
Event ID: 3830216
Culture: en-US
Event Name: Q4 2010 Chinaedu Corp Earnings Conference Call
Event Date: 2011-03-16T01:00:00 UTC

C: Helen Zou;ChinaEdu Corp;IR Manager
C: Julia Huang;ChinaEdu Corp;Chairman and CEO
C: Shawn Ding;ChinaEdu Corp;President and COO
C: Min Yang;ChinaEdu Corp;Interim CFO
P: Ella Ji;Oppenhiemer;Analyst
P: Mark Marostica;Piper Jaffray;Analyst
P: Operator;;

+++ presentation

Operator: Good evening, and thank you for standing by for ChinaEdu's fourth quarter and full year 2010 earnings conference call. At this time, all participants are in listen-only mode. After management's prepared remarks, there will be a question and answer session. Today's conference is being recorded. If you have any objections, you may disconnect at this time.

I would now like to turn the meeting over to your host for today's conference, Miss Helen Zou, Investor Relations Manager for ChinaEdu.

Helen Zou: Hello, everyone, and welcome to ChinaEdu's fourth quarter and full year 2010 earnings conference call. Today's Company's fourth quarter earnings results were released earlier today, and are available on the Company's IR website at www.Chinaedu.net; as well as on newswire services.

Today, you will hear from our Chairman and Chief Executive Officer, Julia Huang, who will talk about our industry and Company strategy; Mr. Shawn Ding, our President and Chief Operating Officer, who will discuss business operations; and Mr. Min Yang, our Vice President of Finance and Acting Chief Financial Officer, who will discuss the financial results, and give first quarter guidance. After their prepared remarks, they will be available for your questions.

Please note that today's discussion will contain forward-looking statements made under the Safe Harbor Provisions of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, our future results may be materially different from the views expressed today. Further information regarding these, and other risks and uncertainties, is included in our registration statement on Form F-1, and annual report on Form 20-F; and other documents filed with the US Securities and Exchange Commission. ChinaEdu does not assume any obligation to update any forward-looking statements, except as required under applicable law.

For the convenience of our listeners, all numbers read today are in US dollars, unless otherwise specified. As a reminder, this conference is being recorded. In addition, a webcast of this conference call will be available on our investor relations website at www.chinaedu.net.

I will now turn the call over to ChinaEdu's Chairman and Chief Executive Officer, Julia Huang.

Julia Huang: Thank you, Helen; and thank you, everyone, for joining us.

The fourth quarter of 2010 marked our third anniversary as a publicly listed company. Over the quarters, we have consistently delivered strong financial results. Since our 2007 listing, we have seen a significant increase in household purchasing power across China, which has led to growing demand for access to the best educational opportunities, and the highest quality educational services.

However, the development of China's public-education system lags behind the economic development seen across other areas of China's economy. The curriculum offerings from universities and K-12 schools in the current education system in China cannot satisfy the needs of parents, students and employers. This creates a tremendous opportunity for ChinaEdu, and one that we leverage from many different angles.

We care deeply about helping individuals reach their education goals to maximize their individual potential. To better meet the needs of the market we currently see in China, we have designed a number of new programs, such as International Elite Programs, and personalized tutoring programs, to target the high-end market.

Our International Elite Programs include US university prep courses, SAT, AP and SSAT prep courses, and US college application planning and counseling services. Our personalized tutoring programs are one-on-one and small group tutoring programs for grade 3 to grade 12 students, both online and offline. Although these are new areas for us, we have already built strong teams, and are seeing positive results from the early enrollment trend. We anticipate great success in this business.

In 2010, we also witnessed a strong trend of learning activities moving online, as technological innovations have enabled faster Internet and more convenient terminals such as smaller PCs, tablets and smartphones. We are in constant communication with major global electronic companies and publishing houses, who seek to cooperate with ChinaEdu to develop new content and platforms.

Our Company's mission is to change the fundamentals of learning in China, and to facilitate interactive learning, where students are engaged, and able to experience the joys of learning. With this in mind, we have built teams to develop interactive content and platforms for mobile, client terminal and web applications.

Our long-term e-learning strategy is to stay ahead of the constantly changing technology, to be the partner of choice for content and platform development. As the largest online education company in China, we are extremely well positioned to leverage the many e-learning opportunities that are and will become available.

While investment in these types of new initiatives might cause some short-term pressure on our margins in the coming quarters, we are confident that when these businesses begin to contribute significant revenues, we will see our margins return to previous levels. We are excited to be in a position to leverage these new opportunities on behalf of our shareholders.

Let me turn now to our core business of online degree programs to give you our update.

While we continue to push for and wait for the Ministry of Education to approve new online degree programs, we continue to actively pursue additional online degree university partners, and prepare them for potential future approval. We are confident that new approvals will be made, and when they are, we are already positioned as the market leader and partner of choice.

ChinaEdu has focused on executing and delivering steady organic growth over the past three years. We have now challenged ourselves to seek out new opportunities for the Company's future growth.

While these new initiatives may have a short term impact on our margins, we are confident that they will help the Company to take giant steps forward in China's education industry. We also believe we will see our margins return to previous levels when these businesses begin to contribute to the top line.

I will now turn the call over to Shawn Ding, our President and COO for business and operational highlights. Shawn.

Shawn Ding: Thank you, Julia. Ladies and gentlemen, thank you for joining us.

During the fourth quarter, ChinaEdu continued to see growth in online degree programs, online tutoring programs, and private schools.

First and foremost, our online degree program is progressing at a solid pace. Throughout the year, we have focused on improvements in technology, content and teaching quality. We have also put various measures and controls into the recruiting process. We believe these improvements, measures, and controls will be keys to our long-term success, and we will continue to drive these initiatives in 2011.

In terms of new business development, as Julia mentioned, we are making steady progress in adding more university partners. As you might know, we are adding partners that are already licensed to offer online degree programs, and have also been adding partners with approvals pending to our pipeline.

Through our constant communications with the Ministry of Education, we are encouraged by the feedback that online continuous education is becoming more and more important from the Government's perspective. We are hopeful that new licenses will be granted sometime later this year, and will keep our analysts and investors informed of any concrete announcements made by the Ministry of Education.

In terms of expansion of our learning center network, I am happy to report that we saw revenue growth from our learning center network expanded by 40% sequentially, and 82% over the fourth quarter of 2009. By the end of December, we had a total of 97 learning centers, of which 54 are proprietary, and 43 are franchised.

In 2011, we will further expand the network, while continuing to stay close to our core competencies of providing high quality services and market leading recruitment. We are expecting to expand additional 30 learning centers, of which most of the new expansion will be proprietary learning centers.

The Ministry of Education recently issued a policy standardizing the recruitment period for the student enrollments. Starting in the 2011 to 2012 school year, the fall student enrollment period ends on September 30, and the spring enrollment period ends on March 31. Previously, our enrollment periods for our different programs ended on October 31 or November 30, depending on the schedule defined by the different partner online universities.

This standardization of the enrollment periods will significantly impact our revenue recognition for 2011. For example, students enrolled after September 30, 2011, will be counted as spring enrollments in 2012. Obviously, from accounting perspective, we will be recognizing less revenue in Q4 2011; and Q1 2012; but revenue recognition will normalize after the first quarter of 2012.

We continued to see strong growth in our private schools, driven by the enrollment growth and increased tuition. Revenue from Private Schools grew 17% sequentially, and 34% year over year. Great attention has been paid to improving teaching quality,

and promoting the Private School's brand name. As reported last quarter, complementary offline tutoring programs have been established by leveraging the existing school brand name and facilities. We expect to see early success in these programs in the first half of 2011.

We have also continued our growth in online tutoring for K-12 students. In addition to growth driven by marketing and sales programs of existing products, we have also increased our investment in the team and product development since the fourth quarter of 2010. We are confident that these new products and initiatives will further drive this business' growth in the coming years.

In our International Programs business, we saw the shrinking we expected in 2010. In the past few months, however, while maintaining our current International Programs, we have also established a new business model and a new team, to meet the needs of Chinese students wishing to study abroad in the United States. We are very much encouraged by early signs of success, and we expect to turn this business around in 2011.

Looking to 2011, we believe it will be an exciting year for ChinaEdu. We expect our investment in team, technology, content and sales network will begin to contribute to our growth, both in regulated, and in market-driven areas. As always, we will strive to capture the market opportunities presented to us.

I will now turn the call over to Min Yang, our Interim CFO. Min.

Min Yang: Thank you, Shawn.

I will now go over our key operating metrics, followed by a detailed review of fourth quarter and full year 2010 financials.

The number of students enrolled in online degree programs in the fourth quarter grew approximately 10%, from 140,000 in fourth quarter of 2009 to 154,000 in the fourth quarter of 2010. And the number of students enrolled in online degree programs in the full year 2010 grew 8.4%, from 287,000 in 2009 to 311,000 in 2010.

Turning now to our financial results, total net revenue for the fourth quarter of 2010 grew 5.7% year over year to \$15.3 million. Net revenue from online degree programs for the fourth quarter of 2010 was \$12.2 million, representing a 5.6% increase from \$11.6 million from the same period in 2009.

I should note that the 5.6% increase doesn't truly reflect our revenue growth from operations. There was a one-time service fee of \$800,000 collected from one of our university partners in the fourth quarter of 2009. Excluding this

non-recurring item, total net revenue grew by 13.1% from the fourth quarter of 2009 to the fourth quarter of 2010.

Total net revenue from our online degree programs grew 9.6% from the full year 2009 to \$58.9 million in the full year 2010.

As Shawn mentioned, as the fall semester recruiting period will be ending on September 30, 2011, potential reduction in student enrollment to our online degree program may potentially impact our revenue recognized, both in the fourth quarter of 2011 and the first quarter of 2012. However, this portion of the revenue could be shifted to that from 2012 Spring enrollment. However, this impact could be minimized by adverts in accelerating our recruiting schedules.

Turning now to our other business lines; our 101 Online Tutoring business saw revenues grow 9% in the fourth quarter of 2010 year over year, and 20.9% on an annual basis compared to 2009. We continue to dedicate to interactive after-school and the tutoring products and the development of the personalized tutoring services.

Revenue from Private Schools grew approximately 16.9% in the fourth quarter of 2010 over the same period in 2009, and grew approximately 34% on an annual basis over 2009. Growth was primarily driven by the strong student enrollment and improved utilization of capacity at our Anqing School.

Revenue from our International Curriculum Program declined 26.1% in the fourth quarter of 2010 compared to the same period in 2009, as expected by management. Beginning in the second half of 2010, and especially in the fourth quarter of 2010, management reallocated the resources of this business and invested more in the development of high-end elite programs for students wishing to study abroad. We are confident that this will be a growth area in education for Chinese students this year. And the International Elite Program is expected to generate strong revenue in the second half of this year.

Turning now to cost of revenue and gross margins; our total cost of revenue increased 18.1% in the fourth quarter of 2010 compared to the fourth quarter of 2009. However, on a full-year-over-full-year basis, total cost of revenue increased just 6.8%.

I will break out my analysis by online degree programs and non-online degree programs.

In the fourth quarter, costs associated with our online degree programs increased 14.6%, mainly due to the expansion of our learning center network, coupled with

increased costs associated with courseware development to enhance user experience.

On a full-year-over-full-year basis, cost of revenue in our online degree programs increased 6.8%, mainly driven by the expansion of our learning center network. As Shawn mentioned, the number of learning centers in our network as of December 31, 2010, increased to 97 from 60 as of the end of 2009. Also attributing to the increase was staff hires at certain subsidiaries.

Costs associated with non-degree programs in the fourth quarter increased to 26.4% over the same period in 2009. The large increase in the fourth quarter was mainly due to depreciation charges and increased faculty costs at our Anqing School. This was also related to increased staff costs for VIP tutoring services. The costs associated with our International Curriculum Programs remained fairly flat in the fourth quarter of 2010, compared with the same period in 2009.

Cost of sales of non-degree programs increased 6.7% in the year 2010 over the year 2009. Cost of sales for our 101 Online Program increased 7%, and the cost of sales for our Private Schools increased 16% in 2010. But this was offset by a 15% decrease in cost of sales seen in 2010 in our International Curriculum Programs.

Although our costs in 101 Online Programs showed slower increase than revenue growth, going forward, we anticipate costs will increase as we will be investing in the development of personalized tutoring services and the development of interactive content.

As a result, gross margins for the Online Degree Programs decreased to 62.3% for the fourth quarter of 2010, compared to the 65.2% in the corresponding period of 2009.

The rapid expansion of our learning center network resulted in a decrease in gross margin for the Online Degree Programs. In the future, gross margin for Online Degree Programs will continue to decrease as the percentage of revenue from our learning center network increases. This is because our learning center network sales and service scope results in higher costs of sales.

Gross margin for 101 Online Programs decreased to 67.1% in the fourth quarter of 2010 compared to 77.8% in the year-ago period.

Gross margin for our 101 Online business for the full year 2010 was 74.2% compared to 70.8% in the full year of 2009. However, as we have mentioned, investment in interactive content and the personalized tutoring services, such as VIP programs, have, and will continue, to pressure gross margin in 2011. We are confident that

investment in this area will allow us to leverage the opportunities of strong demand and the high growth potential of the K-12 market.

Private Schools gross margin declined from 25.7% in the fourth quarter of 2009 to 18.1% in the fourth quarter of 2010 due to the higher depreciation charge incurred in the fourth quarter of 2010.

On an annual basis, gross margin expanded from 14.8% for the full year 2009 to 26.2% for the full year 2010 due to continued growth in student enrollment. We believe the gross margin for Private Schools will continue to improve as utilization of capacity improves at our Anqing School.

Gross margin of International Curriculum Programs decreased to 6.1% in the fourth quarter of 2010 compared to 32.2% in the fourth quarter of 2009.

On a full year basis, gross margin of International Curriculum Programs was 33.3% for the full year 2010 compared to 42.5% for full year 2009. The declines were in line with management's expectation. However, with the rollout of our International Elite Program in 2011, we expect rapid growth and strong demand in the study abroad market. Therefore, management believes the gross margin for International Curriculum Programs segment will be significantly improved in the second half of 2011.

Moving now to operating expenses; general and administrative expenses increased 13.8% in fourth quarter of 2010 compared to the corresponding period of 2009, mainly due to increased depreciation expenses incurred in the fourth quarter resulting from the completion of administration related construction at our Anqing School.

On an annual basis, G&A expense increased a very slight 1.5% as the result of tight cost of control in 2010. Going forward, we will continue to drive stringent cost control in 2011, and expect our increase in G&A as a percentage of revenue growth to be well controlled.

Our selling and marketing expenses increased significantly, both on a quarterly and yearly basis. Selling and marketing expenses increased to \$1.8 million in the fourth quarter compared to \$1 million in the same quarter 2009. Our selling and marketing expenses for full year 2010 was \$5.7 million compared to \$3.6 million in full year 2009.

It is important to note that selling and marketing expenses were exceptionally low, both as an absolute number, and as a percentage of total net revenue in each quarter of and for the full year 2009. Aside from this, the increases were primarily due to investments such as staff costs and advertising costs in the learning center

networks, the 101 Online business, as well as the increased marketing activities through our -- across our business lines.

We will to continue to invest in advertising campaigns and marketing activities for our new business initiatives, such as International Elite Program and our learning center network, and we'll engage in brand promotion activities in 2011. As a result, selling and marketing expenses as a percentage of total net revenue and as an absolute number will increase further compared to 2010.

R&D expenses increased on a quarterly and annual basis compared to the fourth quarter of 2009 and the full year of 2009; 11.9% and 22.9%, respectively. The increases were primarily due to increased staff costs associated with new R&D initiatives, as well as content development for both degree and the non-degree programs.

Again, on the ongoing basis, we will continue to invest in R&D in order to maintain our competitive advantage, especially in new initiatives such as VIP tutoring products and related interactive content, and platform development for mobile and web applications to capture their greater growth potential.

Moving now to income from operations and EPS; as we have discussed the impact of investments on costs and expenses in full, you can see that income from operations decreased to \$1.4 million in the fourth quarter of 2010 compared to the \$3 million in the same period in 2009. On an annual basis, income from operations increased to \$12.4 million in 2010 compared to \$12 million in 2009.

In fourth quarter, our basic EPS was \$0.045, and the diluted was \$0.06. Based on our management's estimation, the impact of the new investments in the fourth quarter on EPS was about \$0.01 to \$0.02.

Turning now to the balance sheet; first, I would like to quickly highlight our cash balance. As of year end 2010, our cash, which includes cash and term deposits and short term investments, remained fairly level with the end of the third quarter of 2010 at approximately \$52 million.

During 2010, and especially in the second half of the year, the Company engaged in a share buyback program, purchasing around 284,000 shares for approximately \$2 million.

Our amount due from related parties, that is amount due from our university partners, increased by approximately \$10.6 million, or \$37.4 million as of the end of fourth quarter of 2010. This is largely due to the delayed cash collection of about RMB50 million from one of our university partners. As a result, the net cash flow from

operations was decreased for the fourth quarter of 2010. By February 2011, the tuition due of RMB50 million has fully been collected.

Turning now to guidance; we expect total revenue in the first quarter of 2011 to range from RMB91 million to RMB96 million, or approximately \$13.8 million to \$14.5 million.

I would now like to open the call to your questions. Operator?

+++ Q&A

Operator: (Operator Instructions). Ella Ji, Oppenhiemer.

Ella Ji: Thank you for taking my questions. So you mentioned a few growth initiatives for next year. Could you talk about what's the total investment you want to spend on each growth initiative; and also, specifically, how much will be in CapEx and how much will be in operating expenses?

Julia Huang: The investment in International Elite Program is going to be roughly around \$3 million. This is going to be those cost expenses, it will not be capitalized. And for our international -- for our interactive content and platforms, this range is going to be \$1 million to \$2 million. Some of them, a very small percentage will be capitalized. Most of them will be expensed or into the cost.

And also, we're going to spend over \$1 million to \$1.5 million in learning center expansions. Most of them are going to be in the cost of the sales. And for the VIP personalized services, we're going to invest around slightly less than \$1 million. It will be mostly in the cost of the sales.

Ella Ji: Okay, thank you very much; that's very helpful. And, Julia, I also want to hear your thoughts regarding the Company's long-term vision. You obviously have a lot of growth drivers going on. Could you talk about in the long term, or three to five years later, what type of Company do you picture CEdu will become?

Julia Huang: As of today, as you can see that 70% to 80% coming from our online post secondary degree programs. About 20%-some coming from our K-12 related business, such as Private Schools, one-on-one tutoring programs, and international programs.

In five years, we envision that it's going to be 50% to 50% for adult learning online programs and 50% in the K-12 market. The reason for that is in the last three years, we have seen strong demand from consumer side on the quality K-12

Tutoring and International Programs. At the same time, we're also seeing the parents' pocket is much -- they have a strong purchasing power compared to five years ago.

So our Company strategy in the longer term is that we're going to add more products and services, targeting for high end customers. At the same time, we're also adding the consumer-driven products and services so that we will be able to balance out the revenues between the regulatory impact revenues and also the consumer-driven revenues.

Ella Ji: Thank you.

Julia Huang: For the long-term -- mid-term, short-term strategy is that for international programs, it's going to be our short-term opportunities that we should be able to see the revenue pick up in the second half of 2011. And for our learning center, it's also short term that we should be able to see the growth in 2011.

And for investment in our VIP personalized services, the revenue will expect to pick up in 2012. So our online interactive learning content in the interactive platforms are going to be our long term, because our management believes that eLearning is going to be moving everywhere. It's like music, entertainment. In next five years/10 years a lot of things are going to move online through different terminals.

Ella Ji: Got it. Thank you. That's very helpful. My next question is about the gross margin in fourth quarter. For your Online Degree Services, I noticed that gross margin's lower quarter over quarter. I'm wondering if you can provide more color about it, because I think in fourth quarter you actually opened fewer learning centers than in third quarter.

Julia Huang: Actually, the most learning centers we opened are in the second half of 2010, so it's pretty much evenly distributed between those two quarters. The calculations for the time of opening is really depending on the standards, how when we started the business or when we launched that learning center. So the second half is pretty much loaded for learning center.

Ella Ji: And so the lower margin quarter over quarter, could you give us a little bit more color why is that?

Julia Huang: For 2010, you see, as Min just explained it that with percentage revenue more coming from learning centers, the gross margin for total Online Degree Programs is going to be decreasing because the cost of goods sold is much higher for learning center business compared with that in our Online Degree Programs.

And also, during the fourth quarter of our 2010, some of our learning online degree programs, they are typically back-loaded in terms of their costs. So some of the programs, their teachers' payments and some online coursework development cost are loaded in the fourth quarter.

Ella Ji: Okay. How much does learning centers represent?

Min Yang: I just want to add one more point here that earnings release, as explained, in 2009, we have a one-time revenue adjustment. So excluding the impact of non-recurring items, the actual gross margin for 2009 was 62.8% versus the 62.3% of this quarter; so actually, it declined 50 basis points here.

Ella Ji: Yes, thank you. I understand why the year-over-year is lower; I was asking why quarter over quarter it's lower. So what's the learning centers' revenue contribution?

Julia Huang: For the first quarter of 2010, roughly about 7% of the total revenue.

Ella Ji: Okay, thanks. And then how much was the Anqing School's enrolment for this new semester.

Julia Huang: Min, can you --?

Min Yang: Yes, okay. Ella, I'd like to take that question. In Anqing, we have two campus, the west campus and the east campus. East campus is new campus we built in the last few years. In west campus, actually, we are almost still at the capacity there, so we don't see much increase in student enrolment for the west campus. But for east campus, we are -- comparing to the last school year, we roughly increased 400 students net. I mean net student increase there in the east campus, in the new campus.

Julia Huang: Ella, the net increase is around 600 students total in terms of Anqing School capacity, and we still have about one-quarter to one-third of the capacity to fill it up.

Ella Ji: Got it, thank you. And lastly, I see that you have been recognized as a new and high technology enterprise, so should we use the 15% tax rate going forward for each quarter of 2011?

Julia Huang: It would be preferred that if you use 2009 effective tax rate. It should be similar to 2009, because we get some tax credits in 2010. We would like to be more conservative, to be similar to 2009.

Ella Ji: Yes, okay; got it. Okay, that's all my questions. Thank you.

Operator: (Operator Instructions). Mark Marostica, Piper Jaffray.

Mark Marostica: First question, I want to get an update on the university partnership progress. Can you give us a sense of -- a review of where you're at today with your partnerships, the number, and the number of partnerships that are awaiting licensure, and where you expect to be by the end of the year?

Shawn Ding: Mark, as mentioned before, we have several types of partnerships. I will send you a separate email with all the detailed numbers on all kinds of different partnerships.

At this point, I'd like to focus on the new partnerships that we're talking about. In our pipeline, we have three partners, university partners we have signed joint venture contracts with that are waiting for approval. We have also two more that are -- we have currently as a technical service partner, but are committed to convert to full joint venture partnerships once the approval came down. In this way, we don't have to make the investment at this point into the partnerships, and that would minimize our risk of the investment.

And as far as the approval status, as I mentioned earlier, we are very much encouraged by the message that we received, or the feedbacks we received from some of the officials from the MOE and some of the communications that we had with different level officials; and the Government is paying more and more attention to the different learning and continuous education through Internet, and it's going to be becoming, I believe, one of the major mechanisms for continuous degree education as well. Therefore, we're very hopeful that something will -- some new regulation will be issued later this year, but there is a change.

We had new deputy minister in charge of this continuous education, so hopefully some of the regulations will be moved forward sooner rather than later. There was a shift and a change of the deputy minister in charge of continuous education last year, so certain things got delayed.

Mark Marostica: Okay. Thanks for that color. Regarding potential approvals, is it your sense that of the five in the pipeline, that if they are approved, they will likely not contribute to revenue in fiscal '11, in conjunction, of course, with -- you mentioned the shift in the enrolment cut-off date for the fall?

Shawn Ding: Mark, it would depend on when the approval comes down. If it comes down before let's say July, then there will be two months recruiting period for this year. But if it comes down later than August, then, obviously, any new recruits coming in will not be counted into this year's revenue.

One other thing I'd like to mention is that we are currently talking to a few more partners that I wanted to talk about in terms of technical service and joint venture partnership as well. So hopefully, you will hear some of the news that we'll report later this year as well. We're very hopeful that some of the new deals will be cut later on.

Mark Marostica: Okay, thank you. And then moving on to your commentary around shift in the enrolment cut-off date for the fall, I'm curious as to how this impacts the student. So if I'm a student, is it such that if I miss the September 30 cut-off date, I have to wait until March 31?

Shawn Ding: No, not really. Julia, do you want to tackle this?

Julia Huang: Yes. Mark, for students who are coming after September 31, we are trying to get them ready for the courses, so they can still continue to learn, but their records will be registered under MOE system as next spring, 2012 spring students. So from revenue recognition point of view, they will be in the Q2 and Q3 of 2012.

Mark Marostica: Okay. So I think that's an important point to underscore here. The student himself or herself really isn't impacted in terms of their desire to start learning on a certain date. It's a revenue recognition issue?

Julia Huang: Exactly. They can learn our online courses at time when they're registered for, and at the time when they pay the cash. The revenue recognition will be delayed.

Mark Marostica: Okay. So I also heard you mention, and maybe I read too much into this, but I thought I heard you mentioned you'd be increasing your recruiting efforts over the summer. But is that true? Is that tied to this? I guess there's no real need to increase recruiting efforts to encourage students to enroll earlier. Is there --? I'm just trying to get a sense of the connection between increasing recruiting efforts and this change in the cut-off date.

Julia Huang: Yes. Actually, because we anticipate that cut-off date will be earlier, so we are accelerating our recruiting efforts. So for instance, typically, we start in June to November for recruiting activities, and most activity will be happen in August, September and October, but now, we'll accelerate from June, July, August.

So at this moment, it's hard to estimate the impact potentially on our revenue. We are making best effort to move students as early as possible.

Mark Marostica: Let me ask one other question tied to this. When is the start date? So I understand when the enrolment cut-off is. When do students actually start and sit in the seats in class now compared to before?

Julia Huang: Our students actually, they start classes varied by different programs. For instance, our learning online and [tutoring] university online, students, once they've paid for the tuition, they can start the classes any time during the year. And for our other programs, typically, they will start in either March, October -- March or April, or October/September time.

Mark Marostica: Okay. October -- September/October, or October/November?

Julia Huang: Yes, September/October; sometimes November. And then after November, they will move to the next March or April.

Mark Marostica: So is the start date changing; the actual date they start changing, or not?

Julia Huang: For the programs they are running every month, for starting dates, it's not going to change. For other programs, they probably will -- start date will start from September or early October. For the existing classes it will be March and April, so we'll be much (inaudible).

Mark Marostica: So if you looked at all of your student base, all of your partnerships, what proportion of your students would be starting earlier in the fall than is the case today?

Julia Huang: Mark, at this point, it's very difficult to estimate, although we did some estimations in our model. But from time to time, things could change. And also, in order to achieving financial results, we are also pushing them to move their recruiting activities as early as possible.

Mark Marostica: Right, okay. I get you.

Julia Huang: Okay.

Mark Marostica: All right. Very good. That's all my questions. I'll turn it over. Thank you.

Operator: (Operator Instructions). We have now reached the end of the question and answer portion of this call. I will now turn the call back to Julia Huang, Chairman and Chief Executive Officer for ChinaEdu.

Julia Huang: Ladies and gentlemen, thank you again for participating in ChinaEdu's fourth quarter and full year 2010 earnings call. I would like to close by reiterating how much we appreciate your interest and time. We have focused and will continue to concentrate our attention and resources to our core competencies.

The management team believes that our executions in our strategic directions will bring long-term success and long-term value to our shareholders. We look forward to keeping you abreast of our future success.

Thank you, and have a good day or good night.

Operator: Ladies, and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.