

***ChinaEdu***  
弘 成 教 育



2008 1st Quarter

**Results Presentation**

# Forward-Looking Statement

*This presentation 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 final prospectus filed with the Securities and Exchange Commission on December 11, 2007, 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.*

# Company Overview - Commitment to Executing Growth Strategy

## Building through Organic Growth

### Online Degree Programs

- Secure new university partners
- Increase enrollment at existing schools
- Aggressively expand learning center network

### Online Tutoring

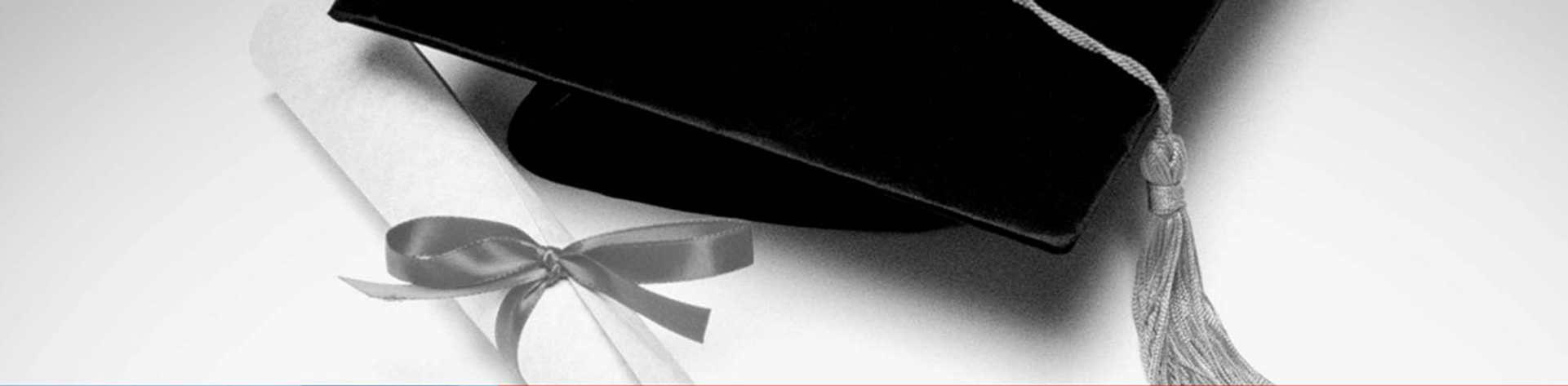
- Enhance website functionality
- Launch targeted marketing campaigns
- Introduce new products
- Improve post-sales services

### Private Primary and Secondary Schools

- Expand capacity and grade levels
- Increase enrollment

### International Curriculum

- Increase market penetration
- Explore strategic relationships with overseas curriculum providers



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Business and Operational  
Highlights



# 1Q08 Business Highlights

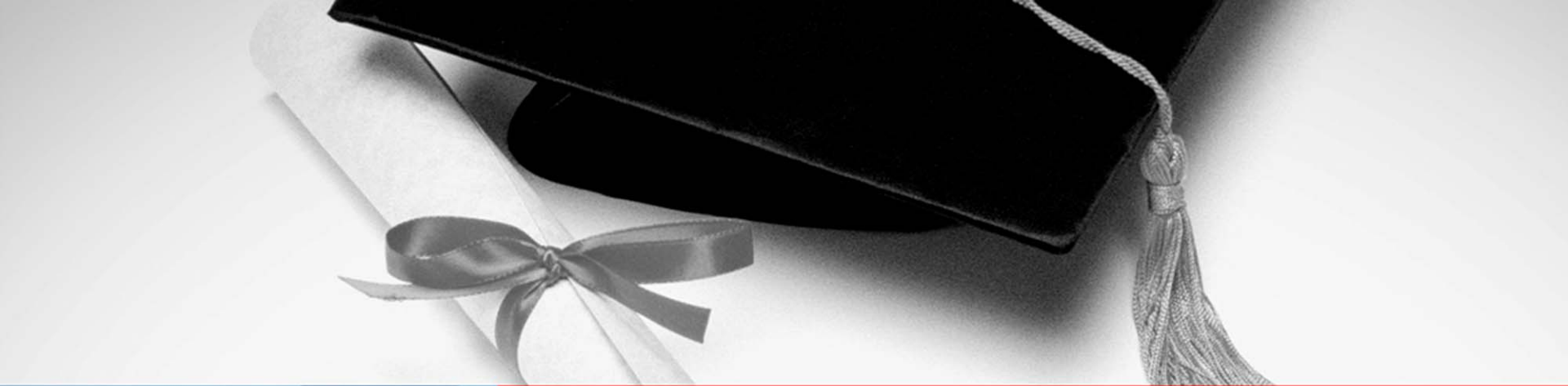
## *Build Company through Organic Growth in Existing Business Lines*

- Online Degree
  - 37.1% revenue growth in existing programs
  - Finalized a new 20-year joint venture agreement with Beijing Forestry University to provide exclusive online education services to the University
- Learning Centers
  - All 10 learning centers are in operation
  - Started the first recruiting season successfully despite the negative impact of snow storm, the short recruiting reason and relatively short operating history
- 101 Online School
  - Acquired remaining 20% interest in March, gaining 100% control
  - Launched new product targeting school customers
  - Continued focus on streamlining the sales and marketing team and channels

# Business Updates

## *Opportunities and Challenges*

- K-12 School
  - Completed Anqing campus as scheduled
  - New campus in Jinzhou delayed as the construction was affected by the snow storm in Feb – recruitment plan also delayed
  - Operation of other K-12 schools remains on track
- Development of Learning Center Network
  - 12 franchise learning centers received provisional approval
  - Total 11 service contracts with universities to operate learning centers for their online degree programs
- Expanding into Vocational Training Business
  - Leverage online education technology, know-how, partnerships with the universities to establish a strong brand name
  - Take advantage of the shift from a labor-intensive economy to a more knowledge-driven economy
  - New initiatives will increase the efficiency and utilization of learning center network



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Financial Highlights

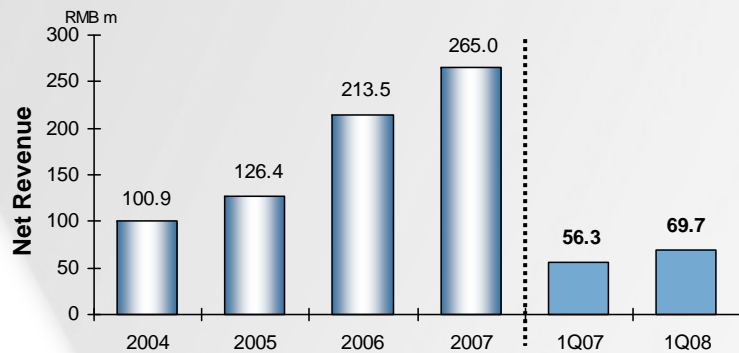
# 1Q08 Financial Highlights

## *Continued Robust Revenue Growth Driven by Online Degree Programs*

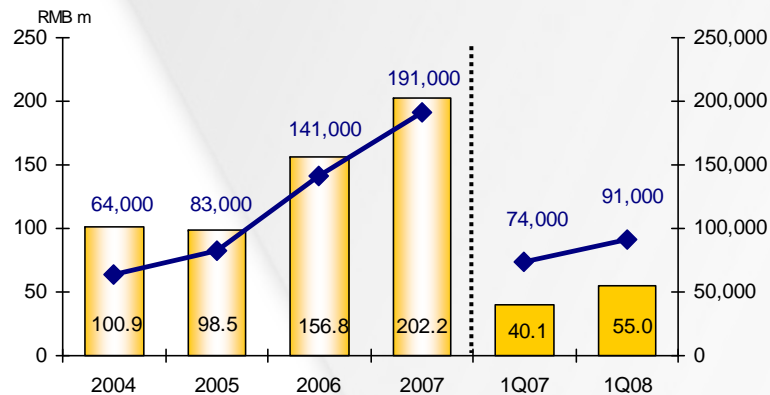
- Total net revenue in Q108 increased by 23.8% to RMB69.7 million (\$9.9 million) from RMB56.3 million for Q107
- Top line growth driven by revenue from online degree programs which increased by 37.1% to RMB55.0 million (\$7.8 million) for Q108 from RMB40.1 million in Q107
- Number of revenue students during the period increased by 23% to over 91,000 from ~74,000 in Q107
- Net income for Q108 increased by 7,096.6% to RMB2.1 million (\$0.3 million) from RMB0.03 million in Q107
- Diluted EPS for 1Q08 increased to RMB0.03 (\$0.005) from RMB0.00 in 1Q07

# Successfully Capitalizing on Market Trends; Continuous Top Line Growth Driven by Online Degree Program

Continued Strong Revenue Growth



Online Degree Program Revenue



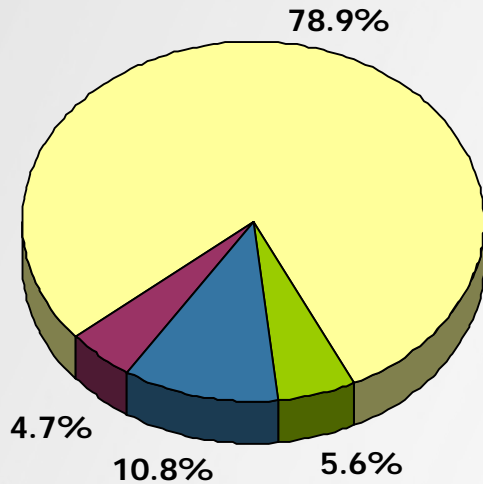
Online Degree Program Revenue — No. of Online Degree Students

- Robust year-over-year top line growth of 23.8% to RMB69.7 million (\$9.9 million), driven by significant growth in online degree programs in 1Q08 vs. 1Q07
  - Strong growth in number of revenue students in online degree program
  - Number of revenue students enrolled in online degree program rose 23% to 91,000 in 1Q08 from approximately 74,000 in 1Q07
  - Net revenue from online degree programs in 1Q08 increased to RMB 55.0 million (\$7.8 m) in 1Q08 from RMB40.1 million in 1Q07

# Diverse Revenue Mix Drives Earnings Growth

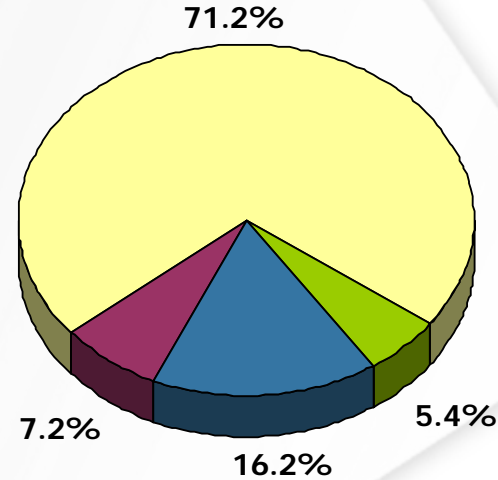
## Online Degree Business Gaining Momentum

1Q08 Revenue Breakdown



Online Degree  
International Curriculum  
Private School  
Online Tutoring

1Q07 Revenue Breakdown

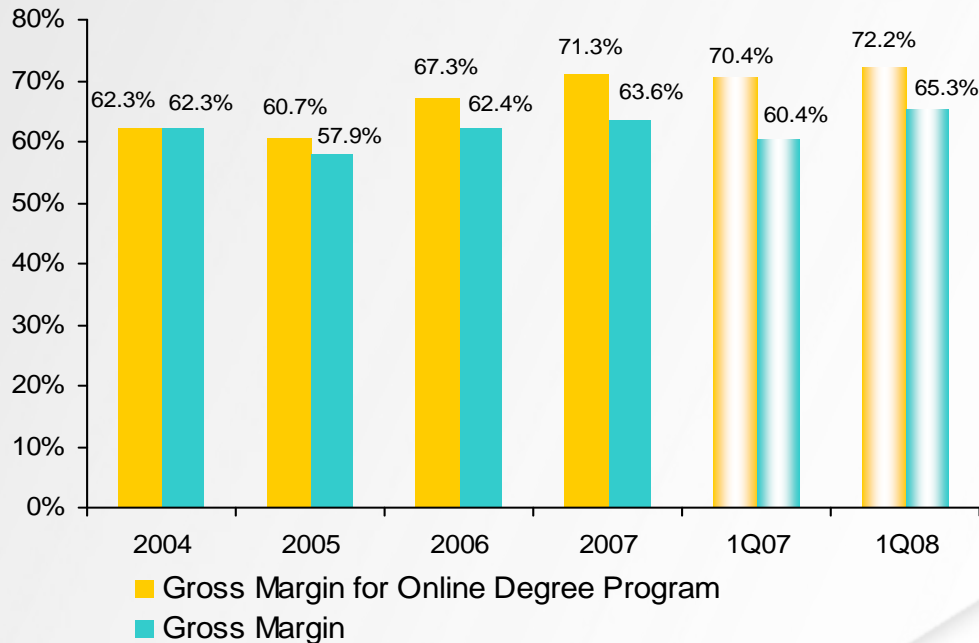


Online Degree  
International Curriculum  
Private School  
Online Tutoring

- Revenue contribution from online degree programs increased to 78.9% in 1Q08 from 71.2% in 1Q07, driven by strong market demand and student enrollment growth

# Achieved Higher Gross Margins Despite Increased Costs

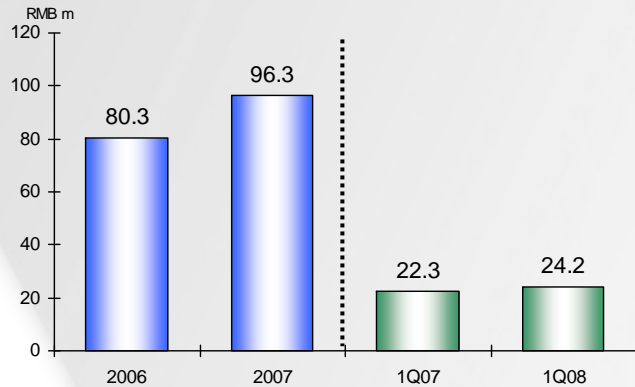
## Strong Gross Margin Development



- Gross margin 65.3% in 1Q08 vs 60.4% in 1Q07
- Gross margin for online degree programs increased from 70.4% in 1Q07 to 72.2% in 1Q08

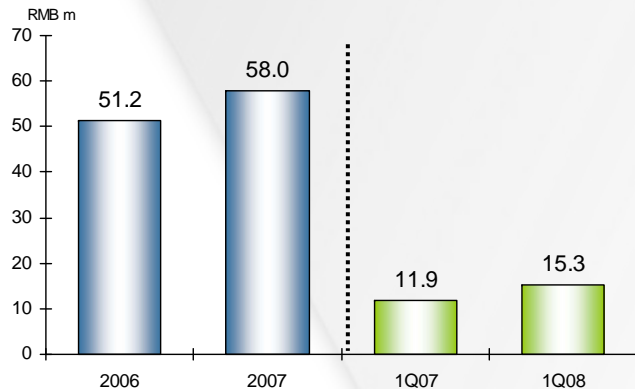
# Slower Cost of Revenue Growth Supports Margin Strength

## Total Cost of Revenue



- Cost of revenue increased at a rate of 8.5% to RMB24.2 million in 1Q08, from RMB22.3 million in 1Q07 – revenue growth exceeded growth in cost of revenue

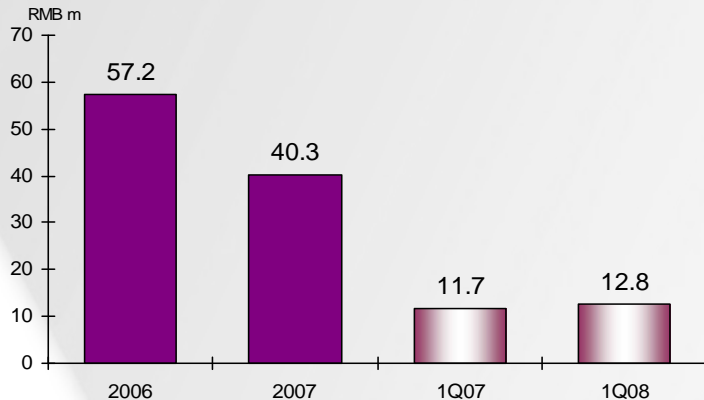
## Cost of Revenue for Online Degree



- Cost of revenue for online degree programs increased by 28.8% to RMB15.3 million due to the increase in the student support cost

# Improved Operating Income

## Operating Income

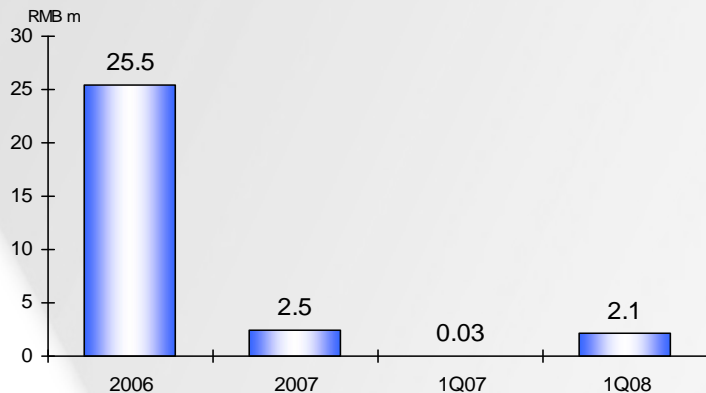


Note: RMB16.2 m impairment loss was recorded in FY2007

- Operating Income in 1Q08 was up 10.0% to RMB12.8 million
- Non-GAPP operating income amounted to RMB15.5 million, representing a 10.1% increase
- Both in line with management projection
  - G&A expenses was up 33.5% mainly due to additional expenses associated with being a listed public company
  - Selling & marketing expenses increased 107.2% to RMB5.9 million, a result of investing in establishment of learning centers
  - Research and development expenses were RMB5.9 million, a 53.2% increase, which was due to increased R&D personnel and activities in collaborative alliances

# Higher Net Income

## Net Income Improvement



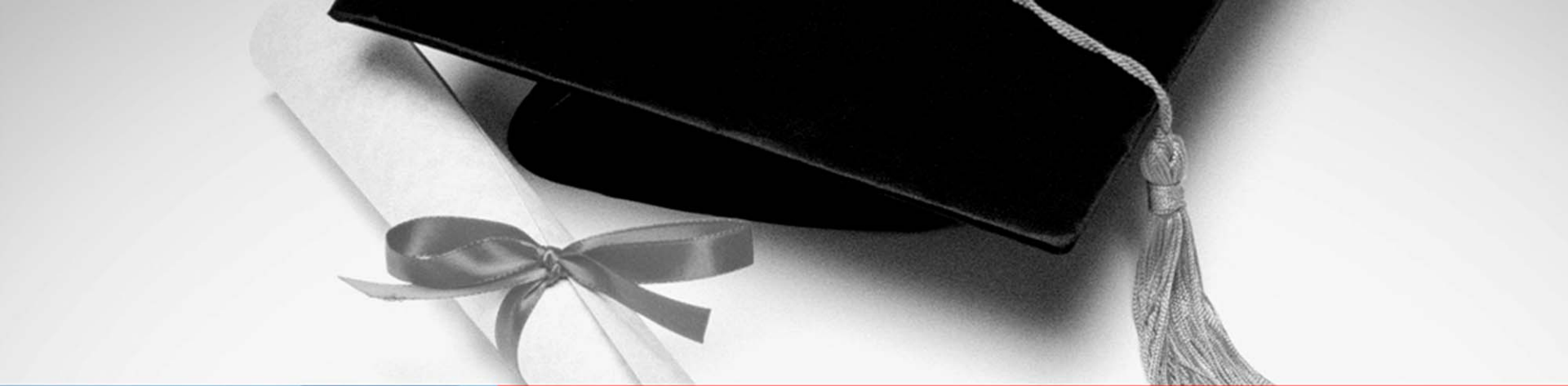
Note: RMB16.2 m impairment loss was recorded in FY2007

- Net income in 1Q08 increased significantly by 71 times to RMB2.1 million, compared to RMB0.03 million in 1Q07
- Non-GAPP net income was RMB4.6 million in 1Q08
- Net income was impacted by 3 external or unforeseen factors:
  - Interest income was impacted by interest rate cut, and was lower comparing with management estimates
  - Income tax expense was higher than expected as tax benefits for high-tech company will be granted later in 2008
  - Minority Interest increased to RMB8.1 million in 1Q08 from RMB5.3 million in 1Q07 as a result of adoption of higher profit earned by some of the collaborative alliances

# Balance Sheet Remains Strong

## Selected Balanced Sheet Items

(in thousands)	December 31,2007	March 31,2008	March 31,2008
	RMB	RMB	US\$
Cash and cash equivalents	497,114	431,979	61,606
Accounts receivable, net	1,238	1,400	200
Term deposit	6,042	8,000	1,141
Total current assets	636,929	539,474	76,936
Deferred revenues	83,816	24,961	3,521
Total Current Liability	186,122	92,851	13,241
Long term debt	25,724	24,659	3,516



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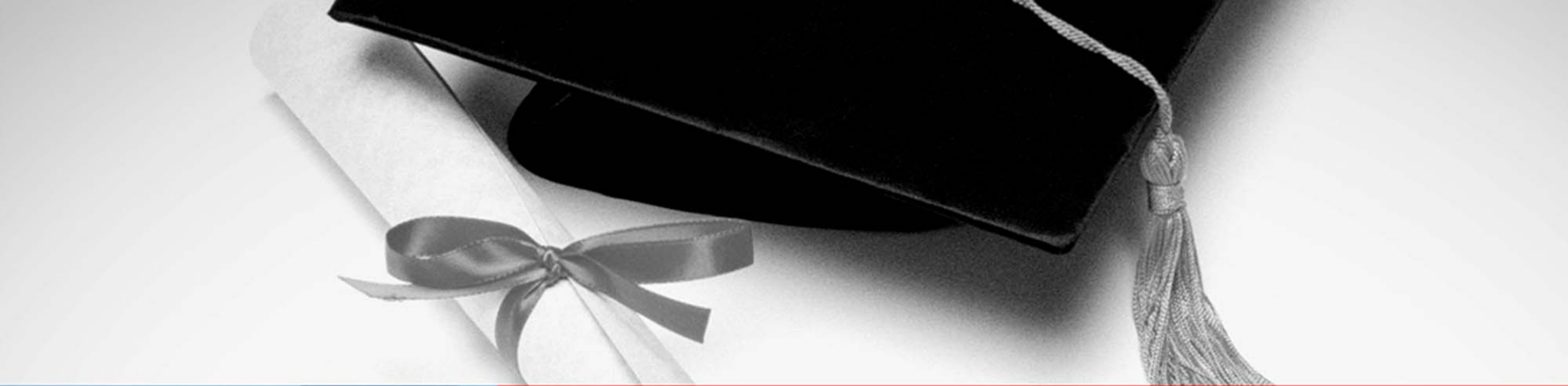
Outlook

# Outlook

- Q2 2008 net revenue estimated to be in the range of RMB70 million (\$10 million) to RMB73 million (\$10.4 million), representing a growth rate of 9.9% to 14.6% over the same period in 2007

# Non-GAAP Financial Measures

*To supplement the unaudited condensed consolidated financial information presented in accordance with Accounting Principles Generally Accepted in the United States of America ("GAAP"), the Company uses non-GAAP measures of income from operations and net income, which are adjusted from results based on GAAP to exclude share-based compensation and amortization of intangible assets. 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 uses both GAAP and non-GAAP information in evaluating and operating business internally and therefore deems it important to provide all of this information to investors.*



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Questions & Answers