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## Third Quarter Fiscal 2011 Results Presentation



August 18, 2011



This announcement 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 fourth quarter of the fiscal year 2011 and quotations from management in this announcement, as well as the Company’s strategic and operational plans, and the new investment, 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 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 courses and other products and services; competition in the online 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 our 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 August 18, 2011.



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



### Steady Top-Line Growth Supported by Online Education Services Revenue; Continued Progress on Newer Initiatives

- ❖ Revenue exceeded guidance range as a result of:
  - Broad based enrollment and ASP growth across our APQE, other accounting, healthcare and construction engineering courses
  - Strong enrollment growth in accounting continuous education courses
  - Continue to successfully collect payments and generate revenue for training and services provided by Yucai
  
- ❖ Continued progress on new business initiatives, including business start-up training (Yucai), and K-12 after-school tutoring program

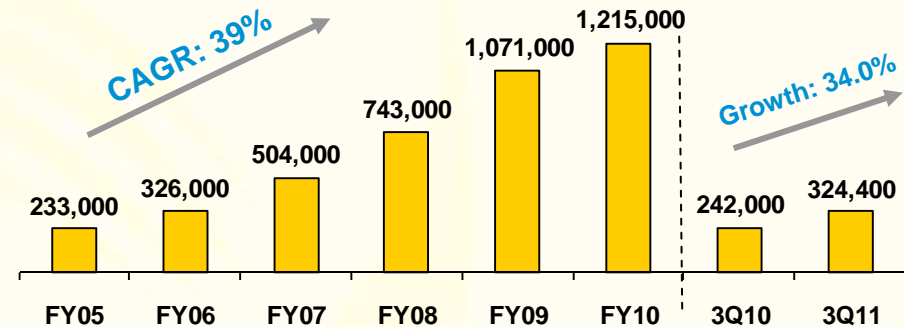


## Strong Revenue Growth Exceeding Guidance

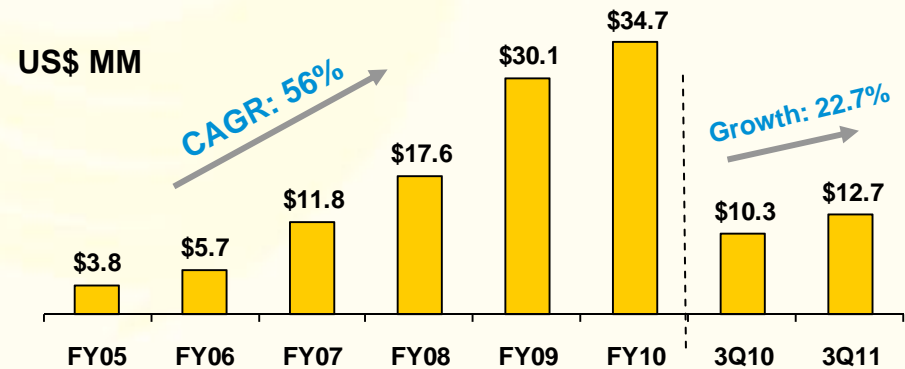
### ❖ Third Quarter Fiscal 2011

- Revenue: Increased 22.7% Y-o-Y to US\$12.7 million
- Online education services revenue: Increased 42.0% Y-o-Y to US\$8.9 million
- Enrollments: Increased 34.0% Y-o-Y to 324,400

### Enrollments



### Revenue



# Operational Updates

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## Maintaining Market Leadership

### ❖ Q3 Enrollment

- Strong total enrollments with 45.5% Y-o-Y growth, despite soft demand for CPA courses
- Robust growth in Accounting Continuing Education: increased 106.4% Y-o-Y
- Other Accounting Courses: increased 52.4% Y-o-Y
- Accounting Professional Qualification Examination (APQE): increased 9.0% Y-o-Y

### ❖ Average Student Payment (ASP)

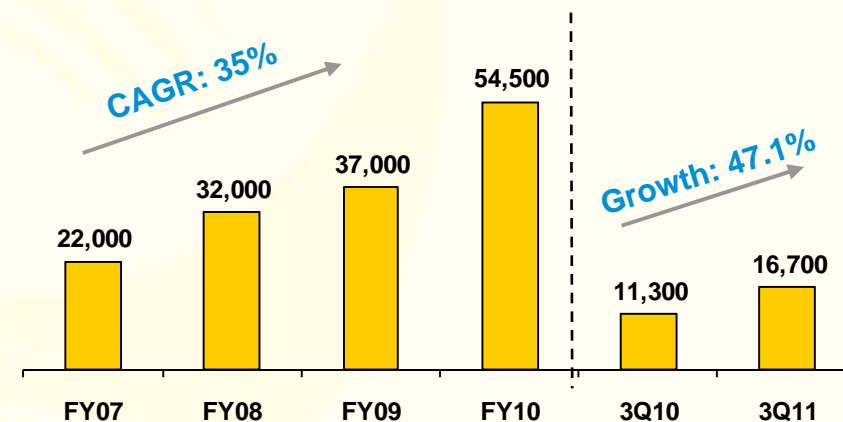
- ASP for our accounting test preparation courses grew 25.5% Y-o-Y
- ASP for APQE and CPA increased 31.2% and 33.5% respectively Y-o-Y
- Adopted lower-pricing strategy to gain share in 13 million student strong continuous education market



## Steady Growth of Study Process Monitoring Program

- ❖ 3Q FY11 enrollments increased 47.1% Y-o-Y to 16,700
- ❖ To date, program expanded to 9 provinces, including Tianjin, Beijing, Jiangsu, Yunnan, Hainan, Zhejiang, Hunan, Sichuan and Guangxi, representing 4 million students
- ❖ Focus on building our brand awareness and rolling out the programs in the provinces where we have signed contracts
- ❖ Ongoing efforts to further expand the program into more provinces

## Self-Taught Course Enrollments







### Steady Enrollment Growth in Healthcare and Construction

#### ❖ Healthcare Courses

- Q3 enrollment increased 12.6% Y-o-Y;
- ASP increased 17.7% Y-o-Y
- Anticipate our healthcare vertical will continue its steady growth going forward

#### ❖ Construction and Engineering

- Q3 enrollments increased 22.5% Y-o-Y;
- Enrollments growth supported by continuous education courses
- ASP increased 6.8% Y-o-Y due to strong ASP improvement of continuous education
- Fourth quarter growth outlook remains favorable



## ❖ Offline Business

- Began offering off- and on-line combined courses to further boost ASP
- Encouraging levels of interest and program participation thus far
- In-person training courses cash revenue for the fiscal year has exceeded US\$1.1 million
- GAAP revenue for this quarter rose by US\$160,000 year-over-year to US\$510,000

## ❖ Yucai

- Generated US\$0.3 million in the third quarter
- Awarded the remaining 40% equity interest of Yucai for free by the China International Economic and Trade Arbitration Commission following a year-long arbitration process aiming to have the seller honor the investment agreement we signed in 2009
- Also awarded US\$0.6 million of payment from the seller in compensation for loss of business suffered and related legal costs
- Wrote off the total book value of the purchased call option, resulting in a net GAAP non-cash charge of US\$0.8 million net of income tax.
- Continue to enroll students and expand the program, which will become an important revenue generator



## ❖ K-12 After School Training

- Continued progress on “Famous School Coalition” program
  - Reported another US\$0.6 million of courseware production service revenue
  - Platform development to allow courses taught by well known teachers in China to be put online and made available to schools and students across country, including remote areas
- TStudy digital class solutions and EduComp Smart Class
  - Rollout is progressing as planned
  - Have started to contribute to revenue growth in the quarter

# Financial Highlights

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# Selected Income Statement Items (Unaudited) – 3Q FY2011

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

	3Q FY10 GAAP	3Q FY11 GAAP	YoY % GAAP	3Q FY10 Non-GAAP	3Q FY11 Non-GAAP	YoY % Non-GAAP
<b>Net revenues:</b>						
Online education services	6,291	8,935	42.0%	6,291	8,935	42.0%
Books and reference materials	1,341	1,004	-25.1%	1,341	1,004	-25.1%
Others including in-person training	2,693	2,726	1.2%	2,693	2,726	1.2%
<b>Total net revenues</b>	<b>10,325</b>	<b>12,665</b>	<b>22.7%</b>	<b>10,325</b>	<b>12,665</b>	<b>22.7%</b>
<b>Cost of sales</b>	<b>(4,335)</b>	<b>(5,371)</b>	<b>23.9%</b>	<b>(3,917)</b>	<b>(5,006)</b>	<b>27.8%</b>
<b>Gross profit</b>	<b>5,990</b>	<b>7,294</b>	<b>21.8%</b>	<b>6,408</b>	<b>7,659</b>	<b>19.5%</b>
<b>Gross margin</b>	<b>58.0%</b>	<b>57.6%</b>		<b>62.1%</b>	<b>60.5%</b>	
<b>Operating expenses:</b>						
Selling expenses	(1,996)	(3,130)	56.8%	(1,856)	(2,998)	61.6%
General and administrative expenses	(2,928)	(2,768)	-5.5%	(2,407)	(2,269)	-5.8%
Written off of purchased call option	-	(1,115)		-	-	
<b>Total operating expenses</b>	<b>(4,924)</b>	<b>(7,013)</b>	<b>42.4%</b>	<b>(4,263)</b>	<b>(5,267)</b>	<b>23.6%</b>
<b>Operating Income (Loss)</b>	<b>1,066</b>	<b>870</b>	<b>-18.4%</b>	<b>2,145</b>	<b>2,981</b>	<b>39.0%</b>
<b>Income tax benefit (expense)</b>	<b>(22)</b>	<b>(39)</b>	<b>77.3%</b>	<b>(22)</b>	<b>(39)</b>	<b>77.3%</b>
<b>Net income (loss)</b>	<b>1,282</b>	<b>915</b>	<b>-28.6%</b>	<b>2,361</b>	<b>2,747</b>	<b>16.3%</b>
<b>Basic net income (loss) per ADS</b>	<b>0.037</b>	<b>0.028</b>	<b>-24.3%</b>	<b>0.068</b>	<b>0.083</b>	<b>22.1%</b>
<b>Diluted net income (loss) per ADS</b>	<b>0.037</b>	<b>0.028</b>	<b>-24.3%</b>	<b>0.068</b>	<b>0.083</b>	<b>22.1%</b>

# Selected Balance Sheet Items (Unaudited) – 3Q FY2011

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## Balance Sheet Summary

(US\$ in Millions)

Assets	Mar 31, 2011	Jun 30, 2011	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	63.9	58.6	-8.3%
Receivables	7.1	8.6	21.2%
Inventories	0.8	0.5	-38.3%
Net PP&E	9.7	10.0	2.9%
Other Assets	19.1	20.1	5.1%
<b>Total</b>	<b>100.6</b>	<b>97.7</b>	<b>-2.9%</b>
Liabilities and Shareholders' Equity	Mar 31, 2011	Jun 30, 2011	Change %
Accrued Expenses and other liabilities	8.1	9.0	11.3%
Deferred Revenues, current portion	12.0	10.4	-13.8%
Refundable Fees	1.6	2.3	37.8%
Total Shareholder's Equity	77.7	74.6	-4.1%
<b>Total</b>	<b>100.6</b>	<b>97.7</b>	<b>-2.9%</b>

# Strategy and Outlook

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## ❖ Continued Execution on Growth Initiatives

- Build upon core offerings: accounting, healthcare, construction and engineering, continuous education
- Continue building momentum in self-taught higher education study process monitoring program, Yucai and K-12 after-school tutoring
- Continue to extend course offerings, enter new verticals and further develop brand name
- Continue prudent investment in new business initiatives to develop long-term growth opportunities and new revenue streams
- Continue to focus on cost controls to maintain margins





**4Q FY11 revenue expected to be in the range of US\$12.7 million to US\$13.3 million, compared with US\$11.4 million in 4Q FY10**

Thank You

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