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Second Quarter Fiscal 2012 Results Presentation



May 17, 2012



This presentation contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “may,” “should,” “potential,” “continue,” “expect,” “anticipate,” “future,” “intend,” “plan,” “believe,” “is/are likely to,” “estimate” and similar statements. Among other things, the outlook for the third quarter of the fiscal year 2012 and the quotations from management in this announcement, the impact on us of the delayed timing of the APQE and CPA exams, as well as the Company’s strategic and operational plans, contain forward-looking statements. The Company may also make written or oral forward-looking statements in its periodic reports to the SEC in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Company’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: our goals and growth strategies; our future prospects and market acceptance of our online and offline courses and other products and services; our future business development and results of operations; projected revenues, profits, earnings and other estimated financial information; projected enrollment numbers; our plans to expand and enhance our online and offline courses and other products and services; competition in the education and test preparation markets; and Chinese laws, regulations and policies, including those applicable to the Internet and Internet content providers, the education and telecommunications industries, mergers and acquisitions, taxation and foreign exchange.

Further information regarding these and other risks is included in the Company’s annual report on Form 20-F and other documents filed with the SEC. The Company does not undertake any obligation to update any forward-looking statement, except as required under applicable law. All information provided in this presentation is as of the date of May 17, 2012.



- ❖ **Results Overview**
- ❖ **Operational Updates**
- ❖ **Financial Highlights**
- ❖ **Business Updates & Outlook**
- ❖ **Q&A**



Better than Expected Revenue Growth; Continued Expansion in Gross and Net Margins

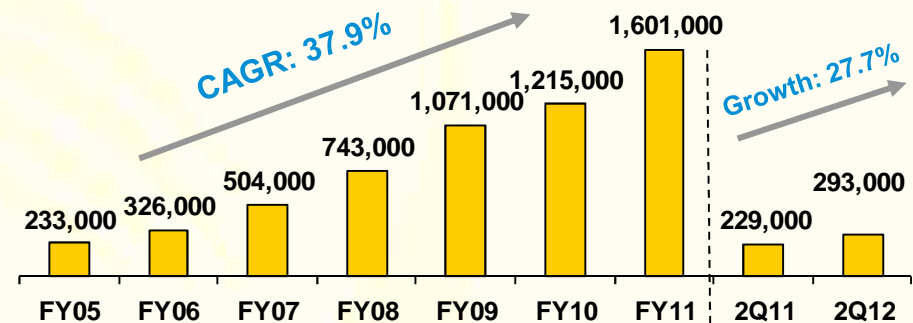
- ❖ Revenue exceeded guidance, and continued expansion in gross and net margins:
 - Healthy enrollment growth across online education courses
 - Steady increases in ASP across key subject areas
 - Growing strength of our brand name in China's education market drives pricing power
- ❖ Significant strategic and operational progress:
 - Strengthening core online verticals
 - Expanding into new on and offline courses
 - Additional value-added services: High definition courses and mobile learning platform
 - Have established a more robust and sustainable operational platform with multiple revenue streams
- ❖ Near-term challenges due to the delayed timing of certain APQE exams and CPA exam policy information



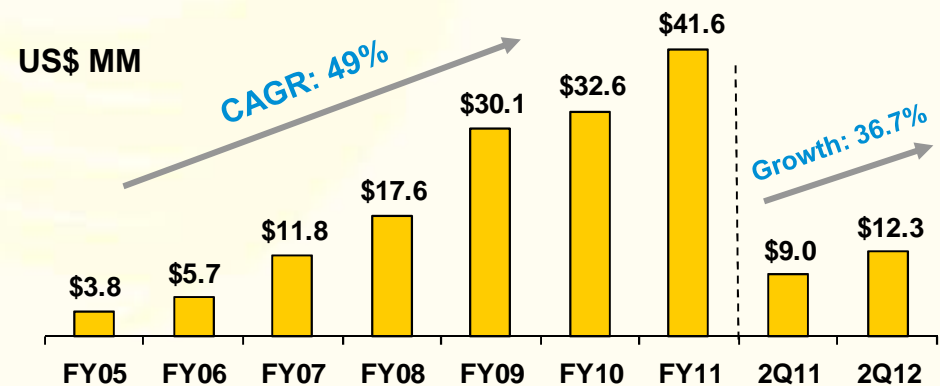
Strong Enrollment Growth Supported by New Platforms and Solutions, Drives Robust Top-line Growth

- ❖ Second Quarter Fiscal 2012
 - Revenue: Increased 36.7% Y-o-Y to US\$12.3 million
 - Online education services revenue: Increased 36.4% Y-o-Y to US\$9.2 million
 - Enrollments: Increased 27.7% Y-o-Y to 293,000

Enrollments



Revenue



Operational Updates

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Enrollment, ASP Growth Demonstrates Market Leadership

❖ Q2 Enrollment

- Strong total enrollments in **online accounting verticals**, with 20.6% Y-o-Y growth
- **Accounting Continuous Education** enrollments were comparable Y-o-Y due to low season for continuous education in Q1
- Expect **Accounting Continuous Education** to rebound in Q3 FY2012
- Strong enrollment growth in **online APQE**: increased 54.5% Y-o-Y
- **Online CPA** enrollment increased 1.0% Y-o-Y

❖ Average Student Payment (ASP)

- ASP for **online APQE** increased 31.1% Y-o-Y
- ASP for **online CPA** increased 21.2% Y-o-Y



Near-Term Financial Performance Impact Expected due to Delay of APQE Exam and CPA Exam Policy

- ❖ **Delay of Entry and Intermediate level APQE exam**
 - Delay from May 12th and 13th to Oct 27th and 28th
 - Aim to allow extra time for government to pilot a computer-based testing system

- ❖ **Delay of CPA exam policy information**
 - Exam Guidance and annual CPA exam policy have not been published to date, already about 7 weeks behind schedule



❖ Impact from the delay of APQE exam

- Recognition of about US\$1.5 million of cash revenue collected in earlier quarters will be delayed from Q3 to later quarters
- US\$1.8 million of collected cash revenue that would have been recognized as revenue in FY12 will be delayed to FY13
- Expect a significant portion of APQE post-exam enrollments and revenue to be delayed into FY13

❖ Impact from the delay of CPA exam policy announcement

- Enrollments usually pick up when exam policies are issued
- Typically about 55% of our annual CPA exam test preparation course enrollments occur in Q3 & Q4, of which 85% is usually recognized in the same fiscal year
- Believe CPA exam this year will most likely take place, possibly in October or November
- Anticipate enrollments will still be comparable to last year albeit occurring at a later timing
- As result of delay, and if exams happen in November, an estimate of about US\$2 million of revenue from CPA exam related course offerings that would have been recorded in this fiscal year will have to be delayed to FY13



- ❖ **Direct and indirect negative impact of APQE and CPA exams**
 - Revenue impact from the delay of APQE and CPA exams will be at around US\$1.8-2.4 million in Q3 FY12, representing 15-20% of Q3 revenue recorded last year
 - Estimate such delay could potentially delay a total of about US\$4 million of revenue and net income before income tax from FY12 to FY13
 - Given mostly fixed nature of costs and expenses, impact on EBIT will be at a similar level to the impact to our revenue
 - Believe both APQE and CPA exams will go back on track next year
 - Impact to operations and financial results will be temporary and primarily a difference in timing only

- ❖ **Strong performance in other accounting test preparation courses***
 - Registering 47.4% enrollment increase and 6.8% ASP increase in the quarter

- ❖ **Expect strong momentum in enrollments and revenue growth in our other courses in the accounting verticals will continue**

*excluding APQE, CPA exams and accounting continuing education



Strong Enrollment Growth in Healthcare, Construction Engineering and Self-Taught Higher Education

❖ Online Healthcare Courses

- Q2 enrollment increased 40.9% Y-o-Y; revenue grew 16.2% Y-o-Y
- Strong growth momentum driven by our high quality courses and superior online learning platform

❖ Online Construction Engineering Test Preparation

- Q2 enrollment increased 74.5% Y-o-Y
- ASP slightly decreased 3.4% Y-o-Y

❖ Online Construction Continuous Education

- Q2 enrollments decreased 27.7% Y-o-Y due to the roll-out timing of certain courses
- Expect enrollments to rebound in the next few quarters

❖ Self-Taught Higher Education

- Q2 enrollments increased 76.3% Y-o-Y



Generating Consistent Returns

❖ Yucai

- Generated revenue of US\$0.4 million in the second quarter, increase of 53.8% Y-o-Y
- Based on the idea of “creating employment through entrepreneurship”
 - Well positioned in the post-secondary school employment-ready training market, an area strongly supported by the Ministry of Labor and Social Securities and from Post-secondary colleges and universities

Financial Highlights

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Selected Income Statement Items (Unaudited) – 2Q FY2012

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Income Statement Summary (US\$ in Thousands, except per ADS data)

	2Q FY11	2Q FY12	YoY Change%	2Q FY11	2Q FY12	YoY Change%
	GAAP	GAAP	GAAP	Non-GAAP	Non-GAAP	Non-GAAP
Net revenues:						
Online education services	6,747	9,202	36.4%	6,747	9,202	36.4%
Books and reference materials	1,285	1,280	-0.4%	1,285	1,280	-0.4%
Others including in-person training	993	1,853	86.6%	993	1,853	86.6%
Total net revenues	9,025	12,335	36.7%	9,025	12,335	36.7%
Cost of sales	(4,325)	(5,320)	23.0%	(4,000)	(5,307)	32.7%
Gross profit	4,700	7,015	49.3%	5,025	7,028	39.9%
Gross margin	52.1%	56.9%	+4.8 ppt	55.7%	57.0%	+1.3 ppt
Operating expenses:						
Selling expenses	(1,948)	(1,717)	-11.9%	(1,840)	(1,707)	-7.2%
General and administrative expenses	(2,422)	(2,073)	-14.4%	(1,943)	(1,992)	2.5%
Total operating expenses	(4,370)	(3,790)	-13.3%	(3,783)	(3,699)	-2.2%
Operating Income (Loss)	332	3,225	871.4%	1,244	3,329	167.6%
Income tax benefit (expense)	(101)	(658)	551.5%	(101)	(658)	551.5%
Net income (loss) from continuing operations	461	2,780	503.0%	1,373	2,884	110.1%
Net income (loss) from discontinued operations	(12)	21	NM	(12)	21	NM
Net income (loss) attributable to CDEL	449	2,801	523.8%	1,361	2,905	113.4%

Selected Cash Flow Items (Unaudited) – 2Q FY2012

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(US\$ in Thousands)	2Q FY11	2Q FY12	1H FY12	2Q YoY Change%
Net Operating Cash Flow	2.7	4.8	9.7	77.7%

❖ Y-o-Y increase was due to:

- Increased profit generated in the quarter
- Decrease in account receivable and deferred cost
- Increase in income tax payable
- Higher deferred revenue and refundable fee balance
- Such increase was partially offset by increase in prepayment and other current assets and inventories

❖ Net operating cash flow generated in Q1 & Q2 is US\$9.7 million, far exceeding GAAP net income due to:

- Strong cash flow from operations
- Prudent management of working capital
- Reducing number of days that our Accounts receivable outstanding

❖ Free cash flow generated in 1H FY12 has reached US\$8.9 million, fully indicate our ability to generate cash for our shareholders

Selected Balance Sheet Items (Unaudited) – 2Q FY2012

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Balance Sheet Summary

(US\$ in Millions)

Assets	Dec 31, 2011	Mar 31, 2012	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	49.7	54.5	9.5%
Receivables	4.2	3.4	-17.8%
Inventories	0.4	0.7	54.5%
Net PP&E	8.7	8.8	1.3%
Other Assets	24.7	23.8	-3.6%
Total	87.8	91.2	3.9%

Liabilities and Shareholders' Equity	Dec 31, 2011	Mar 31, 2012	Change %
Accrued Expenses and other liabilities	7.6	7.6	0.9%
Deferred Revenues, current portion	12.3	13.6	10.6%
Refundable Fees	3.0	2.2	-25.2%
Total Shareholder's Equity	61.4	64.3	4.7%
Total	87.8	91.2	3.9%

Business Update and Outlook

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- ❖ **Continued execution of our strategy and the enhancements we have made to our courses and services are translating into solid financial and operational performance**
- ❖ **Though impact from the delayed APQE exams and CPA exam policy is significant, believe these delays are one-time events that will impact only the timing of revenue contribution**
- ❖ **Expect APQE and CPA market to continue growing over the long term**
- ❖ **Maintaining FY2012 profit and revenue guidance**



**3Q FY12 revenue expected to be in the range of US\$12.3 million to US\$13.3 million, compared with US\$12.1 million in 3Q FY11;
2% - 10% year-over-year growth**

Reiterate FY2012 revenue guidance at 20%-30% year-over-year growth

Thank You

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