

BEIJING, Sept. 11, 2013 /PRNewswire/ -- ChinaEdu Corporation (NASDAQ: [CEDU](#)) ("ChinaEdu" or the "Company"), a leading online educational services provider in China, today announced its unaudited financial results for the second quarter ended June 30, 2013.[1]

Second Quarter 2013 Highlights □

- Total net revenue was \$22.9 million for the second quarter of 2013, exceeding the Company's guidance range for the quarter and representing a 21.9 percent increase from \$18.7 million in the corresponding period of 2012. Excluding non-recurring revenue of \$1.2 million, total net revenue increased by 16.1% to \$21.7 million.
- Net revenue from online degree programs was \$18.5 million, an increase of 23.6 percent from \$15.0 million in the corresponding period of 2012.
- Net income attributable to ChinaEdu was \$2.8 million, an increase of 84.3 percent from \$1.5 million in the corresponding period of 2012.
- Adjusted net income attributable to ChinaEdu[2] was \$3.3 million, an increase of 66.8 percent from \$2.0 million in the corresponding period of 2012.
- Net income attributable to ChinaEdu per diluted ADS[3] was \$0.279, an increase of 210.9 percent from \$0.089 in the corresponding period of 2012.
- Adjusted net income attributable to ChinaEdu per diluted ADS[4] was \$0.333, an increase of 183.3 percent from \$0.118 in the corresponding period of 2012.
- The number of revenue students[5] enrolled in online degree programs during the Spring 2013 semester increased by 14.5 percent year-over-year to approximately 221,000 students.

ChinaEdu Reports Second Quarter 2013 Results

Written by Australian Business

[1]

The reporting currency of the Company is RMB, but for the convenience of the reader, the amounts for t

[2]

"Adjusted net income attributable to ChinaEdu" is a non-GAAP measure defined as net income attributa

[3]

"ADS" is American Depositary Share. Each ADS represents three ordinary shares.

[4]

"Adjusted net income attributable to ChinaEdu per diluted ADS" is a non-GAAP measure which is comp

[5]

"Revenue students" refers to students of university online degree programs who have paid tuitions. The

Julia Huang, executive chairman of ChinaEdu commented, "We are pleased with our financial

performance in the second quarter of 2013. We ended the Spring Semester of our core online degree program with growth exceeding our expectation. Looking forward into the second half of 2013, we will continue to execute on plans laid out by our board of directors and management team at the beginning of the year and focus on continuously developing industry leading interactive technology while remaining vigilant in regard to cost control to ensure ongoing profitability. However, we maintain a conservative outlook on the upcoming Fall enrollment and remain committed to quality of students as well as programs."

Financial Results for the Second Quarter Ended June 30, 2013

Net Revenue

Total net revenue for the second quarter of 2013 was \$22.9 million, a 21.9 percent increase from \$18.7 million in the corresponding period of 2012. Excluding non-recurring revenue of \$1.2 million, the result of certain technology services being provided to online degree programs, total net revenue increased by 16.1% to \$21.7 million.

Net revenue from online degree programs for the second quarter of 2013 was \$18.5 million, a 23.6 percent increase over \$15.0 million in the corresponding period of 2012. The increase in net revenue from online degree programs was primarily due to organic growth in revenue students enrolled in online degree programs, and continued expansion and optimization of the Company's learning centers network. Enrollment for 2013 Spring semester online degree programs was approximately 221,000 revenue students, a 14.5 percent increase from approximately 193,000 revenue students enrolled in the Spring semester in 2012.

By the end of the second quarter of 2013, ChinaEdu's learning centers network was providing recruiting services for 23 universities with 125 operational learning centers, of which 61 were proprietary centers[6] and 64 were contracted centers[7]. This compares to 113 operational learning centers as of June 30, 2012, of which 55 were proprietary and 58 were contracted centers.

Net revenue from non-degree programs, including online tutoring programs, private primary and secondary schools and international curriculum programs in the second quarter of 2013 was \$4.3 million, a 15.2 percent increase from \$3.7 million in the second quarter of 2012. Of that, approximately \$0.4 million was attributable to enrollment growth and increased tuition at our private school in Anqing.

[6]

Proprietary centers refer to self-owned learning centers operated either under the Company's own brand

[7]

Contracted centers refer to agreement with third party learning centers pursuant to which the Company

Cost of Revenue

Total cost of revenue for the second quarter of 2013 was \$8.3 million, an increase of 8.9 percent, from \$7.7 million in the corresponding period of 2012.

Cost of revenue for online degree programs in the second quarter of 2013 was \$5.8 million, an increase of 15.4 percent compared to \$5.1 million in the corresponding period of 2012. The increase in cost of revenue was primarily related to staff costs increasing by

\$0.3 million
and service station fees increasing by
\$0.4 million
.

Cost of revenue for non-degree programs in the second quarter of 2013 was \$2.5 million, a decrease of 3.9 percent from \$2.6 million in the second quarter of 2012. The decrease in cost of revenue for non-degree programs was primarily related to decreased leasing costs associated with our international curriculum programs and online tutoring programs.

Gross Profit and Gross Margin

Gross profit for the second quarter of 2013 was \$14.5 million, compared to \$11.1 million in the corresponding period of 2012. Gross margin increased to 63.5 percent, compared to 59.2 percent for the corresponding period of 2012.

Gross margin for online degree programs was 68.5 percent, an increase from 66.3 percent in the second quarter of 2012. The increase was primarily the result of the significant increase in total net revenue as well as the continued effect of cost control measures.

Gross margin for online tutoring programs increased significantly to 67.0 percent from 57.7 percent in the second quarter of 2012, mainly due to increased net revenue as well as decreased lease and service costs.

Gross margin for private schools in the second quarter of 2013 increased to 30.4 percent, compared to 26.1 percent in the corresponding period of 2012. The increase in gross margin was primarily the result of increased net revenue at our Anqing school.

Operating Expenses

Total operating expenses were \$7.7 million in the second quarter of 2013, an increase of 4.5 percent from \$7.4 million in the corresponding period of 2012. As a percentage of net revenue, total operating expenses decreased to 33.9 percent, compared to 39.5 percent in the corresponding period in 2012. The increase in total operating expense was the result of the following:

- General and administrative expenses for the second quarter of 2013 were \$3.9 million, a slight decrease of 1.6 percent from \$4.0 million in the corresponding period of 2012. As a percentage of net revenue, general and administrative expenses decreased to 17.0 percent from 21.1 percent in the same period in 2012.

- Selling and marketing expenses were \$1.9 million in the second quarter of 2013, an increase of 3.8 percent compared to \$1.8 million in the corresponding period of 2012. As a percentage of net revenue, selling and marketing expenses decreased to 8.4 percent from 9.8 percent in the same period in 2012. The increase in selling and marketing expense was primarily related to increased advertising expenses associated with our online tutoring programs and travel expenses associated with our online degree programs.

- Research and development expenses for the second quarter of 2013 were \$1.9 million, an increase of 20.2 percent compared to \$1.6 million in the corresponding period of 2012. As a percentage of net revenue, the research and development expense decreased slightly to 8.5 percent in the second quarter of 2013, compared to 8.6 percent in the corresponding period of 2012. The increase in the research and development expenses was primarily the result of increased staff costs associated with the company's investment in technology upgrades.

Income from Operations

Income from operations in the second quarter of 2013 was \$6.8 million, an increase of 83.9 percent compared to \$3.7 million in the corresponding period of 2012. Operating margin increased to 29.7 percent in the second quarter of 2013, compared to 19.7 percent in the corresponding period of 2012.

Adjusted income from operations, a non-GAAP measure defined as income from operations excluding share-based compensation, amortization of intangible assets, land use rights and intangible assets impairment, was \$7.3 million in the second quarter of 2013, an increase of 74.8 percent compared to \$4.2 million in the corresponding period of 2012.

Adjusted operating margin, a non-GAAP measure defined as the ratio of adjusted income from operations (non-GAAP) over net revenue, for the second quarter of 2013 increased to 32.0 percent, compared to 22.3 percent in the corresponding period of 2012.

Interest expense

Interest expense for the second quarter of 2013 was \$0.5 million, which was primarily related to loans with The Bank of East Asia Limited.

Income Tax Expense

In the second quarter of 2013, the income tax expense was \$1.6 million and the effective income tax rate was 23.9 percent.

Net Income Attributable to ChinaEdu

Net income attributable to ChinaEdu, which is net income, excluding net income attributable to non-controlling interests, was \$2.8 million in the second quarter of 2013, representing an increase of 84.3 percent from \$1.5 million in the corresponding period of 2012. The increase was primarily the result of a significant increase in gross profit, as well as effective cost and expense control.

Net income attributable to ChinaEdu per basic and diluted ADS was \$0.310 and \$0.279, respectively, for the second quarter of 2013, compared to \$0.096 and \$0.089, respectively, for the corresponding period of 2012. The increase was the result of the significant increase in net income attributable to ChinaEdu and a significant decrease of the number of diluted ADS after a share repurchase of 21,460,293 ordinary shares in aggregate between January and June 2013.

Adjusted net income attributable to ChinaEdu (non-GAAP) was \$3.3 million in the second quarter of 2013, compared to \$2.0 million in the corresponding period of 2012. Adjusted net margin, a non-GAAP measure defined as the ratio of adjusted net income attributable to ChinaEdu (non-GAAP) over net revenue, was 14.6 percent in the second quarter of 2013, compared to 10.7 percent in the corresponding period of 2012.

Adjusted net income attributable to ChinaEdu per basic and diluted ADS (non-GAAP) was \$0.370 and \$0.333, respectively, for the second quarter of 2013, compared to \$0.126 and \$0.118, respectively, for the corresponding period of 2012.

Deferred Revenue

As of June 30, 2013, deferred revenue was \$24.3 million, consisting of current deferred revenue in the amount of \$22.9 million and non-current deferred revenue in the amount of \$1.4 million.

In general, Spring semester tuition for online degree programs is received during the second quarter but is recognized both in the second quarter and the third quarter of the fiscal year.

Private school revenue is received in September, but amortized over 6 or 12 months while online tutoring program revenue is mostly received at program enrollment and is amortized within 12 months.

Cash and Cash Equivalents and Term Deposits

As of June 30, 2013, the Company reported cash and cash equivalents and term deposits of \$57.0 million, which primarily consisted of cash and cash equivalents, and term deposits with original maturity terms of greater than three months but less than one year.

Amounts Due from Related Parties

Amounts due from related parties, which represents cash owed to the Company by collaborative alliance partners, were \$64.2 million as of June 30, 2013 compared to \$49.2 million as of December 31, 2012.

2013 Year-to-Date Financial Results

Net Revenue

For the six months ended June 30, 2013, total net revenue was \$42.3 million, representing an

increase of 13.4 percent over \$37.3 million in the corresponding period of 2012. Net revenue from online degree programs for the first half of 2013 was \$33.9 million, representing a 13.1 percent increase from \$30.0 million in the corresponding period of 2012. Net revenue from non-online degree programs for the first half of 2013 was \$8.4 million, compared to \$7.3 million in 2012, a 14.7 percent increase. Growth in total net revenue in the first half of 2013 was the result of strong enrollment in online degree programs in the Fall semester of 2012 as well as the Spring semester of 2013. Net revenue at the Anqing School increased by \$0.7 million or 21.8% compared to the corresponding period in 2012, while the Company saw a continued decrease in revenue contributed by international and elite curriculum programs.

Cost of Revenue

For the six months ended June 30, 2013, total cost of revenue was \$15.9 million, an increase from \$15.1 million in the corresponding period of 2012. Cost of revenue for online degree programs in the first half of 2013 was \$11.1 million, an increase of 10.8 percent compared to \$10.0 million in the corresponding period of 2012. The increase in cost of revenue in the first half of 2013 was primarily the result of cost increases associated with a larger headcount and the expansion of the Company's learning centers network.

Cost of revenue for non-online degree programs in the first half of 2013 was \$4.8 million, a decrease of 4.6 percent compared to \$5.1 million in the corresponding period of 2012. The decrease in cost of revenue was primarily related to the decrease in leasing costs and service costs associated with our 101 online tutoring programs, a decrease in leasing costs as well as a decrease in depreciation and amortization costs associated with international curriculum programs.

Gross Profit

Gross profit for the six months ended June 30, 2013 was \$26.4 million, an increase of 18.7 percent compared with \$22.2 million for the corresponding period in 2012.

Income from Operations

Income from operations was \$11.1 million for the six months ended June 30, 2013, representing an increase of 51.3 percent from \$7.3 million for the corresponding period of 2012. Operating margin was 26.2 percent for the six months ended June 30, 2013 compared to 19.6 percent for the corresponding period of 2012.

Adjusted income from operations (non-GAAP) was \$12.2 million for the first half of 2013, representing an increase of 45.4 percent, compared to \$8.4 million in the corresponding period of 2012. Adjusted operating margin (non-GAAP) for the six months ended June 30, 2013 was 28.8 percent, compared to 22.5 percent for the corresponding period in 2012.

Interest expense

Interest expense for the first half of 2013 was \$0.8 million, which was primarily related to loans with The Bank of East Asia, Limited.

Income Tax Expense

Income tax expense for the first half of 2013 was \$2.6 million, as compared with \$1.8 million for the corresponding period of in 2012.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests was \$4.1 million in first half of 2013, an increase of 10.9 percent compared to \$3.7 million in the first half of 2012. The increase was primarily attributable to the non-controlling interest impact related to the increase in net income from online degree programs in the first half of 2013.

Net Income attributable to ChinaEdu

Net income attributable to ChinaEdu was \$4.7 million for the six months ended June 30, 2013. This represents an increase of 46.0 percent from \$3.2 million for the corresponding period of 2012. Net margin was 11.0 percent for the six months ended June 30, 2013, compared to 8.6 percent for the corresponding period of 2012.

Adjusted net margin was 13.6 percent for the six months ended June 30, 2013, compared to 11.3 percent for the corresponding period of 2012. The increase was primarily due to increased net income in the first half of 2013.

Third Quarter 2013 Guidance

ChinaEdu management expects total net revenue in the third quarter of 2013 to range from RM

B132 million to RMB137 million
or
\$21.5 million to \$22.3 million
, representing a 6 percent to 10 percent increase from
RMB124 million
or
\$20.2 million
compared to the corresponding period of 2012.

Conference Call

ChinaEdu's management will hold an earnings conference call at 8:00 a.m. U.S. Eastern Time
on September 12,
2013 (8:00 p.m.
Beijing
/Hong Kong Time on
September 12, 2013
).

Dial-in details for the earnings conference call are as follows:

China

400 120 0539

Hong Kong

800 905 927

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United Kingdom

0800 015 9725

United States

1 855 298 3404

New York City (Toll)

1 631 514 2526

Conference Title:

ChinaEdu Q2 2013 Earnings Conference Call

Conference Passcode:

ChinaEdu

A live and archived webcast of the conference call will be available on the investor relations

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page of ChinaEdu's website at <http://ir.chinaedu.net> and a replay of the conference call may be accessed by phone until September 18, 2013.

Dial-in numbers for the replay are as follows:

China

4001842240

Hong Kong

800 966 697

United Kingdom

0800 169 7301

United States

1 866 846 0868

Conference Title:

ChinaEdu Q2 2013 Earnings Conference Call

Replay Passcode:

2286813

Non-GAAP Financial Measures

To supplement the unaudited condensed consolidated financial information presented in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"), the Company uses non-GAAP measures of income from operations and net income attributable to ChinaEdu, which are adjusted from results based on GAAP to exclude certain non-cash items of share-based compensation, amortization of intangible assets and land use rights and intangible assets impairment. Adjusted operating margin defined as the ratio of adjusted operating income from operation over net revenue. Adjusted net income attributable to ChinaEdu per basic and diluted ADS are a non-GAAP measure which are computed using adjusted net income attributable to ChinaEdu over the number of ADSs used in net income attributable to ChinaEdu per basic and diluted ADS calculation.

These non-GAAP financial measures are provided to enhance the investors' overall understanding of the Company's current and past financial performance in on-going core operations as well as prospects for the future. These measures should be considered in addition to results prepared and presented in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. Management considers the non-GAAP information as important measures internally and therefore deems it important to provide all of this information to investors.

About ChinaEdu

ChinaEdu Corporation is an educational services provider in China, incorporated as an exempted limited liability company in the Cayman Islands

. Established in 1999, the Company's primary business is to provide comprehensive services to the online degree programs of leading Chinese universities. These services include academic program development, technology services, enrollment marketing, student support services and finance operations. The Company's other lines of businesses include the operation of private primary and secondary schools, online interactive tutoring services and providing marketing, support for international curriculum programs and online learning community for adult students.

The Company believes it is the largest service provider to online degree programs in China in terms of the number of higher education institutions that are served and the number of student enrollments supported. The Company currently provides technical, recruiting and other services to 27 universities with online degree programs and provides services and support to 11 additional universities that are awaiting regulatory approval to launch their online programs. Of these 38 universities, 13 of them have entered into collaborative alliances with ChinaEdu, ranging from 15 to 50 years in length. Eight of them have entered into technology service agreements, ranging from 3 to 20 years in length. ChinaEdu also performs recruiting services through its nationwide learning center network for 23 universities, including 6 with which the Company has either established collaborative alliances or entered into technology service agreements.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including certain plans, expectations, goals, and projections, which are subject to numerous assumptions, risks, and uncertainties.

Forward-looking statements involve known and unknown risks, uncertainties and contingencies, many of which are beyond our control which may cause actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. The Company's actual results could differ materially from those contained in the forward-looking statements due to a number of factors, including those described under the heading "Risk Factors" in the Company's Annual Report on Form 20-F for the year ended December 31, 2012, and in documents subsequently filed by the Company from time to time with the Securities and Exchange Commission. Unless required by law, the Company undertakes no obligation to (and expressly disclaim any such obligation to) update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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ChinaEdu Corporation

Unaudited Condensed Consolidated Balance Sheets

(in thousands, unaudited)

December 31, 2012

June 30, 2013

June 30, 2013

RMB

RMB

US\$

Current assets:

Cash and cash equivalents

385,922

230,341

37,531

Term deposits

92,028

119,746

19,511

Short-term investments

23,575

9,310

1,517

Accounts receivable

34,917

38,465

6,267

Prepaid expenses and other current assets

23,455

26,673

4,346

Amounts due from related parties-current

260,184

352,077

57,366

Deferred tax assets-current

9,571

4,029

656

Total current assets

829,652

780,641

127,194

Term deposits -non current

-

95,850

15,617

Property and equipment, net

238,563

233,113

37,982

Amounts due from a related party-non-current

41,979

41,979

6,840

Land use rights

26,049

25,745

4,195

Deposits paid for acquisition of property and equipment

3,873

3,873

631

Deferred tax assets-non-current

2,085

1,977

322

Long-term investments

801

824

134

Rental deposits

1,497

1,384

226

Acquired intangible assets, net

54,499

52,906

8,620

Goodwill

43,255

43,255

7,048

Total assets

1,242,253

1,281,547

208,809

Liabilities and equity

Current liabilities:

Short-term loan

-

67,395

10,981

Accounts payable (including accounts payable of the consolidated VIE without recourse to the Group o

2,401

8,493

1,384

Deferred revenues-current (including deferred revenues of the consolidated VIE without recourse to the

134,175

140,349

22,868

Accrued expenses and other current liabilities (including accrued expenses and other current liabilities

113,558

111,423

18,155

Amounts due to related parties-current (including amounts due to related parties of the consolidated VI

35,507

54,967

8,956

Income taxes payable (including income taxes payable of the consolidated VIE without recourse to the

49,294

41,117

6,699

Other taxes payable (including other taxes payable of the consolidated VIE without recourse to the Gro

27,294

29,404

4,791

Total current liabilities

362,229

453,148

73,834

Long-term loan

-

156,735

25,538

Deferred revenues-non-current (including deferred revenues of the consolidated VIE without recourse to the consolidated VIE)

10,654

8,564

1,395

Deferred tax liabilities-non-current (including deferred tax liabilities of the consolidated VIE without recourse)

13,473

13,369

2,178

Unrecognized tax benefit (including unrecognized tax benefit of the consolidated VIE without recourse)

8,795

9,986

1,627

Total liabilities

395,151

641,802

104,572

Total ChinaEdu Corporation shareholders' equity

650,191

430,086

70,076

Noncontrolling interests

196,911

209,659

34,161

Total equity

847,102

639,745

104,237

Total liabilities and equity

1,242,253

1,281,547

208,809

ChinaEdu Corporation

Unaudited Condensed Consolidated Statements of Operations

(in thousands,except for percentage, share, and per share information)

Three Months Ended

Six Months Ended

June 30, 2012

June 30, 2013

June 30, 2013

June 30, 2012

June 30, 2013

June 30, 2013

RMB

RMB

US\$

RMB

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RMB

US\$

Gross Revenue *

119,519

143,591

23,396

239,151

265,764

43,303

Business Tax

4,486

3,353

546

10,191

6,067

990

Net Revenue:

Online degree programs

92,089

113,816

18,545

184,016

208,131

33,912

Online tutoring programs

6,389

7,647

1,246

12,398

14,378

2,343

Private primary and secondary schools

13,815

16,574

2,700

27,351

32,429

5,283

International curriculum programs

2,740

2,201

359

5,195

4,759

775

Total net revenue

115,033

140,238

22,850

228,960

259,697

42,313

Cost of revenue:

Online degree programs

31,035

35,828

5,838

61,354

67,990

11,078

Online tutoring programs

2,700

2,523

411

5,421

4,923

802

Private primary and secondary schools

10,205

11,538

1,880

20,011

22,202

3,617

International curriculum programs

3,020

1,241

202

5,683

2,550

415

Total cost of revenue

46,960

51,130

8,331

92,469

97,665

15,912

Gross profit:

Online degree programs

61,054

77,988

12,707

122,662

140,141

22,834

Online tutoring programs

3,689

5,124

835

6,977

9,455

1,541

Private primary and secondary schools

3,610

5,036

820

7,340

10,227

1,666

International curriculum programs

(280)

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960

157

(488)

2,209

360

Total gross profit

68,073

89,108

14,519

136,491

162,032

26,401

Online degree programs

66.3%

68.5%

68.5%

66.7%

67.3%

67.3%

Online tutoring programs

57.7%

67.0%

67.0%

56.3%

65.8%

65.8%

Private primary and secondary schools

26.1%

30.4%

30.4%

26.8%

31.5%

31.5%

International curriculum programs

(10.2%)

43.6%

43.6%

(9.4%)

46.4%

46.4%

Gross margin

59.2%

63.5%

63.5%

59.6%

62.4%

62.4%

Operating expenses:

General and administrative

24,251

23,875

3,890

50,061

49,102

8,000

Selling and marketing

11,316

11,746

1,914

21,779

21,957

3,578

Research and development

9,894

11,894

1,938

19,671

22,940

3,738

Total operating expenses

45,461

47,515

7,742

91,511

93,999

15,316

Income from operations

22,612

41,593

6,777

44,980

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68,033

11,085

Operating margin

19.7%

29.7%

29.7%

19.6%

26.2%

26.2%

Interest income

3,583

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3,685

600

6,571

6,591

1,074

Interest expense

-

(2,912)

(474)

-

(4,679)

(762)

Investment income

786

-

-

1,460

368

60

Other income

266

440

72

513

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863

141

Foreign exchange loss

-

(1,887)

(307)

-

(2,136)

(348)

Income before income tax and equity method investments

27,247

40,919

6,668

53,524

69,040

11,250

Income tax expense

(5,831)

(9,890)

(1,611)

(11,314)

(15,843)

(2,581)

Net income before income from equity method investments

21,416

31,029

5,057

42,210

53,197

8,669

Income from equity method investments, net of taxes

-

546

89

-

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503

82

Net income

21,416

31,575

5,146

42,210

53,700

8,751

Net income attributable to the noncontrolling interests

(12,124)

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(14,447)

(2,354)

(22,593)

(25,053)

(4,082)

Net income attributable to ChinaEdu

9,292

17,128

2,792

19,617

28,647

4,669

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Net margin

8.1%

12.2%

12.2%

8.6%

11.0%

11.0%

Net income attributable to ChinaEdu per ADS:

Basic

0.59

1.90

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0.310

1.24

2.75

0.448

Diluted

0.55

1.71

0.279

1.16

2.50

0.408

Weighted average aggregate number of ADSs outstanding:

Basic

15,852,495

9,009,390

9,009,390

15,799,250

10,420,408

10,420,408

Diluted

16,927,279

10,006,833

10,006,833

16,844,208

11,441,855

11,441,855

* Gross revenue are detailed as follows

Online degree programs

96,268

116,964

19,058

193,586

213,759

34,829

Online tutoring programs

6,511

7,776

1,267

12,668

14,648

2,387

Private primary and secondary schools

13,837

16,608

2,706

27,395

32,490

5,294

International curriculum programs

2,903

2,243

365

5,502

4,867

793

ChinaEdu Corporation

Unaudited Condensed Consolidated Statements of Cash Flow

(in thousands, unaudited)

Three Months Ended

Six Months Ended

June 30, 2012

June 30, 2013

June 30, 2013

June 30, 2012

June 30, 2013

June 30, 2013

RMB

RMB

US\$

RMB

RMB

US\$

Operating activities:

Net income

21,416

31,575

5,146

42,210

53,700

8,751

Adjustments to reconcile net income to net cash provided by (used in) operating activities:

Share-based compensation

1,892

2,383

388

4,111

4,846

790

Depreciation and amortization of property and equipment

6,304

6,383

1,040

12,608

12,756

2,078

Amortization of land use rights

152

152

25

304

304

50

Amortization of acquired intangible assets

1,036

794

129

2,021

1,593

260

Investment income

(158)

-

-

(227)

(368)

(60)

Amortization of debt discount

-

353

58

-

587

96

Loss from equity method investment

-

(66)

(11)

-

(23)

(4)

Foreign exchange loss

-

1,887

307

-

2,136

348

Provision for accounts receivables

-

117

19

340

261

43

Loss(gain) from disposal of property and equipment

16

(53)

(9)

828

(44)

(7)

Changes in assets and liabilities

Accounts receivable

(24,932)

(22,373)

(3,645)

(16,093)

(3,809)

(621)

Prepaid expenses and other current assets

(377)

(7,222)

(1,176)

(2,590)

(3,078)

(502)

Amounts due from related parties

(65,981)

(98,031)

(15,972)

(64,143)

(91,935)

(14,978)

Rental deposits

(34)

(18)

(3)

437

113

18

Accounts payable

2,324

2,813

458

4,838

6,092

993

Deferred revenues

79,370

82,937

13,513

379

4,116

671

Accrued expenses and other current liabilities

3,167

(2,621)

(427)

9,141

(2,253)

(368)

Amounts due to related parties

(6,596)

(7,219)

(1,176)

3,356

(21,672)

(3,531)

Income taxes payable

4,021

8,696

1,417

(6,581)

(8,177)

(1,332)

Other taxes payable

1,558

10,741

1,750

(3,402)

2,110

344

Deferred income taxes

608

(474)

(77)

2,964

5,546

904

Unrecognized tax benefit

586

603

98

1,226

1,191

194

Net cash provided by (used in) operating activities

24,372

11,357

1,852

(8,273)

(36,008)

(5,863)

Investing activities:

Purchase of property and equipment

(2,071)

(5,438)

(886)

(2,874)

(7,399)

(1,206)

(Purchase) maturity of term deposits

(122,000)

4,500

733

(97,865)

(123,619)

(20,142)

Purchase of investments

(12,571)

-

-

(12,571)

-

-

Proceeds from sale of investments

14,634

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-

-

24,952

5,482

893

Proceeds from disposal of exclusive partnership with universities

(980)

-

-

(980)

-

-

Proceeds from disposal of property and equipment

1

138

22

1

138

22

Proceeds from disposal of equity method investments

-

8,000

1,303

-

8,000

1,303

Net cash (used in) provided by investing activities

(122,987)

7,200

1,172

(89,337)

(117,398)

(19,130)

Financing activities:

Cash dividends paid to noncontrolling shareholders

(4,642)

-

-

(4,642)

-

-

Capital contributions by noncontrolling shareholders

980

-

-

980

-

-

Proceeds from exercise of share options

2,777

266

43

3,722

266

43

Financing cost in connection with loans

-

-

-

-

(3,751)

(611)

Prepayment for shares repurchase

(886)

-

-

(886)

-

-

Proceeds from borrowings of short-term debt

-

-

-

-

68,410

11,146

Proceeds from borrowings of long-term debt

-

-

-

-

159,750

26,029

Repurchase and cancellation of ordinary shares

(385)

(21,929)

(3,573)

(385)

(253,287)

(41,269)

Loan from related party

5,500

26,000

4,236

5,500

26,000

4,236

Net cash provided by (used in) financing activities

3,344

4,337

706

4,289

(2,612)

(426)

Effect of foreign exchange rate changes

(6)

(1)

-

(11)

437

70

Cash and cash equivalents, beginning of period

275,691

207,448

33,801

273,746

385,922

62,880

Cash and cash equivalents, end of period

180,414

230,341

37,531

180,414

230,341

37,531

Net□ (decrease) increase in cash and cash equivalents

(95,277)

22,893

3,730

(93,332)

(155,581)

(25,349)

ChinaEdu Corporation

Unaudited Condensed Consolidated Statements of Comprehensive Income□

(in thousands, unaudited)

Three Months Ended

Six Months Ended

June 30, 2012

June 30, 2013

June 30, 2013

June 30, 2012

June 30, 2013

June 30, 2013

RMB

RMB

US\$

RMB

RMB

US\$

Net income

21,416

31,575

5,146

42,210

53,700

8,751

Other comprehensive income, net of taxes

Foreign currency translation adjustments

120

2,581

421

127

3,330

543

Change in fair value of available for sale investments

205

(665)

(108)

442

(1,002)

(163)

Comprehensive income

21,741

33,491

5,459

42,779

56,028

9,131

Less: comprehensive income attributable to the noncontrolling interest

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11,106

16,908

2,755

21,552

28,081

4,575

Comprehensive income attributable to ChinaEdu

10,635

16,583

2,704

21,227

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27,947

4,556

ChinaEdu Corporation

Unaudited reconciliations from income from operations to adjusted income from operations (non

(in thousands, unaudited)

Three Months Ended

Six Months Ended

June 30, 2012

June 30, 2013

June 30, 2013

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June 30, 2012

June 30, 2013

June 30, 2013

RMB

RMB

US\$

RMB

RMB

US\$

Net revenue

115,033

140,238

22,850

228,960

259,697

42,313

Income from operations

22,612

41,593

6,777

44,980

68,033

11,085

Adjustments:

Share-based compensation

1,892

2,383

388

4,111

4,846

790

Amortization of intangible assets and land use rights

1,188

946

154

2,325

1,897

309

Adjusted income from operations (non-GAAP)

25,692

44,922

7,319

51,416

74,776

12,184

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Adjusted operating margin (non-GAAP)

22.3%

32.0%

32.0%

22.5%

28.8%

28.8%

ChinaEdu Corporation

Unaudited reconciliations from net income attributable to ChinaEdu to adjusted net income attrib

(in thousands, unaudited)

Three Months Ended □

Six Months Ended

June 30, 2012

June 30, 2013

June 30, 2013

June 30, 2012

June 30, 2013

June 30, 2013

RMB

RMB

US\$

RMB

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RMB

US\$

Net revenue

115,033

140,238

22,850

228,960

259,697

42,313

Net income(loss) attributable to ChinaEdu

9,292

17,128

2,792

19,617

28,647

4,668

Adjustments:

Share-based compensation

1,892

2,383

388

4,111

4,846

790

Share-based compensation attributable to the noncontrolling interest

(110)

-

-

(287)

-

-

Amortization of intangible assets and land use rights

1,188

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946

154

2,325

1,897

309

Adjusted net income attributable to ChinaEdu (non-GAAP)

12,262

20,457

3,334

25,766

35,390

5,767

Adjusted net margin (non-GAAP)

10.7%

14.6%

14.6%

11.3%

13.6%

13.6%

Adjusted net income attributable to ChinaEdu per ADS (non-GAAP):

Basic

0.77

2.27

0.370

1.63

3.40

0.553

Diluted

0.72

2.04

0.333

1.53

3.09

0.504

Weighted average aggregate number of ADSs outstanding:

Basic

15,852,495

9,009,390

9,009,390

15,799,250

10,420,408

10,420,408

Diluted

16,927,279

10,006,833

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10,006,833

16,844,208

11,441,855

11,441,855

SOURCE ChinaEdu Corporation

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