

FINAL TRANSCRIPT

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CEDU - Q2 2010 CHINAEDU CORP Earnings Conference Call

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CORPORATE PARTICIPANTS

Julia Huang

ChinaEdu Corporation - Chairman, CEO

Shawn Ding

ChinaEdu Corporation - President, COO

Lily Liu

ChinaEdu Corporation - CFO

CONFERENCE CALL PARTICIPANTS

Mark Marostica

Piper Jaffray - Analyst

Ella Ji

Oppenheimer & Co. - Analyst

Jeff Lee

Signal Hill - Analyst

Adele Mao

OLP Global - Analyst

PRESENTATION

Operator

Welcome to the ChinaEdu Second Quarter 2010 Financial Results Conference Call. At this time all participants are in a listen-only mode. Following management's prepared remarks we'll hold a question-and-answer session. As a reminder this conference is being recorded. I would now like to turn the conference over to ChinaEdu's CFO, Ms. Lily Liu. Please go ahead ma'am.

Lily Liu - *ChinaEdu Corporation - CFO*

Thank you. Good morning and good evening Ladies and Gentlemen. Thank you for participating in today's call. Joining me today are Ms. Julia Huang, Chairman and CEO; Mr. Shawn Ding, President and COO.

After the close of the US markets on Wednesday, ChinaEdu issued a press release announcing its second quarter 2010 financial results, which is available on the Company's IR webpage at www.ir.china.edu.net. This call is also being broadcast live over the internet and a copy of the presentation that will be used for today's call is also available under the quarterly results page on the Company's IR website. Before the management presentation I would like to refer to the Safe Harbor statement in connection with today's conference call.

This call may contain 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, 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 20F for the year ended December 31, 2009 filed with the SEC and documents subsequently filed by the Company from time to time with the



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SEC. Unless required by law the Company undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

I would also like to note here that the recording currency of the Company is RMB but for the convenience of the reader the amounts are presented in US dollars. All translation from RMB to US dollars were made at a rate of RMB6.7815 to \$1 the new buying rate in effect on June 30, 2010 in the H10 Statistical Release of the Federal Reserve Board.

All percentages are calculated using the numbers presented in the financial statements contained in the Earnings Release presented in RMB. We make no representation that RMB or US dollar amounts could be converted into US dollar or RMB at any particular rate or at all. I would now like to turn the call over to ChinaEdu's Chairman and CEO, Miss Julia Huang. Following our prepared remarks we will be happy to take your questions. Julia.

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Thank you, Lily. Good morning and good evening. Thank you again for joining us for today's call. During the second quarter of 2010 ChinaEdu's net revenue exceeded management's guidance and beat analysts' consensus. Online education programs remain on track.

Our learning center network continues to expand through 2010's spring semester. In addition our one-on-one online tutoring program and private schools both recorded strong growths for the quarter. Operationally we focused on improvements in our teaching methodology and quality to our K-12 after school students as well as product and service development for our adult learners.

We have also made important strides in the development of online interactive and learning communities for K-12 students and adult learners as well as the teachers training program. Now let's look at some of the key items for the second quarter on slide five. Our net revenue in the second quarter 2010 grew by 12.7% to \$14.7 million compared to \$13 million in the corresponding period of 2009.

Our gross profit increased 17% to \$9.5 million compared to \$8.1 million in the second quarter of 2009. Gross margin improved to 64.9% from 62.4%. Operating income increased 30% to \$4.2 million from \$3.2 million in the second quarter of 2009. Operating margin improved from 25% to 29% in the quarter.

Our adjusted EBITDA increased by 20% to \$5.2 million in the second quarter of 2010 compared to \$4.4 million in the same period of 2009. Adjusted EBITDA margins remain improved from 33% in the second quarter 2009 to 36% in Q2 2010.

Our earnings per diluted EPS were \$0.115 in the quarter exceeding \$0.125 analyst's consensus while adjusted earnings per diluted EPS were 12.5% in the quarter. Let's now turn to Shawn Ding, our President and COO, for business and operational highlights followed by Lily Liu, our CFO, for more financial highlights. Shawn.

Shawn Ding - ChinaEdu Corporation - President, COO

Thank you, Julia. Ladies and Gentlemen thank you for joining us today. During the second quarter, ChinaEdu continued to progress well through organic growth. Let me talk about existing business lines and then I will talk about some of the new initiatives we kicked off.

Let me first talk about our Online Degree. Our Online Degree programs successfully completed its 2010 Spring Semester enrollment. Revenue students grew by nearly 7% to 157,000 as compared to 147,000 last year. We now serve a combined 297,000 revenue students for the year. Our learning centers network continues to expand and contribute to our revenue growth. We now have a total of 65 learning centers serving 18 universities. Of the 65 learning centers 27 are proprietary.



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We also have continued to make progress in technology development. As part of our learning management system platform, we have launched several new or improved products, for example; a mobile learning system for our online degree college and students. We have also completed the joint development of the English proficiency test product with McGraw Hill targeting K-12 schools and teachers.

Also as expected, both our one-on-one online tutoring programs and private schools continue to record strong revenue growths. As we have talked about last quarter, we further penetrated our home market of Beijing with eight sub-districts. Sales increase in Beijing has been very strong. As for our private school business, the Anqing School has benefited from enrolment growth as expected.

At this point I would like to briefly talk about our various non-degree initiatives. In the second half of 2009 we signed collaborative alliances agreement with Fujian Radio and TV University in Fujian and began development of an online K-12 teacher's training program. The recruiting of this program started in the second quarter and we now have over 6,000 teachers join the program. We expect significant student enrollment growth in the second half and in the coming years.

We believe there is potentially a big market in teacher training and the government has started to provide significant funding for teachers training as well. We plan to expand our penetration in other provinces in China.

Our live question and answer platform for K-12 students continues to gain momentum even in the normally slow summer season. A new version of the website was launched in this quarter which added significantly more features and functions for the users. Given the record adoption of 3G and wap applications we have also launched a wap application that makes students connecting with teachers live even more instant.

Also in line with our building online learning community strategy, our interactive online training community for working adults has launched a website this quarter. We aim to create a one-stop shop training platform for working adults. There are also a few other initiatives underway. We will give you more updates once they become more materialized.

In summary, the management team remains committed to focus on the long term healthy growth of our business. For online degree programs, in addition to ensure and improve the daily operation of the existing programs, we will continue to do everything we can to prepare for the eventual approval of the additional online degree programs which we still have no specific timing to report.

In the meantime we have also been very aggressively growing our non-degree training initiatives just like I reported, in preparation for future growth. I would now like to turn over to Lily for the review of the key financial information for the quarter. Lily?

Lily Liu - ChinaEdu Corporation - CFO

Thank you, Shawn. Let me now go through our second quarter financial results line by line. Our core online degree program segment recorded a total net revenue of \$11.8 million which represents a growth of 12.2% compared to the second quarter of 2009.

We finished our 2010 Spring semester enrolment in the quarter. The number of revenue students grew to 157,000 in this semester compared to 147,000 last year. Together with 2009 Fall semester, we are now serving a total of 297,000 revenue students. As expected, our learning center continued to expand. As of the end of the second quarter we have a total of 65 learning centers, of which 27 were proprietary and 38 were contracted.

You may notice that in this quarter our net revenue growth is higher than our revenue students' number growth. This is due to a couple of factors. At a couple of our online colleges, average payment by students increased compared to last year. Also at selected online colleges, expenses paid to third-party learning centers were lower in the quarter.

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Next let's review the other three business lines who together contribute approximately 19.4% of our total revenue. As expected, one-on-one online tutoring and private schools continue to register strong growth. Our online tutoring grew by 29% in the second quarter compared to last year and private schools grew by 37%. International curriculum net revenue declined by 27%, which was in line with the management's expectations. Overall, we are very pleased with our continued execution at our various business lines.

Let me now review this quarter's gross margin. Our total cost of revenue increased 5.3% in the second quarter compared to last year. And our gross margin increased to nearly 65% this quarter compared to approximately 62% in the second quarter of 2009.

Except for international curriculum programs for which gross margin remained stable at approximately 46% all the other three business lines gross margin expanded. Online degree programs gross margin expanded from 68.5% last year to 69.6% this quarter primarily due to nearly flat cost of revenue at our online colleges and significantly improved gross margin for our learning centers network.

While our online tutoring gross margin expanded from 65.5% last year to 75.8% this quarter, primarily due to reduced cost of revenue resulting from a reduction of staff. And lastly, private schools gross margin expanded from 9.7% last year to 25.8% this quarter despite an increase in cost of revenue resulting from an increase of staff and depreciation charges of the new campus.

Let's now go to the operating expense line. First, our general and administrative expenses decreased by 6.8% compared to the second quarter of last year, primarily due to a true up adjustment of forfeiture rates in calculating our share-based compensation.

Excluding the temporary decrease of share-based compensation, our G&A expenses increased by 4.1% this quarter compared to the second quarter of 2009. G&A expenses as a percent of total net revenue was 18% this quarter, compared to 22% the second quarter of last year. If we exclude the temporary decrease in share-based compensation it would be 20.7% of our total net revenue, which is still lower than previous years.

Let's now take a look at our sales and marketing expenses. As mentioned in the previous quarter's call, 2009 sales and marketing expenses were exceptionally low in terms of as a percentage of net revenue. This year our sales and marketing expenses will incur increases.

Sales and marketing expenses in this quarter increased by 48% to \$1.2 million in the quarter which represented 8.1% of the total net revenue. The increases were primarily due to increases in advertising and promotional activities and increases of sales and marketing staff at our one-on-one online tutoring programs as well as selected online colleges. We anticipate further increases in sales and marketing expenses for the rest of the year.

Lastly let's review our R&D expenses. R&D expenses increased by 21% in the second quarter of 2010 compared to last year. As a percent of the total net revenue our R&D expenses were approximately 10% of our net revenue.

Also as discussed in previous calls this year, we are committed to expand our R&D efforts for one-on-one online tutoring, non-degree initiatives as well as maintaining our leading technology edge for our core degree programs and learning management systems. As a result we anticipate increases at a controlled pace for our R&D expenses going forward.

Let me next summarize our operating results. For the second quarter of 2010 our GAAP operating margin was 28.7% compared to 24.9% in the second quarter of 2009. Excluding the temporary decrease in share-based compensation, our operating margin would be 26.6%.

The improvement in operating margin was primarily due to improved gross margin results. Consequently, adjusted EBITDA margin improved to 35.7% this quarter from last year's 33.4%. Adjusted operating margin also improved slightly to 30.3% from 28.9%. The adjustments here were amortization and share-based compensation charges.



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Finally, let's take a look at our net income and EPS. Our net income increased to nearly \$2 million compared to the second quarter of last year. Our net margin was 13.6% for the quarter compared to 10% last year.

Lastly, let's also take a look at our balance sheet. Cash, term deposits as well as cash management products which we put in as short term investments totaled \$53.9 million, all of which are conservatively managed and very liquid. This amount is equivalent to approximately \$3.10 per diluted ADS.

As some of you may have noticed, our amounts due from related parties, namely from our university partners, increased significantly to \$37.5 million this quarter compared to the end of last year. This is very typical as we just wrapped up our Spring semester enrolment. Much of the tuition may still reside at our university partners accounts. Collection will happen in the following months.

Historically, amounts due from related parties has been highest in the second quarter and generally it will be higher after each enrolment period, namely Q2 and Q4. Q4 may not be as obvious because of ongoing collections towards the end of the year. We don't believe there is any credit risk associated with these receivables.

Finally, before we conclude our presentation, I would like to reiterate our net revenue guidance for the third quarter of 2010. Our current estimate is between RMB96 million and RMB99 million. This forecast reflects our current view and may be subject to change. This concludes my review of our financial performance for this quarter. I'd now like to open the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

The first question will come from the line of Mark Marostica, Piper Jaffray. Please proceed.

Mark Marostica - Piper Jaffray - Analyst

Yes, thank you. I wanted to ask a question about the relationship between revenue growth and enrollment growth with revenue growth exceeding enrolment growth this quarter and I understand, Lily, your explanation. I am just curious as we look at the coming semester and the semesters ahead in fiscal '11 how we should expect those two metrics to behave relative to each other?

Lily Liu - ChinaEdu Corporation - CFO

For the fall semester we are actually expecting our revenue growth to be on par with our enrollment growth. Historically our revenue growth has been about half of our enrollment growth occasionally due to some one-time items but this quarter as you can see actually it is in the reverse direction, but for the fall semester we believe those two growth rates should be on par with each other.

Mark Marostica - Piper Jaffray - Analyst

Is your sense that in fiscal 2011 we should see a similar behavior, that the two will be on par with each other?

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Lily Liu - *ChinaEdu Corporation - CFO*

In terms of 2011, yes, we believe that the relationship will tend to normalize as we progress, so in 2011 they should track more closely with each other.

Mark Marostica - *Piper Jaffray - Analyst*

Okay, fair enough. You also mentioned that you expect to see an uptick in selling and marketing expense and R&D expense in the back half of the year. And just to clarify, are you speaking in term of those two items as a percent of revenue should be up year over year in the back half? Is that what you are saying?

Lily Liu - *ChinaEdu Corporation - CFO*

Right now we are talking about absolute amounts.

Mark Marostica - *Piper Jaffray - Analyst*

Absolute dollars. Relative to the year ago period or sequentially?

Lily Liu - *ChinaEdu Corporation - CFO*

To the same period a year ago.

Mark Marostica - *Piper Jaffray - Analyst*

Okay, very good. And then last question, I wanted to get an update on the status of your university relationship still seeking an online license, any update there?

Shawn Ding - *ChinaEdu Corporation - President, COO*

Mark, this is Shawn. As I just mentioned, there is nothing we can really report in terms of a specific time or in terms of specific progress. There has been lots of discussions. And I think we mentioned last time there are certain documents in draft form in terms of the Continuous Education Acts and some of the national plans related to continuous education. We expect certain things will happen but we just cannot give you a specific time or the status of the progress. Sorry about that.

Mark Marostica - *Piper Jaffray - Analyst*

Okay, that's fine. Thanks for the color and I'll turn it over.

Operator

And the next question will come from the line of Ella Ji, Oppenheimer. Please go ahead.

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Ella Ji - *Oppenheimer & Co. - Analyst*

Hi, good evening Julia, Shawn and Lily. Congratulations on a strong quarter. First I want to follow up with a price question about your revenue growth at your online degree program. So you mentioned this quarter you benefited from higher tuition and also lower payment to third party learning centers. Are any of these just one time or is this going to be the trend going forward?

Julia Huang - *ChinaEdu Corporation - Chairman, CEO*

As Lily just mentioned, this is more a one time. On an ongoing basis it is going to be pretty much on track between revenue growth and student enrollment.

Ella Ji - *Oppenheimer & Co. - Analyst*

Okay, thanks. And then I want to ask about your learning centers progress. You have 65 learning centers as of 2Q. It's a little behind schedule versus your original expectations. Could you elaborate on what is going on there? And I also want to know what is the learning centers contribution to your total revenue in this quarter and what is your growth expectation for the full year? Thank you.

Lily Liu - *ChinaEdu Corporation - CFO*

Sure, the learning centers, actually we have just signed a preliminary agreement to acquire eight learning centers and the deal is expected to close in the third quarter. It is a small acquisition but at least it should bring our total number of learning centers to 73 next quarter. And we are continuing to expand our number of proprietary learning centers. By the year's end we are expecting that we can reach up to 90 learning centers.

Julia Huang - *ChinaEdu Corporation - Chairman, CEO*

In addition I just want to add that for the first half of this year we are in the process of selecting sites, locations and getting things ready so a lot of learning centers will be opened up in the second half of this year.

Ella Ji - *Oppenheimer & Co. - Analyst*

Okay, so what is the revenue contribution from learning centers in this quarter.

Lily Liu - *ChinaEdu Corporation - CFO*

The revenue contributions from learning centers this quarter is similar to the previous quarters, around 6%.

Ella Ji - *Oppenheimer & Co. - Analyst*

Okay, thanks. And then about your gross margin, you achieved favorable gross margin improvements in this quarter. I just want to confirm if you think this level can be maintained or improved going forward?

Lily Liu - *ChinaEdu Corporation - CFO*

The biggest contribution to this quarter's increase in gross margin is somewhat one time in nature. But as we mentioned, the tuition increase may still occur in the Fall semester of this year.

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Julia Huang - ChinaEdu Corporation - Chairman, CEO

Ella, overall this year, overall the gross margin and operating net margin will be improved over last year 2009. Although we will have variations quarter to quarter but overall because of our one-on-one online and private schools, the gross margin and operating margin will be improved over the last year. The same with our online degree programs. So in general it is going to be improved but could have variations quarter to quarter.

Ella Ji - Oppenheimer & Co. - Analyst

Got it thank you. And lastly, I wanted to ask you about that teacher training program. It seems to be progressing very well. So for you to enter a new province, what do you need to get? Do you need to get a local license or do you need to sign contracts with local universities?

Shawn Ding - ChinaEdu Corporation - President, COO

There is no license required to do this. This is pretty much market driven. We just need to be with the quality programs and be with our core competencies and provide quality services to gain market share. There is no license or permission required.

Ella Ji - Oppenheimer & Co. - Analyst

Great. Thank you very much.

Operator

(Operator Instructions)

The next question will come from the line of Jeff Lee, Signal Hill.

Jeff Lee - Signal Hill - Analyst

Hi, thanks, good evening. My first question is about enrollment. This quarter enrollments were up about 6.8% and presumably learning center enrollments grew much faster than that. Does that mean the core enrollment growth this quarter was something like 4% to 5%?

Lily Liu - ChinaEdu Corporation - CFO

Jeff that is about right. For our existing online degree programs the expected growth is in the single digits.

Jeff Lee - Signal Hill - Analyst

Okay. And is that your expectation for the rest of the year to be similar to this quarter?

Shawn Ding - ChinaEdu Corporation - President, COO

Excuse me, Jeff, this is Shawn. Let me rephrase your first question a bit. There was something that we didn't really hear clearly. You were asking whether a part of the 7% growth was helped out by the stronger growth from the learning centers? For example,

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you were asking whether 5% percent comes from the degree programs and the 2% was lifted by the learning center? Was that your question?

Jeff Lee - Signal Hill - Analyst

Right, that is correct.

Lily Liu - ChinaEdu Corporation - CFO

In terms of our enrollment growth we do expect our existing online degree program to grow in single digits. And our learning centers growth clearly is much faster. But in terms of revenue from existing online colleges the revenue growth will exceed the enrollment growth next year. We believe that for the learning centers, the revenue growth we are still expecting to see 100% growth in the next year.

Jeff Lee - Signal Hill - Analyst

Okay, great. And the price increases that you mentioned at some of university partners, can you provide a little more detail on that? How many of the universities saw price increases and what percentage price increases were the ones that you saw?

Lily Liu - ChinaEdu Corporation - CFO

The pricing increases, typically they decide that the prices for each online college in each region for different majors could all be at different levels. At the beginning of each enrollment period each online college will decide pricing for their course offerings in different regions. And it just happened that this past Spring semester two of our online colleges incurred somewhat significant average tuition, increases for students at selected regions

I cannot guarantee this is sustainable for the Fall semester is because we decide on these pricing levels at the beginning of each recruiting period. So we are hoping that -- obviously we hope we can sustain this new level of tuition payment by the students, but there is no guarantee.

Jeff Lee - Signal Hill - Analyst

Are you saying, Lily, that the price increases that were enacted this quarter may actually be rolled back in the future? Is that what you are saying?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

It's not going to happen, typically the tuition price will hold up. It never goes down. What Lily just mentioned is that she cannot guarantee the price increases will continue. So it may hold for another two or three years subject to student demand.

Jeff Lee - Signal Hill - Analyst

Okay, understood. And then the lower third party learning expenses, can you explain the situation behind that? Is there a situation where you renegotiate these rates often?

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Julia Huang - ChinaEdu Corporation - Chairman, CEO

Jeff, can you repeat the question?

Jeff Lee - Signal Hill - Analyst

You mentioned this quarter that revenue growth benefited from lower third party learning center expenses. And I'm just trying to understand what were the lower third party learning expenses due to. Is it some sort of negotiation where you negotiate with these third party learning centers on what their cut is of the revenue or is it something else?

Lily Liu - ChinaEdu Corporation - CFO

Jeff, as you know the commissions that we pay to third-party learning centers are all negotiated individually. And Open Online to the other learning centers networks in China, they charge a very high commission rate. And at one of our online colleges in the past semester one of the courses was not available to Open Online so they essentially recruited for a particular major using their own cheaper or less expensive channels. And that resulted in a lower learning center expenses at that particular online college.

Jeff Lee - Signal Hill - Analyst

Okay, great, understood. And then on expenses can you talk about what are your share-based comps expectations going forward?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Jeff, in the fourth quarter of this year and next year 2011 the stock comp could slightly increase because we had some options issued at the end of last year and some batch possibly will be issued in the third quarter. So the price could go up but post 2011, 2012 and 2013 the stock comp should go down a little bit.

Jeff Lee - Signal Hill - Analyst

Okay. How should it compare to what we saw prior to this quarter? This quarter was low as you said, on a one-time-temporary basis. How should the increase compare to what we have seen in the past?

Lily Liu - ChinaEdu Corporation - CFO

This quarter was low obviously due to a one-time, true-up adjustment. The third quarter would be slightly lower than our first quarter share-based compensation and the fourth quarter, as Julia just discussed, the share-based compensation will increase.

Jeff Lee - Signal Hill - Analyst

Okay. When you say increase you mean on a year-over-year comparison?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Yes.

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Jeff Lee - Signal Hill - Analyst

Okay, and then can you talk about operating expenses in Q3 and Q4? You said that you expect them to be up on an absolute basis on a year over year comparison, which, I mean -- that makes sense. I mean, they are already above that level now. But how should they compare in Q3 versus Q2? And would you expect to see a large difference on an absolute basis between Q3 and Q2?

Lily Liu - ChinaEdu Corporation - CFO

Let me see. Are you talking about sales and marketing expenses or operating expenses?

Jeff Lee - Signal Hill - Analyst

Well all three, like SG&A, Sales and Marketing, and R&D.

Lily Liu - ChinaEdu Corporation - CFO

Sales and marketing expenses will increase compared to Q2 as well as research and development. Actually all three lines on the absolute basis will increase compared to Q2.

Jeff Lee - Signal Hill - Analyst

Okay. Are any of the three, though, expected to see a big jump?

Lily Liu - ChinaEdu Corporation - CFO

Nothing out of the ordinary, I would say. As percentage of revenue, the G&A as a percentage of revenue will be at a lower level compared to last year. And sales and marketing as a percent of revenue and R&D, as a percent of revenue, will be slightly higher than last year.

Jeff Lee - Signal Hill - Analyst

Okay. Right, okay. And then lastly, can you just review what your tax rate expectation is for the rest of this year and then for next year?

Lily Liu - ChinaEdu Corporation - CFO

Sure. Next quarter, in the third quarter we expect our tax rate to be on par with this quarter. And in the Q4, one of our subsidiaries is in the process of applying for the preferential tax treatment and we are expecting to receive it at the end of the year, so as we mentioned in the call for the first quarter that is what caused the tax rate to go up in the first quarter. If we receive the preferential tax treatment as we expected by the end of the year we actually should see a tax benefit coming in at the end of the year for the fourth quarter.

Jeff Lee - Signal Hill - Analyst

Okay. And then what about 2011, what sort of tax rate are you expecting?



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Lily Liu - ChinaEdu Corporation - CFO

The tax rate in 2011 will actually be on par with this year overall.

Jeff Lee - Signal Hill - Analyst

Okay, thank you that's all my questions.

Operator

We have a question from the line of Adele Mao, OLP Global.

Adele Mao - OLP Global - Analyst

Hi, guys. Just one quick question regarding your operating expense. I guess on a gross margin improvement, actually, I think for one-on-one online school, it was due to a reduction of staff. Could you just elaborate in terms of which area specifically are you reducing staff and if this is an ongoing initiative?

Shawn Ding - ChinaEdu Corporation - President, COO

Specifically in terms of one-on-one online it is not just related to reducing the number of staff. I am trying to phrase the exact meaning of it. We have readjusted some of the way we do business. Actually the number of staff was not the only contributing factor.

Adele Mao - OLP Global - Analyst

Okay, could you elaborate a little bit more on that in terms of readjusting the way you do business?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Adele, for one-on-one online, this year we are strengthening our team efficiency, so the way we are doing the product development, the way of the teaching and the student services are different, so the staff structure and the costs are different this year. So, you can see the efficiency and margins improving for one-on-one online because the absolute revenue dollar is increasing so that margins have improved.

Adele Mao - OLP Global - Analyst

I see, so in terms of the staff head count at one-on-one online, is it similar to past years?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Pretty similar but for the future quarters we may increase our staff because we are increasing our product lines, such as offline services and some interactive one-on-one online services. So potentially staff counts could go up but at the same time our revenue could pick up as well.

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Adele Mao - OLP Global - Analyst

I see. Thanks a lot for the help for the call.

Operator

And we have a follow-up question from the line of Ella Ji from Oppenheimer.

Ella Ji - Oppenheimer & Co. - Analyst

Yes, just a quick follow up on your online degree services. So you increased the tuition for certain programs. How much is the magnitude of the tuition increase? And also, did you see -- how is the enrollment trending for those specific programs? I just want to get a sense of the price sensitivity on the market. Thank you.

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Ella, we have over ten university programs ongoing. We only had two programs adjust price in the developed area, so the price adjustment is between 10% to 20% for those selected regions.

Ella Ji - Oppenheimer & Co. - Analyst

Okay. And did you see in terms of the enrollment performance, did you see big price sensitivity or are people still enrolling in your programs?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Yes, we don't see the price sensitivity especially the area we increased our price are like in Shanghai, Shenzhen, Beijing areas. So the price sensitivity is really not there.

Ella Ji - Oppenheimer & Co. - Analyst

Okay, great. Thank you.

Operator

Since there are no more questions at this time, I would like to turn the call back to CEO, Ms. Juang, for closing remarks.

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Ladies and Gentlemen, thank you again for participating in ChinaEdu's second quarter 2010 earnings call. While online degree services remain our core business, and you can see we have also began to leverage our core competency of online education services to expand the market and service offerings. From K-12 students to working adults, from degree to vocational training, from online to wap applications, a fully vertically integrated online education platform and ChinaEdu is gradually emerging.

We are in the process of strengthening our team and developing our future five-year business development plans. We are getting more and more confident in future outlooks and believe that we are in the best position and time to take advantage

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of student institution [events] and grow our business in China's education market. Thank you for your time and have a good day or good night.

Operator

And again, ladies and gentlemen, thank you again for your participation. This does conclude the presentation. You may now disconnect and have a great day.

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