

CEO CFO

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With No Receivables and a 50% Net Profit Margin, China Bilingual is Proving that Education can be a Very Profitable Business in China



**Education
Bilingual Technology & Education
(OTC BB: CBLY)**



**Michael Toups
Chief Financial Officer**

BIO:

Mr. Toups is an accounting and corporate finance executive with 20 years of experience in senior business management and specialties in business strategy, M&A and international trade. He has middle-market corporate finance experience across a variety of industries as both principal and advisor and has served as the CFO, COO, and Director of private and publicly traded companies.

His expertise includes PCAOB audits, SEC reporting and Sarbanes-Oxley compliance. Mr. Toups is also well-versed in Chinese business practices and has directed strategic business planning for Asia-based companies. Mr. Toups holds an MBA in Finance from the University of Notre Dame

and a BBA in Finance from Texas Christian University.

Company Profile:

China Bilingual Technology and Education Group, Inc. is an education company that owns and operates high-quality K-12 private boarding schools in China. Founded in 1998, the Company currently operates two schools encompassing the kindergarten, elementary, middle and high school levels with approximately 10,000 students and 1,500 faculty and staff.

The Company's schools are located in Shanxi and Sichuan Provinces and provide students with an innovative, high-quality education with a focus on fluency and cultural skills in both Chinese and English. The schools regularly rank among the top schools in their respective regions for college entrance rates and national college entrance exam scores. The Company's schools have earned excellent teaching reputations and are recognized for the success of their students and strong faculty.

As China experiences rapid industrialization and economic growth, the government is focused on education as a means to increase worker productivity and raise the standard of living. Parents in China's new middle and upper classes are sending their children to receive private school education to give them an advantage in China's increasingly competitive workforce. The Company's sector in education is not subject to corporate income tax, and the Company anticipates its growth will come from both organic growth through increased enrollment and the expansion of its

business model and teaching methods into new schools to be acquired by the Company.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Toups, will you give us an overview of China Bilingual?

Mr. Toups: China Bilingual is an education company that owns and operates high-quality K-12 private boarding schools under a private prep-school type model within China. We were founded in 1998, and the Company currently operates two schools encompassing kindergarten, elementary, middle and high school levels. There are 10,000 students and 1,500 faculty and staff. Company schools provide students with an innovative and high-quality education with a focus on fluency and cultural skills in both Chinese and English. The schools regularly rank among the top schools in their respective regions for college entrance exam scores as well as college entrance rates. Our schools have earned excellent achievement reputations and are recognized for the success of the students and the strong faculty.

CEOCFO: What is the education industry like in China; are there many private schools?

Mr. Toups: The private school industry in China, especially the prep school industry, is still in its infancy stage. The thing that is driving it is an ever-increasing competitive environment, especially a competitive workforce environment, within China. The college entrance exam score, similar to our SAT, is really driving what college you can get into: whether it is

one of China's top-tier schools such as an Ivy League-type school, or whether it is to travel internationally to study in the U.S., the UK, or Australia. Therefore, parents are really incentivized to invest in their child's future. In China, because of the one-child policy, you have two parents and four grandparents who are all heavily invested in that child.

CEOCFO: What population do you draw from?

Mr. Toups: Primarily middle- and upper-middle-class families, who put a real emphasis on education. Parents are willing to pay that premium to make sure their child has an excellent education. Because we have been in business now for over 13 years, we have established a reputation as one of the premier prep schools within our region. On average in China, about 20% of students are accepted into college, and in our schools, it is about 99%.

CEOCFO: What is different about your schools, and what makes them so successful?

Mr. Toups: We think it is primarily the faculty. We pay our teachers about one and a half times what a teacher

would make in a public school environment, so we are able to draw on the best teachers. Our teachers make even more than what a college professor would make. We focus on the academic side, and we have a real emphasis on the English language - not only the language skills, but also the cultural skills. As you know, English is the language of business, so parents are really looking for their child to learn that. They not only learn the language but the culture and a real understanding of the Western environment.

CEOCFO: Only 16% of applicants are accepted into your schools; what do you look for, and is it different from what schools would look for in the United States?

Mr. Toups: It is similar in terms of what someone would look for in the United States. We are able to be relatively picky and establish a high standard simply because we are looking to continue building our reputation,

which is based on the success of the students. There is an interview of the student and the family, there is an entrance exam to get into the school, and the score is evaluated. So there are a lot of criteria to get into the school, but once someone is into the school we have a very low dropout rate. The fact that the students stay in the school and then are able to matriculate into colleges is a big selling point for parents.

CEOCFO: How important is the extracurricular aspect for you, and is it different from most schools in China?

Mr. Toups: We do have extracurricular activities and more of an emphasis on the arts. We have performing arts facilities and music facilities. In the U.S., there is a heavy influence on athletics, and we also have athletics and school teams. It is a little bit dif-

It is a very straightforward business model. The Company has no receivables; the tuition is all prepaid at the start of the school year. It is a very good cash business, and again, by maximizing enrollment we have a 50% net profit margin where we can take that money and re-invest it into growing the business.

- Michael Toups

ferent emphasis from what you would see in a typical U.S. high school. The real focus is on the children understanding and learning the English culture. The teachers actually live at the facilities, so they eat with the students, and the students can go to extra study with the teachers. There is always that availability and exposure to Western culture.

CEOCFO: What is the financial picture like for China Bilingual?

Mr. Toups: The Company has done very well. We finished this year, which was our calendar year-end, at approximately \$24.4 million in revenues. We have approximately a 50% net income margin; we finished at about \$12.0 million net income. In primary education, because of the emphasis on education by the Chinese government, there is no corporate income tax. That is one of the incentives the government has for primary education and trying to stimulate private schools. It can be very

profitable when run correctly with an emphasis on academics and building a solid reputation.

We are looking at organic growth for the Company of approximately 20% annually by adding new students and capacity to our existing schools, but we are also looking to expand into new facilities where we can take our academic model in terms of our teaching methods, curriculum and philosophy, and lay that over the new schools. We would like to establish the largest network of private boarding schools within China, and we think that we have the reputation, established through 13 years of hard work, to grow our business model within China.

CEOCFO: Where are you in formulating the plan?

Mr. Toups: We are currently looking at facilities that are contiguous to the region we currently serve, primarily in central China, and we see a lot of growth opportunities in these regions. China currently has about 110 cities with more than a million people, and over the next 5 to 10 years

they are looking to expand that to 200 cities with more than 1 million people. In terms of urbanization with more people moving to the cities, this creates more opportunity for us, because you have two parents working and invested in their child. Therefore, we see a lot of expansion opportunities, but we will stay primarily within central China and then grow contiguously from there.

CEOCFO: Do you need to do construction at the facilities now to grow organically?

Mr. Toups: We can take in more students and add dormitories as we grow. Our academic buildings are very large. We currently have two campuses. There is one in Sichuan Province, a beautiful facility on a 23-acre campus with approximately 750,000 square feet of academic buildings, administrative buildings, and student apartments. Our Shanxi Province school is on a 38-acre campus with approximately 1.4 million

square feet of academic buildings, administration buildings, and student apartments. Again, these look like small college campuses. They are beautiful facilities with state-of-the-art science labs and physics labs. They have everything you would expect in a nice private prep boarding school in the United States.

CEO CFO: Has the investment community started to pay attention or have you done much investor outreach to date?

Mr. Toups: The Company just started trading at the end of September [2010]. Our year ended on December 31. We look to make a push in terms of further developing our investor relations. We have been very well received. Everyone thinking China, with their growing population, especially with the explosion of the middle class within China, knows that there is a real need for quality education. The Chinese government has put an emphasis on education for two reasons:

they see education as a means to increase worker productivity, and increased worker productivity means a higher standard of living with more money for internal consumption within China. Therefore, it is all part of the government's plan to grow the internal economy within China.

CEO CFO: You also have something that is very easy for investors to understand!

Mr. Toups: It is a very straightforward business model. The Company has no receivables; the tuition is all prepaid at the start of the school year. It is a very good cash business, and again, by maximizing enrollment we have a 50% net profit margin where we can take that money and reinvest it into growing the business.

CEO CFO: In closing, why should potential investors pick China Bilingual out of the crowd?

Mr. Toups: For a couple of reasons...we have an excellent reputa-

tion and have proven success over 13 years in through the success of our students under our academic model and teaching methods. We have a very strong faculty and within our region have the highest national test scores, similar to the SAT scores. There are good demographics within China in terms of the growing population, the growing middle class. With China's emphasis on education, we see it as a catalyst to growing our business. We have the opportunity for organic growth as well as acquisition growth, and this industry within China is really taking off. Other public company comparables are trading at higher multiples than we are, so we feel like we can get into that stream. We believe the Company will continue to accelerate its growth going forward and leverage its strong academic reputation to expand its footprint.





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