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## Fourth Quarter and Full Year Fiscal 2011 Results Presentation



November 17, 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 first quarter of the fiscal year 2012 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 November 17, 2011.



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



### **Better than Expected Revenue Growth with Robust Cash Position; Made Significant Progress on Key Strategic Initiatives**

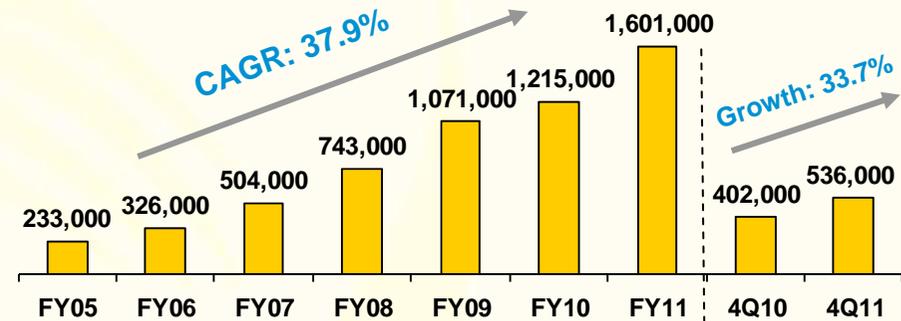
- ❖ Revenue before adjusting for revenue from a business segment that will be discontinued within a year exceeded guidance range as a result of:
  - Steady enrollment growth in most of our online courses
  - Healthy ASP growth across our core test preparation courses
- ❖ Have expanded our services in such areas as K-12 after-school tutoring program to provide a broader offering of educational services to reach more students that seek high quality, comprehensive and lifelong learning programs
- ❖ Discontinue the operations of a certain segment of our business in order to better focus on our key growth initiatives and on building shareholder value over the long-term
- ❖ Modified the terms of our existing share options and granted additional options to our valuable employees and lecturers who are key to our successful strategy execution



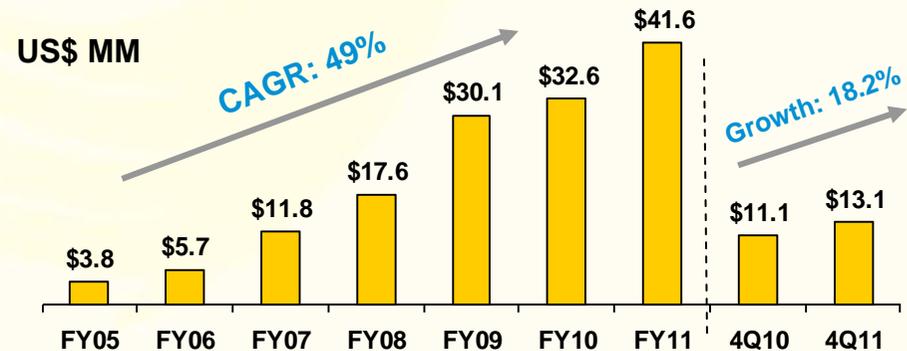
## Strong Revenue Growth Supported by Strong Enrollment Growth

- ❖ Fourth Quarter Fiscal 2011
  - Revenue: Increased 18.2% Y-o-Y to US\$13.1 million
  - Online education services revenue: Increased 24.4% Y-o-Y to US\$9.9 million
  - Enrollments: Increased 33.7% Y-o-Y to 536,000
  
- ❖ Fiscal 2011
  - Revenue: Increased 27.6% Y-o-Y to US\$41.6 million
  - Online education services revenue: Increased 28.4% Y-o-Y to US\$30.8 million
  - Enrollments: Increased 32.2% Y-o-Y to 1,601,000

### Enrollments



### Revenue



# Operational Updates

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## Maintaining Market Leadership

### ❖ Q4 Enrollment

- Strong total enrollments with 40.1% Y-o-Y growth
- Robust growth in Accounting Continuing Education: increased 56.4% Y-o-Y
- Other Accounting Courses: increased 35.3% Y-o-Y

### ❖ Average Student Payment (ASP)

- ASP for other accounting courses grew 36.6% Y-o-Y
- ASP for APQE and CPA increased 22.4% and 72.4% respectively Y-o-Y
- Maintained our competitive pricing strategy to gain share in 13 million student strong continuous education market



## Expect Enrollment and Revenue to Grow Fast in Healthcare and Construction Engineering

### ❖ Healthcare Courses

- Q4 enrollment increased 17.6% Y-o-Y; ASP increased 8.3% Y-o-Y
- FY11 enrollment increased 17.8%
- Revenue increased 31.9% on a full year basis compared to FY 2010
- Anticipate our healthcare vertical will continue growing fast as we continue to build brand awareness by promoting products and services to a larger student base

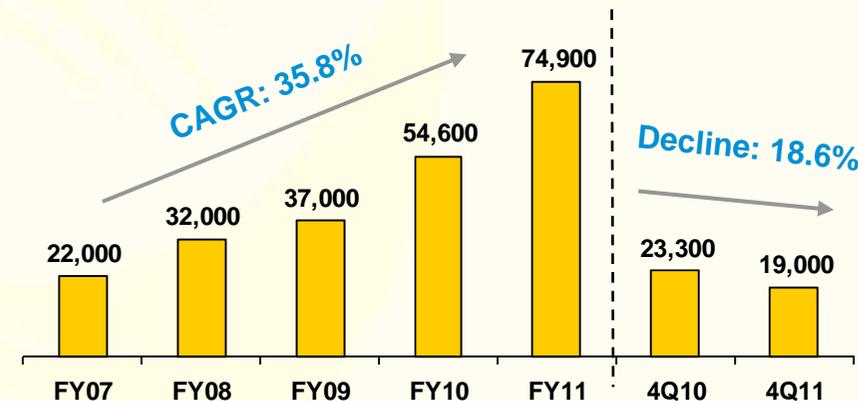
### ❖ Construction Engineering

- Q4 enrollments decreased 40.2% Y-o-Y; FY enrollment and cash revenue up 1.7% and 13.7% respectively
- Expect enrollment and revenue for construction engineering courses to continue to grow fast in fiscal 2012 as we continue to build out our programs and gain market share in this vertical

## Continue to Sign up New Provinces to Expand Market Reach

- ❖ 4Q FY11 enrollments decreased 18.6% Y-o-Y to 19,000 due to seasonality
- ❖ 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
- ❖ Continue to sign up new provinces to expand our market reach
- ❖ Expect enrollments to continue to grow steadily in FY2012

## Self-Taught Course Enrollments





## ❖ Offline Business

- Began offering online-offline combined courses at relatively higher ASP to further broaden program offerings in some of our main test-preparation verticals, such as accounting and healthcare
- Fiscal Year 2011 cash revenue exceeded US\$0.9 million
- A good portion of program revenue will not be recognized until FY2012 due to the program design
- Focus on offline offerings only to limited high-enrollment courses in order to fully unleash the potential of this comprehensive program offering and improve program margin

## ❖ Yucai

- Generated a healthy revenue of US\$0.5 million in the fourth quarter and achieved profitability as of Q4 2011
- Expect to continue to grow strongly in FY2012 with strong foundation laid in 2011 by:
  - Improving course content
  - Building a robust online sand-table simulation platform
  - Maintaining strict focus on program delivery and cash collection



## ❖ K-12 After School Training

- Continued to enhance our service offering in the K-12 after school training vertical in order to expand our presence
- In person courses - TStudy digital class solutions and EduComp Smart Class
  - Provides with a comprehensive set of interactive multimedia educational tools and content, complemented by our scalable online platform
  - Rollout is progressing as planned
  - Expect to start gaining growth momentum and meaningful revenue contribution in FY2012



## ❖ Returning Value to Shareholders

- Our cash and bank deposit balance from continuing operations stood at a historical high of US\$60.3 million; expect to continue to generate strong free cash flow in the foreseeable future
- A special dividend of US\$0.12 per ordinary share, or US\$0.48 per ADR was declared and will be paid to shareholders of record on December 15, 2011
- Expect to pay the dividend around December 25, 2011
- Reinforcing our focus on creating value for our shareholders

# Financial Highlights

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## ❖ Strong Revenue Growth

### ❖ Continue to exercise conservative accounting practices by:

- Wrote off US\$0.3 million of inventory
- 100% of our accounts receivables aging over 360 days will be written off
- Wrote off another US\$0.9 million of slow paying A/R balance
- These provisions negatively affected our gross and net margin for the quarter

### ❖ Discontinue the operation of a certain business segment

- Wrote down most assets, including goodwill and intangible assets, of the discontinued operation to the fair value less cost to sale
- Recorded a GAAP charge, net of tax, of US\$2.0 million and non-GAAP loss from discontinued operations of US\$1.0 million in the quarter



## ❖ Modifications of option grants

- Terms of 2008 option grants have been modified:
  - to reduce the exercise price to the closing price on September 27, 2011 and zero
  - Accelerated all the options to fully vested immediately
- Additional share-based compensation charge and a non-cash GAAP expense of US\$ 0.6 million were incurred
- Accelerated the recognition of US\$1.4 million of expense from fiscal 2012 to this quarter

## ❖ Cash Flow

- Q4FY11 operating inflow was US\$4.4 million
- Q4FY11 free cash flow was US\$3.3 million, far exceeding our non-GAAP income
- FY2011 operating cash flow was US\$9.2 million

# Selected Income Statement Items (Unaudited) – 4Q FY2011

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

	4Q FY10 GAAP	4Q FY11 GAAP	YoY Change% GAAP	4Q FY10 Non-GAAP	4Q FY11 Non-GAAP	YoY Change% Non-GAAP
<b>Net revenues:</b>						
Online education services	7,958	9,896	24.4%	7,958	9,896	24.4%
Books and reference materials	1,668	1,290	-22.7%	1,668	1,290	-22.7%
Others including in-person training	1,455	1,912	31.4%	1,455	1,912	31.4%
<b>Total net revenues</b>	<b>11,081</b>	<b>13,098</b>	<b>18.2%</b>	<b>11,081</b>	<b>13,098</b>	<b>18.2%</b>
<b>Cost of sales</b>	<b>(4,716)</b>	<b>(6,332)</b>	<b>34.3%</b>	<b>(4,178)</b>	<b>(5,419)</b>	<b>29.7%</b>
<b>Gross profit</b>	<b>6,365</b>	<b>6,766</b>	<b>6.3%</b>	<b>6,903</b>	<b>7,679</b>	<b>11.2%</b>
<b>Gross margin</b>	<b>57.4%</b>	<b>51.7%</b>	<b>-5.7 pts</b>	<b>62.3%</b>	<b>58.6%</b>	<b>-3.7 pts</b>
<b>Operating expenses:</b>						
Selling expenses	(1,606)	(2,450)	52.6%	(1,419)	(2,148)	51.4%
General and administrative expenses	(3,670)	(4,935)	34.5%	(3,107)	(3,068)	-1.3%
Impairment of purchased call option	(162)	0	-100.0%	0	0	NM
<b>Total operating expenses</b>	<b>(5,438)</b>	<b>(7,385)</b>	<b>35.8%</b>	<b>(4,526)</b>	<b>(5,216)</b>	<b>15.2%</b>
<b>Operating Income (Loss)</b>	<b>929</b>	<b>(615)</b>	<b>NM</b>	<b>2,379</b>	<b>2,467</b>	<b>3.7%</b>
<b>Income tax benefit (expense)</b>	<b>(1,048)</b>	<b>(823)</b>	<b>-21.5%</b>	<b>(1,048)</b>	<b>(823)</b>	<b>-21.5%</b>
<b>Net income (loss) from continuing operations</b>	<b>150</b>	<b>(1,166)</b>	<b>NM</b>	<b>1,559</b>	<b>1,916</b>	<b>22.9%</b>
<b>Net income (loss) from discontinued operations</b>	<b>(2,206)</b>	<b>(2,958)</b>	<b>NM</b>	<b>(235)</b>	<b>(978)</b>	<b>NM</b>
<b>Net income (loss) attributable to CDEL</b>	<b>(2,056)</b>	<b>(4,124)</b>	<b>NM</b>	<b>1,324</b>	<b>938</b>	<b>-29.2%</b>

# Selected Income Statement Items (Unaudited) – FY2011

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

	FY2010 GAAP	FY2011 GAAP	YoY Change% GAAP	FY2010 Non-GAAP	FY2011 Non-GAAP	YoY Change% Non-GAAP
<b>Net revenues:</b>						
Online education services	23,982	30,788	28.4%	23,982	30,788	28.4%
Books and reference materials	3,939	4,743	20.4%	3,939	4,743	20.4%
Others including in-person training	4,658	6,033	29.5%	4,658	6,033	29.5%
<b>Total net revenues</b>	<b>32,579</b>	<b>41,564</b>	<b>27.6%</b>	<b>32,579</b>	<b>41,564</b>	<b>27.6%</b>
<b>Cost of sales</b>	<b>(15,353)</b>	<b>(19,634)</b>	<b>27.9%</b>	<b>(13,566)</b>	<b>(17,635)</b>	<b>30.0%</b>
<b>Gross profit</b>	<b>17,226</b>	<b>21,930</b>	<b>27.3%</b>	<b>19,013</b>	<b>23,929</b>	<b>25.9%</b>
<b>Gross margin</b>	<b>52.9%</b>	<b>52.8%</b>	<b>-0.1 ppts</b>	<b>58.4%</b>	<b>57.6%</b>	<b>-0.8 ppts</b>
<b>Operating expenses:</b>						
Selling expenses	(7,176)	(9,771)	36.2%	(6,609)	(9,093)	37.6%
General and administrative expenses	(10,542)	(12,221)	15.9%	(8,509)	(8,874)	4.3%
Impairment of purchased call option	(162)	0	-100.0%	0	0	NM
Written off of purchased call option	0	(1,115)	NM	0	0	NM
<b>Total operating expenses</b>	<b>(17,880)</b>	<b>(23,107)</b>	<b>29.2%</b>	<b>(15,118)</b>	<b>(17,967)</b>	<b>18.8%</b>
<b>Operating Income (Loss)</b>	<b>(573)</b>	<b>(574)</b>	<b>NM</b>	<b>3,976</b>	<b>6,565</b>	<b>65.1%</b>
<b>Income tax benefit (expense)</b>	<b>(575)</b>	<b>(971)</b>	<b>68.9%</b>	<b>(575)</b>	<b>(971)</b>	<b>68.9%</b>
<b>Net income (loss) from continuing operations</b>	<b>155</b>	<b>(502)</b>	<b>NM</b>	<b>4,663</b>	<b>6,358</b>	<b>36.3%</b>
<b>Net income (loss) from discontinued operations</b>	<b>(2,053)</b>	<b>(3,300)</b>	<b>NM</b>	<b>(82)</b>	<b>(1,169)</b>	<b>NM</b>
<b>Net income (loss) attributable to CDEL</b>	<b>(1,898)</b>	<b>(3,802)</b>	<b>NM</b>	<b>4,581</b>	<b>5,189</b>	<b>13.2%</b>

# Selected Balance Sheet Items (Unaudited) – 4Q FY2011

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## Balance Sheet Summary

(US\$ in Millions)

Assets	Sep 30, 2010	Sep 30, 2011	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	60.2	60.3	0.1%
Receivables	4.0	4.7	16.2%
Inventories	0.6	0.4	-39.4%
Net PP&E	8.1	8.6	6.2%
Other Assets	23.1	20.0	-13.2%
<b>Total</b>	<b>96.0</b>	<b>93.9</b>	<b>-2.2%</b>
Liabilities and Shareholders' Equity	Sep 30, 2010	Sep 30, 2011	Change %
Accrued Expenses and other liabilities	3.8	6.5	70.5%
Deferred Revenues, current portion	7.5	7.9	4.2%
Refundable Fees	1.6	2.6	65.0%
Total Shareholder's Equity	75.0	72.7	-3.0%
<b>Total</b>	<b>96.0</b>	<b>93.9</b>	<b>-2.2%</b>

# Strategy and Outlook

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## ❖ Clear Strategy in place to Realize the Full Potential of our Unique Business Model

- Strategy includes:
  - Starting to leverage the rapidly expanding world of mobile and social technologies to enhance our content and delivery
  - Introduced mobile learning on smart phone operating platforms
  - Introduced high-resolution audio video courses supported by interactive white-boards
- Throughout 2012, we will continue to unveil more cutting edge interactive online learning tools and technologies to empower our students learning
- Continued focus on building pricing power and expanding program reach
- Believe the underlying demand for our educational services remain strong and we are well positioned to deliver increasing shareholder value going forward



**1Q FY12 revenue expected to be in the range of US\$8.5 million to US\$9.0 million, compared with US\$7.8 million in 1Q FY11**

**FY12 revenue expected to be in the range of US\$50 million to US\$54 million, representing year-over-year growth of 20%-30%**

# Thank You

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