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**ChinaEdu Q1 2011 Earnings  
Conference Call Script**

**Operator:** Good evening and thank you for standing by for ChinaEdu's first 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 first quarter and 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](http://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 trends in our industry and our company strategy, Mr. Shawn Ding, our president and chief operating officer, who will discuss business operations, and Mr. Min Yang, our VP of finance and acting chief financial officer, who will further discuss the financial results and give second quarter guidance. After their prepared remarks, all three executives 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](http://www.chinaedu.net). I will now turn the call over to ChinaEdu's chairman and chief executive officer, Julia Huang.

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**Julia Huang, CEO**

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

Business maintained positive momentum this quarter with first quarter total net revenue growing 4.7% year-over-year to \$14.0 million and first quarter net revenue from online degree programs increasing 4.6% year-over-year to \$10.9 million. The spring enrollment for online degree programs is well on track, as expected by management. Since our last earnings call, the Ministry of Education or “MOE” has not approved any new online degree programs. We continue to work closely with key members of the MOE and are confident that more universities will be added in the coming quarters and years, allowing us to grow our online degree program enrollment significantly.

Rising demand across the board for premium products and services in the Chinese market is led by young market-savvy consumers, raised under pervasive trends of Chinese families prioritizing spending on children first. To meet this demand, we made progress throughout the first quarter laying the foundations for and building up our offerings, including our web and device-based interactive product lines as well as our international programs.

According to an article recently published by Sina, between 2009 and 2010, the year over year growth rate in students going abroad to study was 30%. With this type of growth trajectory, it is clear that wealthy Chinese families are increasingly investing in international programs that will prepare their children for study-abroad as well as for educational programs that include arrangements for study abroad opportunities.

Under the careful direction of Alex Wu, our general manager of international programs and Brian Stocks, our newly appointed deputy general manager of international programs and a US native, our International Programs Department plans to be the first mover of scale in this space in China, taking a dominant market share. Thus far in 2011, we have already taken steps to hire and train teams to market and service the international program and develop the curricula. This summer, for the first time, we will host a national event called the “Super Student Event”. Traveling to ten cities across China to find the most qualified students, the program will introduce these students to highly-ranked American colleges and universities. An event of this scale is a tremendous marketing opportunity for us to brand our international program and leverage endorsements by well-known American colleges and universities.

Our Elite programs address academics, extracurricular activities such as music, art and sport, English language and social skill preparation for students who plan to study abroad. In line with our international programs, I am confident that rising levels of disposable income combined with an overall desire for children to be prepared academically, linguistically and socially for well-rounded and global exposure will allow for continued growth in our Elite programs.

Technology in use by students today provides us with a unique opportunity to supply interactive web-based learning and content for PC, smart phone and tablet based applications. According to a February, 2011 McKinsey and Company study, there are currently over 420 million internet users in

China and six million new users log-on every month. By 2015, China could have as many as 750 million internet users in China. We know that students will be looking for programs that provide interactive, personalized and accessible learning experiences. Our online non-degree products offer assessment, real-time Q&A and curricula tailored to meet individual needs. These offerings have already begun to attract large-scale web traffic, as Shawn will discuss.

ChinaEdu has built a strong brand in online degree programs. We are trusted and recognized for high quality. We must build off of this success in online degree programs by tailoring the branding of all of our new products and services, particularly our international, elite and online non-degree offerings. The consumers of these products are a slightly different audience than our existing base and need to be marketed to as individual consumers. I am confident that our marketing director will, with the support of the Company's senior management team, be able to successfully extend our strong brand name into new business segments and attract the vast potential of the market.

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

Shawn....

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

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

The first quarter is a very important time for our online degree program. Anticipating the early end to the Fall semester enrollment period, we enhanced our marketing and sales effort to drive Spring semester enrollment. Based on preliminary results, we are pleased with number of applicants and enrollment progress for online degree programs made in the first quarter. We are also excited about technical improvements made in the first quarter in our online degree program. We began a major revamp of our technological infrastructure, streamlining in the direction of "Cloud Computing".

By the end of the first quarter of 2011, ChinaEdu had 96 operational learning centers of which 53 were proprietary centers and 43 were contracted centers. This compares to 62 operational learning centers as of the end of the first quarter of 2010, of which 24 were proprietary and 38 were contracted. Our learning centers network served a total of 21 university online degree programs in the first quarter.

In the first quarter, we also made progress in teacher training programs. In January, we signed a partnership agreement with HuaNan Normal University to provide continuing education services to up to 800 thousand teachers in Guangdong province. And more recently, on May 12, 2011, we signed a partnership agreement with ZheJiang Normal University to provide continuing education services to up to 400 thousand K-12 teachers in Zhejiang province.

Building on the program we kicked off in Fujian province last year, we will focus on GuangDong and Zhejiang provinces in 2011. We aim to launch another one or two teachers training programs by the end of 2011.

In 2010, the MOE began to grant special funding to provinces to help cover the costs for continuing education of teachers. The funding in 2010 amounted to 550 million RMB and additional funding was provided by provincial and local governments. Given China's vast size and limited resources for off-site teacher travel and training, online training is becoming increasingly important in continuing education for teachers. We see a great need to be filled. With our strong brand name and solid relationships with top universities across China, we are well suited to play a large role in the development of this market and we are well positioned to benefit the growth in government funding available to school districts for the continuing education of their teachers.

Our other online initiatives saw positive momentum in the first quarter. Our 101 online tutoring business made significant progress in sales and marketing, sales channel development and content development. 101 online celebrated its 15<sup>th</sup> anniversary with a national marketing campaign and as Julia mentioned, this segment also released two new products, "Weekly Practice" and "Key Knowledge Points". Our live Q&A platform is now attracting approximately 150,000 unique visitors of each week.

Our private schools grew in the first quarter. The branding efforts have paid off and each school now carries a recognized brand name. Our mission for our private schools is to build the best school in each local community we enter. We believe educational quality and specialties that differentiate us from public schools will make seats in our schools the most sought after in each city in which we operate.

Public schools see regular student teacher ratios of 40:1 and lack specialized programs such as support for learning differences, gifted and talented programs, extra curricular activities, and sports programs. The idea of private schools in China is new, but catching on. We are positioned to take the lead in the establishment of a new traditional. With increased disposable incomes, parents are looking for every opportunity to help their children get the best possible education. We are excited to be at the forefront of private education in China as we feel there is a strong future in this industry in China.

I would now like to turn over to Min for a review of the key financial information for the quarter.

Min?

**Min Yang, Acting CFO**

Thank you, Shawn.

Now let me walk you through the key financial results which are further detailed in our earnings release available on our website and on newswire services.

As Julia mentioned, total net revenue increased 4.7 percent compared to the same period a year ago. Revenue from our online degree program increased 4.6% year-over-year primarily due to the

expansion of our learning center network and organic growth from increased student enrollment in our online degree programs. Revenue from non-degree programs increased 4.9% year-over-year. This increase was primarily due to the 21.1% increase in net revenue contributed by our private school in AnQing due to robust growth in student enrollment.

Cost of revenue for our online degree program increased 26.9% year-over-year to \$4.1 million. This was primarily driven by the expansion of our learning center network. Continued efforts to develop teacher training programs, as Shawn mentioned previously, and other non-degree training offerings, hosted by certain university partners, also contributed to the increase in cost. Cost of revenue for non-degree programs increased 26.6%, mainly attributable to the increase in costs associated with our AnQing School as well as additional headcounts to develop interactive and personalized learning products for our 101 Online division. We also incurred increased teaching staff costs related to the expansion of our International and Elite programs.

As Julia and Shawn mentioned, the company is in the process of implementing a number of new initiatives. We already saw margin pressure in the first quarter and anticipate that these initiatives will continue to pressure our gross margin in the second quarter. However, we believe that over time these initiatives will favorably impact both of our top line and bottom line. We look forward to sharing the positive financial results of these efforts in the coming quarters.

Turing now to operating expenses...

Rather than going through each expense line in detail, I will highlight a few of drivers of operating expenses that caused the decrease in operating margin from 22.3% in the first quarter of 2010 to 11.9% in the first quarter of 2011.

General and Administrative expenses for the first quarter increased 9.9% year-over-year, or as a percentage of net revenue, increased to 24% from 22.8% in the first quarter of 2010. This is mainly due to an increase in leased work space to house additional staff. Going forward, we will continue to drive stringent cost control in 2011 and expect our G&A expense, as percentage of revenue, to remain stable.

Selling and marketing expenses for this quarter increased 17.2% year-over-year or as a percentage of net revenue increased to 9.9% from 8.9% in the first quarter of 2010. This is primarily attributable to an increase in sales force headcount and enhanced promotional activities surrounding our 101 Online programs. We will continue to invest in advertising campaigns and marketing activities for our new initiatives, especially for our international and elite programs, and we believe those campaigns and branding activities will pay off in the 2<sup>nd</sup> half of the year.

R&D expenses for this quarter increased 11.3% year-over-year, or as a percentage of net revenue, increased to 10.7% from 10% in the first quarter of 2010. This was mainly due to investments made in upgrading our learning management systems and enhancing courseware development, especially for interactive product development. Going forward, we expect to R&D spending as a percentage of total net revenue to remain stable.

As a result of the increased operational expenses, ChinaEdu's net income for the first quarter of 2011 was \$0.5 million compared to \$1.1million the same period a year ago. Net income attributable to ChinaEdu per diluted ADS in the first quarter was 3 cents.

Turning now to our balance sheet

Our balance sheet remained healthy in the first quarter. As of March 31, 2011, we had cash and cash equivalent and term deposits \$51.5 million as compared to \$47 million as of December 31, 2010.

Amounts due from related parties reduced to \$26.6 million from \$37.7 million in the corresponding period of last year, a reflection of declined deferred revenue.

Moving to revenue guidance, we expect total net revenue in the 2nd quarter of 2011 to be in the range of RMB100 million to 105 million, or \$15.3 million to \$16 million.

I will turn the call over to operator to take the questions.

**Operator:**

We have now reached the end of the question and answer portion of this call. To ask a question, please dial....

At the end of the Q&A, hand call back to Helen Plummer, Senior IR Coordinator for ChinaEdu.

**Helen Plummer (Closing remarks)**

Ladies and gentlemen, thank you again for participating in ChinaEdu's first quarter 2011 earnings conference call. 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](mailto:ir@chinaedu.net). Thank you very much