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## Fourth Quarter Fiscal 2010 Results Presentation



November 16, 2010



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 2010 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 19, 2009.



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



## Continued Enrollment Increases Drive Healthy Top-Line Growth

- ❖ Revenue exceeded guidance range as a result of:
  - Steady enrollment increases across course offerings with especially strong growth from accounting continuous education courses
  - A material contribution from the sale of books and reference materials
  - Strong growth in the enrollment of self-taught higher education segment
- ❖ Revenue grew despite cessation of ITAT contest related training and minimal revenue from Yucai, which together accounted for over US\$2.5 million in revenue in 2009
- ❖ Core businesses showed sustained strong growth in revenue and profitability
- ❖ Continued progress on new business initiatives, including self-taught higher education, business start-up training and K-12 education program

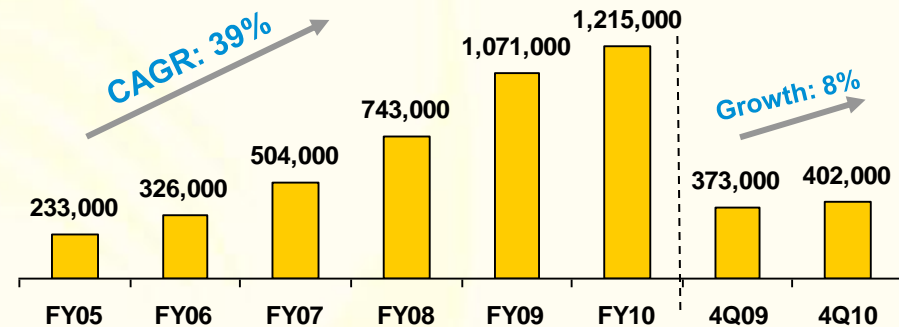


## Steady Performance Underpinned by Core Verticals

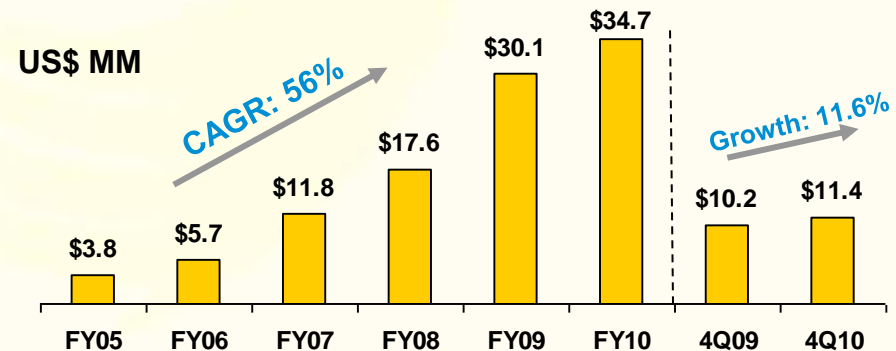
- ❖ Fourth Quarter Fiscal 2010
  - Revenue: Increased 11.6% Y-o-Y to US\$11.4 million
  - Online education services revenue: Increased 12.3% Y-o-Y to US\$8.0 million
  - Enrollments: Increased 7.8% Y-o-Y to 402,000

- ❖ Fiscal 2010
  - Revenue: Increased 15.4% Y-o-Y to US\$34.7 million
  - Online education services revenue: Increased 7.6% Y-o-Y to US\$24.0 million
  - Enrollments: Increased 7.1% Y-o-Y to 1,215,000
  - Strong Y-o-Y growth despite minimal contribution from Yucai and cessation of ITAT related training

### Enrollments



### Revenue



# Operational Updates

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## Maintaining Strong Market Share

### ❖ Q4 Enrollment

- Increased enrollment across the board
- Accounting Continuous Education: increased 70% Y-o-Y
- Signs of recovery in APQE and CPA enrollment trends with healthy Y-o-Y increases in low season

### ❖ Average Student Payment (ASP)

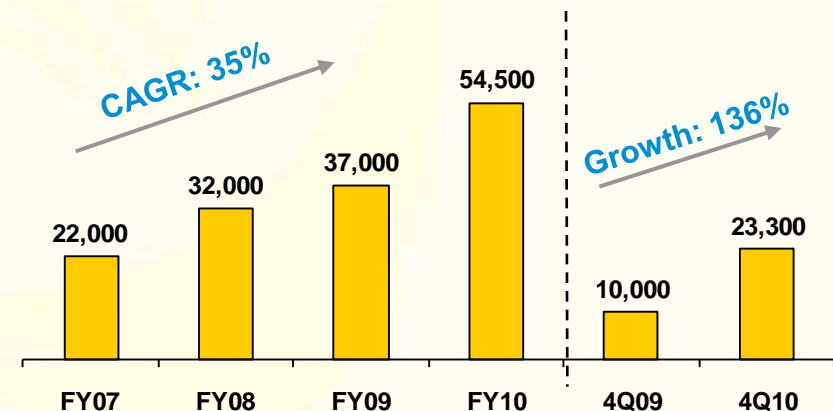
- ASP for our accounting test preparation courses remains stable
- Continued offering reduced price accounting continuous education courses to extend market reach



## Successful Rollout of Study Process Monitoring Program

- ❖ 4Q FY10 enrollments increased 136% Y-o-Y to 23,300
- ❖ To date, program expanded to 8 provinces, including Sichuan, Yunan, Jiangsu, Zhejiang, Hunan, Tianjin, Beijing and Hainan
- ❖ Enrollments have begun in four provinces, including Tianjin, Jiangsu, Hunan and Zhejiang
- ❖ Expect ramp-up in FY2011, with meaningful enrollment growth expected to begin in 2Q FY2011 due to seasonality
- ❖ Ongoing efforts to further expand the program into more provinces

### Self-Taught Course Enrollments







## Strong Enrollment Growth in Healthcare and Construction and Engineering Courses

### ❖ Healthcare Courses

- Q4 enrollment increased 7% Y-o-Y; FY enrollment up 24%
- Revenues increased 39% on a full year basis compared to FY 2009
- ASP increased 9.5% Y-o-Y
- Strong performance driven by continued expansion in course offerings and better brand recognition
- Contributed to 13% of total online revenue

### ❖ Construction and Engineering

- Q4 enrollments increased 249% Y-o-Y; FY enrollment and revenue up over 100%
- Strong growth driven by continuous education courses
- ASP decreased 49% Y-o-Y due to high portion of enrollments from lower ASP continuous education courses
- Contributed to 5% of total online revenue



## ❖ Yucai

- Continued to make progress to re-launch business start-up training program following a reorganization of the business earlier this year
- All major integration and reorganization initiatives completed as of quarter end
- Resumed enrolling students in deliberate manner in order to ensure the long term success of this program
- Minimal revenue recognized in FY 2010
- Continue to tightly control the operating costs, which helped to improve Non-GAAP gross margin for the quarter
- Looking at different models to provide training and service framework to a larger student base



## ❖ K-12 After School Training

- Continued progress on “Famous School Coalition” program
  - 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
- Currently have close to 1,200 schools in the coalition program
- 600,000 registered users on the website
- Over 27,000 courses and educational resources added to the website
- Continuing efforts to monetize program, including roll-out of Educomp Solutions’ “Smart Class” product

# Financial Highlights

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## ❖ Revenue Growth Exceeding Guidance

- Driven by enrollment growth in core verticals, strong cash collection from sale of books and reference materials
- Continued focus on cost controls with maintenance of healthy non-GAAP gross margin

## ❖ Provision for Bad Debt

- US\$1.3 million bad debt provision for Q4 2010 and US\$2.2 million for FY 2010
- Due to conservative accounting policy on provisions for doubtful accounts
- Expect impact to mitigate over time as we generate increased revenue from these businesses, continue to collect on accounts over 360 days that were written off and continue to have more accounts receivable reaching 360 days old

# Selected Income Statement Items (Unaudited) – 4Q FY2010

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

	4Q FY09	4Q FY10	YoY	4Q FY09	4Q FY10	YoY
	GAAP	GAAP	Change%	Non-GAAP	Non-GAAP	Change%
<b>Net revenues:</b>						
Online education services	7,085	7,958	12.3%	7,085	7,958	12.3%
Books and reference materials	786	1,668	112.2%	786	1,668	112.2%
Others including in-person training	2,302	1,729	-24.9%	2,302	1,729	-24.9%
<b>Total net revenues</b>	<b>10,173</b>	<b>11,355</b>	<b>11.6%</b>	<b>10,173</b>	<b>11,355</b>	<b>11.6%</b>
<b>Cost of sales</b>	<b>-4,010</b>	<b>-5,043</b>	<b>25.8%</b>	<b>-3,731</b>	<b>-4,505</b>	<b>20.7%</b>
<b>Gross profit</b>	<b>6,163</b>	<b>6,312</b>	<b>2.4%</b>	<b>6,442</b>	<b>6,850</b>	<b>6.3%</b>
<b>Gross margin</b>	<b>61%</b>	<b>56%</b>		<b>63%</b>	<b>60%</b>	
<b>Operating expenses:</b>						
Selling expenses	-1,781	-1,838	3.2%	-1,692	-1,651	-2.4%
General and administrative expenses	-1,764	-3,752	112.7%	-1,441	-3,189	121%
Impairment of goodwill, intangible assets and purchased call option	-	-2,320		-	-	
<b>Total operating expenses</b>	<b>-3,545</b>	<b>-7,910</b>	<b>123.1%</b>	<b>-3,133</b>	<b>-4,840</b>	<b>54.5%</b>
<b>Operating Income (Loss)</b>	<b>2,618</b>	<b>-1,636</b>	<b>-162.5%</b>	<b>3,309</b>	<b>1,972</b>	<b>-40.4%</b>
<b>Income tax benefit (expense)</b>	<b>-1,441</b>	<b>-841</b>	<b>-41.6%</b>	<b>-1,441</b>	<b>-841</b>	<b>-41.6%</b>
<b>Net income (loss)</b>	<b>1,309</b>	<b>-2,056</b>		<b>2,000</b>	<b>1,324</b>	<b>-33.8%</b>
<b>Basic net income (loss) per ADS</b>	<b>0.04</b>	<b>-0.06</b>		<b>0.06</b>	<b>0.04</b>	
<b>Diluted net income (loss) per ADS</b>	<b>0.04</b>	<b>-0.06</b>		<b>0.06</b>	<b>0.04</b>	

# Selected Income Statement Items (Unaudited) – FY2010

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

	FY2009	FY2010	YoY Change%	FY2009	FY2010	YoY Change%
	GAAP	GAAP	GAAP	Non-GAAP	Non-GAAP	Non-GAAP
<b>Net revenues:</b>						
Online education services	22,279	23,982	7.6%	22,279	23,982	7.6%
Books and reference materials	2,709	3,939	45.4%	2,709	3,939	45.4%
Others including in-person training	5,133	6,825	33.0%	5,133	6,825	33.0%
<b>Total net revenues</b>	<b>30,121</b>	<b>34,746</b>	<b>15.4%</b>	<b>30,121</b>	<b>34,746</b>	<b>15.4%</b>
<b>Cost of sales</b>	<b>-14,411</b>	<b>-16,774</b>	<b>16.4%</b>	<b>-12,558</b>	<b>-14,987</b>	<b>19.3%</b>
<b>Gross profit</b>	<b>15,710</b>	<b>17,972</b>	<b>14.4%</b>	<b>17,563</b>	<b>19,759</b>	<b>12.5%</b>
<b>Gross margin</b>	<b>52%</b>	<b>52%</b>		<b>58%</b>	<b>57%</b>	
<b>Operating expenses:</b>						
Selling expenses	-6,722	-7,561	12.5%	-6,268	-6,994	11.6%
General and administrative expenses	-7,432	-10,833	45.8%	-5,820	-8,800	51.2%
Impairment of goodwill, intangible assets and purchased call option	-	-2,320		-	-	
<b>Total operating expenses</b>	<b>-14,154</b>	<b>-20,714</b>	<b>46.3%</b>	<b>-12,088</b>	<b>-15,794</b>	<b>30.6%</b>
<b>Operating Income (Loss)</b>	<b>1,848</b>	<b>-2,781</b>	<b>-250.5%</b>	<b>5,767</b>	<b>3,926</b>	<b>-31.9%</b>
<b>Income tax benefit (expense)</b>	<b>-1,478</b>	<b>-459</b>	<b>-68.9%</b>	<b>-1,478</b>	<b>-459</b>	<b>-68.9%</b>
<b>Net income (loss)</b>	<b>1,188</b>	<b>-1,898</b>		<b>5,107</b>	<b>4,580</b>	<b>-10.3%</b>
<b>Basic net income (loss) per ADS</b>	<b>0.03</b>	<b>-0.06</b>		<b>0.15</b>	<b>0.13</b>	
<b>Diluted net income (loss) per ADS</b>	<b>0.03</b>	<b>-0.06</b>		<b>0.15</b>	<b>0.13</b>	



## Balance Sheet Summary

(US\$ in Millions)

Assets	Jun 30, 2010	Sep 30, 2010	Change
Cash and Cash Equivalents, Term Deposits and Restricted Cash	58.0	61.7	6.4%
Receivables	7.0	6.9	-1.6%
Inventories	0.7	0.6	-9.9%
Net PP&E	8.7	8.8	0.8%
Other Assets	21.6	18.5	-14.2%
<b>Total</b>	<b>96.0</b>	<b>96.5</b>	<b>-0.4%</b>

Liabilities and Shareholders' Equity	Jun 30, 2010	Sep 30, 2010	Change
Accrued Expenses and other liabilities	5.7	6.7	17.6%
Deferred Revenues, current portion	8.6	8.9	3.2%
Refundable Fees	1.8	1.6	-11.1%
Total Shareholder's Equity	78.7	77.0	-2.1%
<b>Total</b>	<b>96.0</b>	<b>96.5</b>	<b>0.6%</b>



# Strategy and Outlook

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## ❖ Continued Execution on Growth Initiatives

- Continue to expand the market for self-taught higher education study process monitoring program
- Build upon core offerings: accounting, healthcare, construction and engineering, continuous education
- Continue to extend course offerings, enter new verticals and further develop brand name
- Continue investment in new business initiatives to develop long-term growth opportunities



**1Q FY11 revenue expected to be in the range of US\$6.1 million to US\$6.7 million, compared with US\$5.6 million in 1Q FY10**

# Thank You

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