adult degree programs, while online degree program is only around 1.5 million. So, that number alone should give you an idea about the vast future opportunity for us. It is our strong belief that the traditional adult degree programs will leverage online mechanisms in the coming years.

One other important initiative we kicked off last year was to build an interactive online learning community. We are excited about the progress we have made in 2009 and we believe this will be an important part of ChinaEdu's online offering in the future.

At this time, I have some very good news for our investors. This news will be released early next week. We have recently signed two long-term contracts, one with Jiangxi Normal University.

The uniqueness about this contract is that ChinaEdu will first provide technology services to enable Jiangxi Normal University's adult degree programs with online capability. In the meantime, this contract further defines that a joint venture relationship will automatically be established once Jiangxi Normal University starts its online degree offering.

The second contract we recently signed is a full technology service contract with a university called HuaZhong Normal University. HuaZhong Normal University is one of the 68 universities with online degree licenses. Both parties, namely the university and ChinaEdu, expect to further enhance our relationships and our partnerships in the near future.

In summary, I would like to say 2009 was a good year for us, but with its set of challenges. We are especially pleased with the efforts and results we have made around building the fundamentals of our online programs.

Looking forward to 2010 and beyond, we see an exciting path ahead of us. We are very optimistic about the long-term prospects of our online education in China and especially the great opportunity ahead of us.

I would now like to turn over to Lily for a review of the key financials for this quarter and the year. Lily?



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**Lily Liu** - ChinaEdu Corporation - CFO

Thank you Shawn. Let me now through our fourth quarter and full year results. Before I dive into each specific item, let's first take a look at our revenue mix.

In 2009, we registered strong growth in all of our business segments, online degree programs, learning centers and 101 online schools. In addition, our Anqing School's enrollment and revenue grew significantly post new campus construction. As a result, you can see that revenue contributions by the learning centers, 101 online schools and private schools all had meaningful increases through the year.

Learning centers revenue contribution grew from 2% in the first quarter to 5% in the fourth quarter. And 101 online schools revenue contribution grew from 4% to 6%.

Let's now look at each segment more closely. Our core business segment, online degree programs, had another strong quarter. Volume enrollment in 2009 grew by 18.6% compared to fall of 2008.

On the yearly basis, our revenue student number grew by over 18%. We are now serving a total of 287,000 students.

Net revenue for online degree programs totaled approximately \$42 million in 2009, which represents about 12% growth from 2008. We are also pleased to report, as mentioned by Shawn, that our learning centers network continues to expand, as planned. As of year end, we have a total of 60 learning centers, of which 22 are proprietary and 38 were contracted.

Please note that our net revenue in the fourth quarter includes a refund of value-added tax, which were \$0.6 million in the fourth quarter of last year and \$0.9 million in the current quarter. Generally, the majority of VAT refund occurs in the fourth quarter. However, the amount recognized may not be certain as the time to complete the process at local tax bureaus may be uncertain.

Now, let's take a look at our other business segments. As mentioned earlier, our 101 online tutoring and private schools registered strong revenue growth, both on a quarter basis and yearly basis. 101 online tutoring grew by 27% in 2009 and private schools net revenue grew by 60% approximately.

International curriculum's net revenue declined by 30%, which is in line with management's expectations. Our 101 online tutoring business has continued to push ahead in the current year. We will invest more in product development, customer service, as well as further penetration of strong markets.

Anqing School nearly doubled current capacity post the construction of the new campus. And we are confident that operating results will continue to improve in the coming year.

Now onto cost of revenue -- our total cost of revenue declined slightly by 4% in the fourth quarter of 2009 compared to the fourth quarter of last year. However, on the yearly basis, total cost of revenue increased by 18%.

On a quarterly basis, online degree programs cost of revenue declined slightly due to a decrease in employee and recruiting related commission of costs, and also because in the fourth quarter of 2008 incurred courseware development costs for selected elite courses. In the current quarter, we did not incur as much such activity.

Generally, content development follows our annual strategic and academic plans. However, we have in the past decided to add new courseware development in response to industry demands. On the annual basis, cost of revenue increased for online degree programs, primarily due to expansion of learning centers, overall increase of courseware development and employee and recruiting related costs.

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Also in this quarter, 101 online tutoring cost of revenue declined compared to fourth quarter of last year, particularly due to reduced cost of revenue at our YoYo Bear product. On the annual basis, cost of revenue increased for 101 online tutoring.

Our private schools, particularly Anqing School, -- strong revenue growth more than offset cost of revenue increases, both on a quarterly and annual basis. Gross margin improved from 15% in the fourth quarter of 2008 to 26% in the current quarter, and on the yearly basis from 9% in 2008 to nearly 15% in 2009.

As before, although international curriculum revenue decline, we have maintained or even improved our profitability. Our international curriculum's growth margin increased in 2009 compared to 2008.

Now, let's move on to the operating expenses. First, our general and admin expenses declined both on a quarterly and annual basis. The decline was primarily due to a reduction in headquarter employee related expenses in the fourth quarter. Also contributing to the decline was the fact that there were a couple of onetime items in 2008, such as an account receivables write-off, exchange loss and a construction in progress write-off.

As a result, G&A expenses as a percent of revenue decreased from 27% in 2008 to 23% in 2009. Although G&A expenses will likely incur normal increases as the Company grows, we believe we have normalized our expense structure and variability of G&A expenses, compared to the past couple years.

After G&A expense, let's move to the next line item, sales and marketing expenses. Similar to the G&A expenses, our sales and marketing expenses also declined, both on a quarter and annual basis. On the quarterly basis, sales and marketing expenses declined compared to the fourth quarter of 2008, primarily due to a decrease in conference and other sales activities at our 101 online schools although, overall, sales and marketing expenses increased in 2009 compared to 2008 for our 101 online tutoring.

And, generally, our learning centers shifted from general marketing activities in 2008 to more direct local recruiting related activities in 2009, resulting in a decline of sales and marketing expenses and an increase in cost of revenue for the learning centers. Also, since we incurred an intangibles write-off in 2008, there was also a reduction of intangibles amortization which reduced our sales and marketing expenses in 2009 versus 2008. The above mentioned decreases more than offset increases in sales and marketing expenses for our online degree programs.

Lastly, let's review our third expense line item, R&D expenses. Research and development expenses increased by 16% on an annual basis compared to 2008. We continue to invest in the technology platform for our online degree programs.

In addition, we have also made important progress in developments for our adult non degree education and 101 online schools. In particular, investment in various adult training programs continues to be made at our online colleges, and we have also established a separate team for our adult interactive learning communities with Internet and mobile applications, and separated a development team for 101tutor.com, as well.

Going forward, we are committed to the Company's technology leadership and our future growth across different areas of online education for K through post-secondary degree and non degree. Now, let me summarize our operating results.

We evaluate our operating results via two measures, adjusted EBITDA and adjusted operating income. For the fourth quarter of 2009 and for the full year, our operating margins improved significantly.

Adjusted EBITDA margin improved from 27% in 2008 to 31% in 2009. The fourth quarter improvement is even more pronounced from 13% the fourth quarter of 2008 to 29% in the current quarter.

Adjusted operating margin improved from 23% to 26% in 2009. Similarly, adjusted operating margin improved from 8% in the fourth quarter of 2008 to 24% this quarter.



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We have discussed many of the drivers behind our operating results improvements. In summary, while our online degree programs continue to be the most profitable business segment, our operating margins improved for all the other business lines, learning centers, 101 online schools, private schools, as well as international curriculum. As we continue to invest in our future our multiple funds, we are also very mindful of profitability.

Finally, let's take a look at our net income and EPS. Our GAAP net income improved significantly from a loss situation in 2008 for \$5.2 million in 2009. Our net margin was approximately 10%. Our basic EPS was \$0.31 per ADS, and on a diluted basis \$0.29 for the full year 2009, which exceeds analysts' consensus of \$0.25.

Let's also take a look at adjusted EPS. Our adjusted net income was \$6.9 million in 2009, which also exceeds analysts' consensus. Basic adjusted EPS was \$0.42 per ADS and \$0.39 on a diluted basis, which grew by approximately 30% compared to 2008.

Lastly, let me summarize our balance sheet. Our balance sheet remains very strong. Our cash term deposits and available for sale investments totaled \$51 million compared to \$48 million as of the end of last quarter. We have no debt on our balance sheet. As you can see on the slide, our major cash flows in 2009 included \$9 million of Tiger Global shares repurchased, \$2.2 million of share buyback in the open market and \$6.5 million of CapEx for the Anqing School's new campus.

Finally, before we conclude our presentation, I would like to reiterate our net revenue guidance for the first quarter of 2010. Our current estimate is between RMB87 million and RMB90 million. This forecast reflects our current view and may be subject to change. This concludes my presentation and we are now open for questions. Thank you.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). Your first question comes from the line of Mark Marostica with Piper Jaffray (Company corrected after the conference call). Please proceed.

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### Mark Marostica - Piper Jaffray - Analyst

Good evening, everyone. I want to kick off with my first question to address what Lily was just chatting about concerning margins. And if we take a step back and look at the overall business for fiscal '10, considering -- and I think you are saying G&A will likely continue to grow in line with revenue and sales and marketing probably the same.

But it looks like you are going to see some increased R&D spend. With all that together, should we -- first, verify if I am correct on that. Should we see margin expansion in fiscal '10 over '09, or not? How are you thinking about that?

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### Julia Huang - ChinaEdu Corporation - Chairman, CEO

Mark, you are right. Sales and marketing, G&A, are pretty much similar patterns as of 2009, but the R&D should increase compared with 2009 because we are going to invest in the technologies for the -- our Internet initiatives. Of course, we are also going to also have some revenues this year for those initiatives. But the cost will be higher than the revenue coming. So we will be slightly lower than 2009, the R&D margin.

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### Mark Marostica - Piper Jaffray - Analyst

So, altogether, should we see margins fairly stable then in fiscal '10 --



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**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

Right, right.

**Mark Marostica** - Piper Jaffray - Analyst

-- versus '09? Okay.

**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

Yes, that's right.

**Mark Marostica** - Piper Jaffray - Analyst

Okay. On to the 101 tutoring business, a great job there -- you are seeing a lot of traction. You talked about in classroom tutoring, and I am wondering if I am correct in sensing a shift in terms of your business model here. Could you talk about how you are viewing the tutoring business now and, I suppose, a similar question around margins here. With an in-classroom model, will that materially alter the margin profile of that business?

**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

Mark, this year we are still on the trial basis. Although there are revenues coming for some of our hybrid class, some of our interactive classroom settings, these are small scale trial classes. So, it is not going to be a mature revenue from offline.

Of course, we are going to invest some of the classroom setting, but that is going to be limited. So, we are not going to see margins decrease for, especially costs, for 101 online. But we do see the increase in R&D part because we are going to invest in teaching content and some interactive technology.

**Mark Marostica** - Piper Jaffray - Analyst

Okay, fair enough. And, I don't think -- I have not asked this question on a call before, but the status of the 3 JV is awaiting approval. Any update there?

**Shawn Ding** - ChinaEdu Corporation - President, COO

Mark, this is Shawn. There is none -- there is not a definitive timeline that we can give out, at this point.

**Mark Marostica** - Piper Jaffray - Analyst

Okay.

**Shawn Ding** - ChinaEdu Corporation - President, COO

Go ahead.

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**Mark Marostica** - Piper Jaffray - Analyst

Sorry. I interrupted. Go ahead.

**Shawn Ding** - ChinaEdu Corporation - President, COO

No, just we have -- we are making a concerted to talking to MOE and trying to get everything ready. But there is no definitive time that we can give out.

**Mark Marostica** - Piper Jaffray - Analyst

Okay. And then, related to that, Shawn, you talked about the two new long-term contracts. Congratulations on those. I am curious on the -- I think it was Jiangxi University, you mentioned you are engaged with them related to an adult degree program, and that the JV will ensue once the license for online degrees actually occurs.

But up until that time, could you describe your relationship with this university, how you are generating revenue? And I think that leads to your other point earlier in your remarks about tackling, or going after that 30 million student market in the adult degree program over and above the smaller online market. Could you talk about how that contract relates to that market and is this -- are we going to see more of the same, going forward?

**Shawn Ding** - ChinaEdu Corporation - President, COO

Mark, yes, I think you are going to see more of these kinds of things. We are making some headway in the adult degree program sector as well. But there are some things we are not -- has not been finalized, so we cannot really disclose and talk about those things.

As to this specific contract, before the joint venture for online degree programs is established, ChinaEdu is paid on a contract basis for the technology service that we are providing to the Jiangxi Normal University to its adult degree program. This is -- the important thing about this first part of the contract is that, for one thing, it allows ChinaEdu to penetrate into the adult degree programs, to really to -- through enabling this kind of program with online capability.

And then we will be able to know what are the things that need to be done to enable these kinds of programs. We are working on some other similar contracts as well.

**Mark Marostica** - Piper Jaffray - Analyst

Okay.

**Shawn Ding** - ChinaEdu Corporation - President, COO

Does that answer the question, or --

**Mark Marostica** - Piper Jaffray - Analyst

Yes, yes, I think so. So, at this point, obviously, it is not a full online degree services program, but you are offering certain technology services to them. And that is --

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**Shawn Ding** - ChinaEdu Corporation - President, COO

That's right, that's right. And one other thing I would like to comment is that it really minimized our capital investment at this point, as well. We are being paid for the services we are providing.

And once the contract, the license, is officially granted, the services have kicked off, then we will make the capital investment into the joint venture. So there is really no risk to ChinaEdu.

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**Mark Marostica** - Piper Jaffray - Analyst

Got it. Thank you, all. I will turn it over to the next question there.

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**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

Yes. Mark, just to add the one point, although we did not see any definite timeline for approval, but we -- given the new mid and long-term education plan coming out, and we do see more light compared with last year, so that is why we are more aggressive in the business development end.

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**Mark Marostica** - Piper Jaffray - Analyst

Understand. Great. Thank you. Nice job in the quarter.

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**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

Thank you.

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**Shawn Ding** - ChinaEdu Corporation - President, COO

Thank you.

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**Operator**

Your next question comes from the line of Ella Ji with Oppenheimer. Please proceed.

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**Ella Ji** - Oppenheimer & Co. - Analyst

Hi. Thanks for taking my questions and congratulations on the strong quarter. I want to start with the -- your online core degree services. What is the revenue breakdown between your existing nine universities which you have joint ventures with and other technology services?

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**Lily Liu** - ChinaEdu Corporation - CFO

Currently, the majority -- our online degree programs consist of the online colleges, revenue from the online colleges as well as from the learning centers. In the first quarter -- starting from the first quarter of 2010, we will break out net revenue for learning centers. At this point, the vast majority of the revenues coming from the online colleges are coming from the nine joint ventures that we have.

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**Ella Ji** - *Oppenheimer & Co. - Analyst*

Okay. I was wondering if you can share with us -- in your fall enrollment grew strongly at 18.6% year-over-year versus fall last year. I am wondering if you can share what is the enrollment growth at your core nine university online colleges.

**Lily Liu** - *ChinaEdu Corporation - CFO*

The nine university online colleges -- the learning centers currently contribute to 6% of our online degree segment net revenue. On the student number, the nine colleges are growing at approximately 18%.

**Ella Ji** - *Oppenheimer & Co. - Analyst*

Okay. The reason I am asking is it seems that your enrollment growth is always well above your revenue growth. Your spring and fall enrollment growth are both in high teens, versus revenue growth in this segment is in the high single digits, around 9% to 9.5%.

So, I am trying to figure out the difference between the two. So, if your core -- if your enrollment growth at your nine universities is also in the high teens, then what is the reason that revenue is lagging behind the growth?

**Lily Liu** - *ChinaEdu Corporation - CFO*

Our revenue growth lags our enrollment growth because for some of the online degree programs, as well as actually for our learning centers network, we only book our share of the tuition as revenue and not full tuition a month paid by the students.

**Ella Ji** - *Oppenheimer & Co. - Analyst*

Okay. Thanks for the color. And I want to ask about the schedule of your target of opening 100 learning centers by 2010 year end. Is that going to be evenly distributed or is that going to be frontend loaded or backend loaded?

**Julia Huang** - *ChinaEdu Corporation - Chairman, CEO*

Ella, the learning centers need to be approved either in March or September. We will have a few approved in September. We will have a few approved in March, and probably more approved in September. So I will see, probably, 30%, 40% in the spring, another 60%, 70% in the fall to get approved. And also, there -- if it is the franchised ones, sometimes in between if they have -- already have some programs operating.

**Ella Ji** - *Oppenheimer & Co. - Analyst*

Okay, great. How much of an ability do you have in -- for the 60%, 70% that is going to be approved in September? How is the negotiation -- how has the discussion been going?

**Julia Huang** - *ChinaEdu Corporation - Chairman, CEO*

Ella, we are visible, at this point, for March approval because September approval is still six months or more down the road. This is more our internal target. We are -- if we are going to get 20 or 10 to 20 approved, we need to get more set up before we send them for approval.

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**Ella Ji** - *Oppenheimer & Co. - Analyst*

Okay, thanks. And then, I want to ask about your 101 online tutoring segment which delivered very strong growth this year. Can you elaborate on what has really changed in this year versus last year? You mentioned a few things, R&D, customer services and sales product, but can you just elaborate a little bit more in how confident you are to maintain such a growth in the coming years?

**Julia Huang** - *ChinaEdu Corporation - Chairman, CEO*

101 online, two things we are doing. One is market penetration. We are penetrating more. We are spending more efforts in penetrating into the -- like Beijing market. Before, we only set two learning centers in Beijing.

Now, this year, we are setting up eight schools in Beijing to cover more areas, to reach out more users, same thing we are doing outside Beijing. We are trying to cover areas we didn't penetrate previously. Or we are giving out more training to the franchises, the learning centers, to let them to be better perform in terms of student services, and in terms of sales marketing.

So, I believe the key thing is the motivation we motivate to people, the sales people, channel people and student service people. The second thing we focus on is the quality of the teaching and content development. We are trying to improve our user experiences where they will continue to subscribe our services or we can give word of mouth to people they know.

**Ella Ji** - *Oppenheimer & Co. - Analyst*

Okay, that's great. Education, somehow, in China is a very local business because 101 does have very strong brand recognition in Beijing, but it somehow lacks recognized in other regions. So, could you talk about how confident you are when you expand your sales channel to outside of Beijing area?

**Julia Huang** - *ChinaEdu Corporation - Chairman, CEO*

For education brand or education products, it is really the quality of contents or teaching, methodology of teaching. As a result, you have to either improve the score of the students or to make sure they learn more effectively.

This year we are focusing on more how to improve our teaching process to be more effective. If that is done and it would improve our reputation, we could get more word of mouth. We have been spending a lot of effort in Beijing markets. If we are doing well this year, plus we have developed and training a team of eight school directors, so we are doing well next year, we could send people we trained this year in Beijing market to the other markets we see the potential.

**Ella Ji** - *Oppenheimer & Co. - Analyst*

Great. And, lastly, I want to ask about, Lily, what is your CapEx outlook for 2010?

**Lily Liu** - *ChinaEdu Corporation - CFO*

CapEx outlook -- CapEx will be much less than the CapEx in 2009. We, essentially, have finished our construction for the primary school, so the minimal CapEx will occur as we expand the learning centers.

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**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

Ella, this is Julia. The CapEx for construction this year will be some final payments for the construction phase two, which probably will be around -- the range of the CapEx for construction probably will be a range of \$2 million to \$3 million. For the hardware purchasing this year for our headquarters will be another \$2 million, \$3 million. There are also some additional purchasing of hardware for IT investment for another \$2 million, \$3 million.

**Ella Ji** - Oppenheimer & Co. - Analyst

Okay. Thanks for the color and congratulations again.

**Lily Liu** - ChinaEdu Corporation - CFO

Thanks, Ella.

**Operator**

(Operator Instructions). Your next question comes from the line of Jeff Lee with Signal Hill. Please proceed.

**Jeff Lee** - Signal Hill - Analyst

Thank you, and congratulations on the strong quarter. My first question relating to the enrollment growth, given that the enrollment growth that you put up this quarter from your mature, online JV partners, do you expect similar enrollment growth going forward for the rest of 2010?

**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

Jeff, we are -- for the online degree program for existing programs, we are estimating 5% to 10% growth on a conservative basis, the enrollment growth. But we do estimate 25% to 30% enrollment growth for 101 online. And we also see over 100% growth for our learning center network, learning center growth. And for our private school revenue growth, we will see another over 30% growth.

**Jeff Lee** - Signal Hill - Analyst

Okay. And for the JVs for online degrees, will there be any sort of tuition increases in 2010? And, if not, how do you think about -- how do they think about tuition increases, in general?

**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

We do see some specific areas of tuition increases. But we are not going to see across board tuition increases. So we did not factor any tuition increases in our model.

**Jeff Lee** - Signal Hill - Analyst

Okay. And what about just the general, in the future, how often would one expect tuition increases to be enacted?

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**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

I think it is from time to time. Some of our programs do increase their tuition in the developed areas. One is two, three years, so one is five -- in five years in specific areas. So we cannot give you an overall tuition increase across the board, at this point.

**Jeff Lee** - Signal Hill - Analyst

Okay. And then on 101 online, it has performed very strongly over the last several quarters. How much of a success would you attribute to your overall growth in that market, and then, versus how much of it is Company specific factors that you talked about?

**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

If you look at the market share we are owning, it is really small. So, the market is K-12 online tutoring market is relatively big compared to all the players market share, so the -- especially online players. So I would say it is more specific Company factors.

**Jeff Lee** - Signal Hill - Analyst

Okay. And could you talk more about your, the trial for ground classes? What is your strategy there? How many ground locations to you have now? And is it only in Beijing? And do you -- are you planning expanding outside of Beijing?

**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

This year we are only doing this in Beijing, and also, we are doing more -- more we are trying on the interactive video conference classrooms, it is one to 10 to one to 50. For the cases that the student wants to have one on one analysis or one on one classes, we will also offer that program. For the fall, we are trying to offer some small classrooms teaching, but that is only on the small scale basis.

**Jeff Lee** - Signal Hill - Analyst

And how does the pricing model for these ground classes compare to the online offerings?

**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

Jeff, it is, actually, it is still in our early stage. I cannot give you a set price at this point. And also, the student revenue contributions this year are student majority, many coming from online programs. So I will keep the pricing as the same as last year.

**Jeff Lee** - Signal Hill - Analyst

Okay. And is there an update on the international curriculum programs? I understood that at some point you were going to try to resign up partners for that business.

**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

Actually, from a regulatory front, the final foreign program now from our partner is open for the associate programs. So now we are going to either activate these IT programs, or we are looking for another partner. At the same time this year, we are

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going to start the, what we call the pre-college English programs, which we are going to start this year by partnership with China University of Justice and Law to jointly develop the English programs for high school graduates for about six, nine months.

And then, we already have partnerships with US universities, a few universities in the US to send them for going abroad studies. So this year we are targeting for less than 100 students for the small classes. And the next year we are going to further develop the class size.

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**Jeff Lee** - Signal Hill - Analyst

Great. Thank you. That's all my questions.

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**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

Okay, thanks.

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**Operator**

At this time, there are no further questions. I would like to turn the call over to management for closing remarks.

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**Julia Huang** - ChinaEdu Corporation - Chairman, CEO

Ladies and gentlemen, thank you again for participating in ChinaEdu's fourth quarter 2009 earnings call. I would to reiterate how much we appreciate your interest and support.

ChinaEdu has once again delivered solid financial results and made great progress. We have, and will remain focused on executing results for our shareholders. Thank you and have a good day or good night.

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**Operator**

Thank you for your participation in today's conference. This concludes our presentation.

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