

FINAL TRANSCRIPT

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CEDU - Q3 2010 CHINAEDU CORP Earnings Conference Call

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CORPORATE PARTICIPANTS

Lily Liu

ChinaEdu Corporation - CFO

Julia Huang

ChinaEdu Corporation - Chairman, CEO

Shawn Ding

ChinaEdu Corporation - President, COO

CONFERENCE CALL PARTICIPANTS

Jeff Lee

Signal Hill - Analyst

Ella Ji

Oppenheimer & Co. - Analyst

Mark Marostica

Piper Jaffray - Analyst

PRESENTATION

Operator

Welcome to the ChinaEdu Corporation Third Quarter 2010 Financial Results Conference Call. At this time all participants are in a listen-only mode. Following the management's prepared remarks we will hold a question-and-answer session.

(Operator Instructions)

As a reminder, the conference is being recorded. I would now like to turn your conference over to 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 Thursday, ChinaEdu issued a press release announcing our third quarter 2010 financial results, which is also available on the Company's IR webpage at ir.chinaedu.net. This call is also being broadcast live over the Internet and a copy of the presentation that is 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, 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.



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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, 2009 filed with Securities and Exchange Commission and in documents subsequently filed by the Company from time to time with the SEC. Unless required by the 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.

For today's call I would also like to note the reporting currency of the Company is RMB, but for the convenience of the reader, the amounts are presented in US dollars. All translations from RMB to US dollars were made at the rate of RMB6.6905 to \$1.00, the noon buying rate in effect on September 30, 2010 in the H.10 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 referred to could be converted into US dollars or RMB at any particular rate or at all.

I would now like to turn the call over to our ChinaEdu's Chairman and CEO, Ms. 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 third quarter of 2010, ChinaEdu's net revenue exceeded management guidance and beat ADS earning per share consensus. Now let's look at some of our key items for the third quarter on slide five.

Our net revenue in the third quarter of 2010 grew by 13% to \$15.1 million compared to \$13.4 million in the corresponding period of 2009. Our gross profit increased 17% to \$9.6 million compared to \$8.2 million in third quarter 2010. Gross margin improved to 63% from 61%.

Operating income increased 25% to \$3.7 million from \$3 million in Q3 2009. Operating margin improved from 22% to 25% in the quarter.

Our adjusted EBITDA increased by 25% to \$5 million in the third quarter of 2010, compared to \$4 million in the same period of 2009. Adjusted EBITDA margin remained improved from 30% in Q3 2009 to 33% in Q2 2010. Our earnings per diluted ADS was \$0.101 in the quarter, beating analysts' consensus while adjusted earnings per diluted ADS was \$0.125 in the quarter.

Over the past two years, given uncertainty in regulatory approval for our new online degree programs, and also as we see increasing purchasing power in China, especially international study and afterschool programs, we are committed to expand and develop consumer-driven business lines to capture increasing demand in K-12 after school tutoring and international curriculum programs, as well as learning center expansion.

In 2011, we plan to add approximately 30 learning centers or stations in major cities and well developed provinces to increase market penetration. Secondly, we are going to launch International Elite Program and the college prep courses such as SAT, American history and culture, et cetera, for students with going abroad needs.

Thirdly, we are going to provide both online and offline personalized tutoring services to complement our current 101 online course offerings. We also would like to further invest in ChinaEdu's consumer brand to ensure long-term success of our future education programs and product launch, as well as our learning center expansion.

As we saw that Ministry of Education is in the process of setting up future online degree program approval guidelines. Though at present with no timeline provided, we would like to actively pursue additional online degree university partners and get



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them ready for potential approval in 2011, and also would like to upgrade learning management systems for our future applications for more universities and partners.

With increasing demand in education content from mobile and IPTV operators, and we also would like to improve and upgrade our online education content for future client terminal applications.

So therefore we believe that ChinaEdu has been focused on executing and delivering steady organic growth in the past three years. Given the leadership in China online education market and deep understanding of customer needs, we are getting more and more confident that ChinaEdu is in the best position to capture market growth opportunities and deliver consistent and steady results to shareholders.

Now I would like to turn to Shawn Ding, our President and COO, for business and operational highlights, followed by Lily Liu for more financial highlights. Shawn?

Shawn Ding - *ChinaEdu Corporation - President, COO*

Thank you, Julia. Ladies and gentlemen, thank you for joining us. During the third quarter ChinaEdu continued to progress well through organic growth, as well as our various new initiatives. Let me go through some of the highlights.

First of all, our online degree program for this quarter is still a result from our students' last enrollment. We are very encouraged by the solid progress and operational improvements throughout the year.

In terms of expansion of the learning center network, I am happy to report that through our continuous effort as of the end of September we have a total of 86 learning centers, half of which are proprietary. The other ones are franchised. We are to further expand the network and that we are to market more degree and non-degree educational products in the network to drive these centers' productivity.

We saw strong growth in our private schools driven by enrollment growth and tuition increase. These are the two strong indicators of the success of these schools. This growth is further driven by education quality improvements and stronger brand name. In addition to the complementary offline tutoring offered by our 101 online school, we have also designed offline tutoring products and services leveraging the existing school brand name and facilities.

In 2010, tremendous efforts have been invested in growing the consumer-driven side of the business. Now let me briefly touch on some of the initiatives.

Teachers' online training is an area we started penetrating late last year. This year we have been a relatively significant market share in Fujian Province. We are looking forward to further penetration in Fujian Province. In the meantime we have started the penetration in few other provinces, powered by a few newly designed products and services.

On the same note, along with the further penetration of the Internet, we have seen greater acceptance of online training comparing to earlier years. Online training for working adults is definitely an area ChinaEdu will further explore.

Starting from this year, probably inspired by the success of app store and e-readers, we have also observed growing interest and demand for online education content and services. A few initiatives are underway to cooperate with wireless providers and client terminal vendors.

Our other online initiatives are also going strong this quarter. Our live question-and-answer platform is attracting weekly unique visitors of approximately 150,000. For our online education platform for working adults we re-launched a new version of the website using a new domain name, xuexi.com.cn, which is much easier for users in China.



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In summary, our various initiatives are firing on all cylinders and we believe our commitment to users' satisfaction, content and technology leadership will ensure our future growth. I would now like to turn over to Lily for a review of the key financial information for the quarter. Lily?

Lily Liu - ChinaEdu Corporation - CFO

Thank you, Shawn. We will now go through our third quarter financial results in detail. Let's start on page ten.

Our core online degree program segment recorded a total net revenue of \$12 million, which represents a growth of 12.7% compared to the third quarter of 2009. Our online degree programs net revenue is a continuation from our 2010 spring semester. The number of revenue students grew to 157,000 in the spring semester, and together with 2009 fall semester we are now serving a total of 297,000 students.

As expected, our learning centers continued to expand. As of the end of third quarter, we have a total of 86 learning centers of which 43 are proprietary and 43 were contracted.

Next, for the other three business lines net revenue, they together contributed approximately 20.3% of our total net revenue. 101 online tutoring grew by 7% in the third quarter compared to last year. Private schools growth was 41.5% and the international curriculum net revenue decline was 27%.

For 101 online tutoring our 2009 third quarter still had some revenue from our YoYo Bear products, which caused its growth to be exceptionally high last year. This year we have discontinued this product line and still, for the whole year 2010 we expect our 101 online tutoring growth to be between 20% and 30% compared to 2009.

Now let's take a look at this quarter's gross margins. Our total cost of revenue increased by less than 6% in the third quarter compared to last year and, as a result, our gross margin expanded to 63.4% this quarter compared to 61% in the third quarter of last year.

Except for international curriculum programs, all the other three business lines' gross margins expanded. Online degree program gross margin expanded from 67% last year to 67.7% this quarter, primarily due to a nearly flat cost of revenue at our online colleges and significantly improved gross margin for our learning centers network.

101 online tutoring's gross margin expanded from 73.5% last year to 76% this quarter. And private schools' gross margin expanded significantly from 7.8% last year to 34.2% this quarter, despite an increase of staff and depreciation charges of the new campus.

Now let's review the operating expense lines. In the third quarter, our G&A expenses decreased by 4.5% compared to the third quarter of last year, due to a number of miscellaneous expenses decreases, such as a decrease of corporate events at selected online colleges, some decrease in general and admin in staff expenses and a lack of onetime tax withholding by our depository bank, Bank of New York, in the third quarter of last year. G&A expenses, as a percent of net revenue, was 19.4% this quarter compared to 22.9% in the third quarter of last year.

Let's next take a look at our sales and marketing expenses. As mentioned in the previous quarters' calls, 2009 sales and marketing expenses were exceptionally low as a percent of net revenue, and consequently this year's sales and marketing expenses will incur increases.

Sales and marketing expenses in this quarter increased to \$1.5 million, which represents 9.8% of our total net revenue. This increase were primarily due to increases in advertising and promotional expenses at 101 online tutoring, learning centers

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network and some of our online colleges. We anticipate further controlled increases in sales and marketing expenses for the rest of the year.

Let's take a look at our last operating expense line, R&D expenses. Research and development expenses increased by 28.5% in the third quarter of 2010 compared to last year. As a percent of net revenue, our R&D expenses were approximately 9.6% of our total net revenue.

This year and going forward we are committed to expand our R&D efforts, particularly in developing new online learning technologies, product development for 101 online tutoring and an upgrade of our learning management system for the core online degree program. As a result, we anticipate further increases at a controlled pace for our R&D expenses next year as well.

Now let me summarize our operating results. For the third quarter of 2010, our GAAP operating margin was 24.7%, compared to 22.2% in the third quarter of 2009. The improvement in operating margin was due to both improved gross margin results, as well as improved operating efficiencies.

For our non-GAAP measures, adjusted EBITDA margin improved to 33.1% this quarter from last year's 29.9%. Adjusted operating margin also improved from 25.3% last year to 27.6% this quarter. Just as a note, the adjustments were amortization and share-based compensation charges.

Finally, let me review our net income and EPS. Our net income increased to \$1.8 million this quarter compared to the third quarter of last year. Our net margin was 11.6% for the quarter, as compared to 8.1% last year.

On an adjusted basis, adjusted net income was \$2.2 million for the quarter and our adjusted net margin was 14.4%, which improved significantly compared to 11% in the third quarter of 2009. Our GAAP diluted EPS was \$0.10 per ADS and our adjusted diluted EPS was \$0.125 per ADS for the quarter.

Lastly, let's take a very quick look at our balance sheet. As always, our balance sheet is very healthy. Cash, term deposits and cash management products, which we put in as short-term investments, totaled \$52 million as of this quarter's end, as compared to \$51 million as of year end 2009, all of which are conservatively managed and very liquid. This amount is equivalent to approximately \$3 per diluted ADS.

Finally, on the last page I would like to reiterate our net revenue guidance for the fourth quarter of 2010. Our current estimate is between RMB99 million and RMB106, which is equivalent to \$14.8 million to \$15.8 million at a 6.6905 exchange rate.

This concludes my presentation and we are open for further questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Your first question comes from the line of Jeff Lee with Signal Hill. Please proceed.

Jeff Lee - Signal Hill - Analyst

Great. Thank you very much. First, on the online degrees program segment, do you expect enrollment growth to further slow from where it is? And I am looking at ChinaCast recently reported results in their growth for their distance learning segment has slowed from sort of high single digits to just about 2% in the most recent quarters. And it seems that growth has been sort of slowing among online universities, so do you expect this to get similar dynamic for your partners?

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Julia Huang - ChinaEdu Corporation - Chairman, CEO

Jeff, I don't think the Cast situation can reflect exactly what happened to your results because they have less number of programs than what we are having, so we don't see that will happen to us.

Jeff Lee - Signal Hill - Analyst

Okay. And then on learning centers, could you talk about how those are growing versus your expectations and what percentage of revenue do you expect them to account for during 2011?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Jeff, can you repeat because your voice is a little broken?

Jeff Lee - Signal Hill - Analyst

Sure. You talked about learning centers and how they are growing versus your expectations. And what percentage of revenues do they, do you expect them to account for in 2011? And how many learning centers do you plan to add during 2011?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

We are, on GAAP basis, the revenue growth is going to be around mid-30s, the cash basis should be higher because we are going to recruit more students in the fall semester, so 50% of revenue will go into 2012, so US GAAP basis it is mid-30s. And we are planning to add 30 learning centers and stations.

Learning center is the one with full sales and marketing, and student services and the final exam functions. Learning stations is mostly for sales and marketing, and student services without the final exam function.

Jeff Lee - Signal Hill - Analyst

Okay. And what sort of contribution has that percent of total revenue do you expect them to have in 2011?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

The learning center? It is going to be 8% of total revenue.

Jeff Lee - Signal Hill - Analyst

8%? Okay. Then on online tutoring, with the slate of K-12 tutoring companies that have recently done Initial Public Offerings, has that changed the competitive landscape at all for your online tutoring offerings?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Actually, the afterschool and tutoring program is the market is still huge. We don't think they are going out, that it is going to impact on our competitive situation because the market penetration for afterschool programs in Beijing is still around 50% to 70%, whereas in Taiwan or Japan it is over 90%.

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So we believe there is still significant room for us to penetrate into, so our existing business mostly is in the online afterschool and tutoring programs. And in the future we are going to penetrate and also expand into offline, personalized tutoring services and also afterschool programs, where those are going to complement to our existing online programs.

Jeff Lee - Signal Hill - Analyst

Okay. Could you please further elaborate on your plans for the offline ground based business? How many locations are you targeting to add in 2011 and in what cities?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Next year we are still going to be in Beijing because in 101 online we have in Beijing eight locations, eight schools, the sub-schools, so next year we are going to have complementary one-on-one offline services to our students who are also having needs for online programs. But in next year we are probably will also spend differently compared with this year because this year's combination, the combined package where students go to buy a package of online plus a number of hours for their 101 offline personalized services. Next year we might increase the percentage of offline services.

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Until this business model or service models mature, we may expand the market in 2012 to expand more aggressively for the market outside Beijing.

Jeff Lee - Signal Hill - Analyst

Okay. And given this expansion of ground locations, what sort of growth expectations do you have for the tutoring segment in 2011?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

The next year online tutoring -- the tutoring programs next year is going to grow from 10% to 20%, around 20%.

Jeff Lee - Signal Hill - Analyst

Okay, great. Thank you. And then on the international curriculum segment, can you update us on the progress as far as getting approvals for the new programs and what sort of contribution you expect from that in 2011 and 2012?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

In 2011 the contribution for total revenue is going to be 7%. In terms of growth it is going to be over 130%. And this program doesn't require the approval from the government.

Jeff Lee - Signal Hill - Analyst

Okay, great. And then, can you comment on the margins in 2011? Do you expect to see margin expansion as a whole, given that it sounds like selling and marketing and R&D will both be up as a percentage of revenue?

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Julia Huang - ChinaEdu Corporation - Chairman, CEO

We are expecting the margins of 2011 is going to be on par compared with 2010 and because given that revenue growth, although we are going to invest in R&D and sales and marketing. We believe, in terms of percentage of revenue it should be on the steady part.

Jeff Lee - Signal Hill - Analyst

Okay, great. And then, last question and I will turn it back over. What is your expectation for the tax rate for next quarter? I think you previously talked about expecting a gain, a tax benefit. Do you still expect that?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Yes. We are going to have a tax credit typically in the Q4.

Jeff Lee - Signal Hill - Analyst

And do you know how much that should approximately be?

Lily Liu - ChinaEdu Corporation - CFO

Jeff, we are expecting a tax gain in the fourth quarter of approximately RMB9 million.

Jeff Lee - Signal Hill - Analyst

RMB9 million, okay, great. Thank you. I will turn it back over.

Operator

(Operator Instructions). Your next question comes from the line of Ella Ji with Oppenheimer. Please proceed.

Ella Ji - Oppenheimer & Co. - Analyst

Thanks. Good evening, Julia, Shawn and Lily. And I want to ask about your acquisitions of Hongcheng Xueyuan. Could you talk about the strategy behind this acquisition and how much revenue do you expect it to contribute in fourth quarter and in full year?

Lily Liu - ChinaEdu Corporation - CFO

Ella, I will take the question. This is Lily Liu. Shawn will comment on the strategy a little bit later, but in terms of financial impact, on an annual basis we are expecting Hongcheng Xueyuan to bring in a total approximately of RMB4 million in total revenue. However, the transaction will close in the fourth quarter, so in fact the revenue impact from this acquisition in the fourth quarter is minimal.

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Shawn Ding - ChinaEdu Corporation - President, COO

Hi, Ella. The acquisition of Hongcheng Xueyuan is going to help us with the, our learning center expansion. It is basically a small network that was established before, so it is total along with the, our learning center expansion strategy.

Ella Ji - Oppenheimer & Co. - Analyst

Okay. So going forward do you think there is any more acquisitions in your pipeline you said today 30 new learnings or stations that you plan to add in next year? Will all of them be your organic growth?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Yes. All those new learning centers we are going to do next year is going to be organic growth. The learning center we acquired, the Hongcheng Xueyuan we acquired actually helped us to get into six new additional cities, but the learning centers we are going to build next year are going to be mostly in the area we are already in, but we are going to be getting more penetrated, mostly in the developed provinces like Jiangsu, Fujian, Guangdong Beijing, and Shanghai.

Ella Ji - Oppenheimer & Co. - Analyst

Okay. And then a question about your, also about your afterschool tutoring program, so you could you talk about how many are learning centers you plan to establish next year in Beijing and how many full-time or part-time teachers do you plan to recruit? And how should we think about this impact on your growth margins because typically offline business has lower margins than online business. Thank you.

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Ella, we didn't really plug in the numbers for the offline tutoring into the current model yet, because although right now we have over 20 full-time teachers now on the 101 tutoring services now, and we have contract teachers, you know, with more contract teachers on a part-time basis, but right now we are still in the planning stage and haven't really plugged in the numbers into our current existing models. Maybe in one to two quarters we should have more materialized numbers and incorporate into the model.

Ella Ji - Oppenheimer & Co. - Analyst

Okay. And could you share with us what is the average price for the 101 tutoring services that you are providing?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Right now per hour basis we are charging from RMB150 to RMB200 in Beijing, but those offering are in combination with our online together, but if you calculate it on the offline 101 service charges it is about RMB150 to RMB200.

Ella Ji - Oppenheimer & Co. - Analyst

Okay. And then for your land-based private schools, this quarter you achieved a very good gross margin performance. Do you think that is sustainable?

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Julia Huang - ChinaEdu Corporation - Chairman, CEO

We are continually adding new students and filled up the capacity, so the gross margin improvements in private school is showing the capacity fill in by after we build the new school, so we should still continue to see the improvements, but given that the depreciation amortization will be also added into the gross margin and the net margin, so that could offset some of our gross margin and net margin improvements.

Ella Ji - Oppenheimer & Co. - Analyst

So for this quarter your growth margin in this line is about 34% versus in the first half it is in the 20s. I am just wondering for with more enrollment at your new campus, is the gross margin of over 30%, is that a reasonable estimate going forward?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

I'm sorry. You said 30%?

Ella Ji - Oppenheimer & Co. - Analyst

Over, over, yes, 30%.

Julia Huang - ChinaEdu Corporation - Chairman, CEO

I think around 30%, should be around 28% to 30% is around the number, but that could fluctuate for the fourth quarter. Sometimes the fourth quarter will be back loaded with some expenses.

Ella Ji - Oppenheimer & Co. - Analyst

Okay. And lastly, regarding the MOE's approval guidance, could you share with us a little bit more details? What is that guidance for when -- what is the -- in which stage is the discussion? Do you think you will be approved early next year or late next year?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

As I mentioned, there is no timeline given at this moment and anything we know is there are some people are in the process of preparing the approval procedures and guidelines. And we are given that they are going to approve next year, but they -- no one really gives us the exact timeline yet.

Ella Ji - Oppenheimer & Co. - Analyst

Got it. And do you have any the idea in terms of once it is approved how many more universities do they think they can approve each year? Is there sort of that idea?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

No. At this stage really there is not much information given.



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Ella Ji - *Oppenheimer & Co. - Analyst*

Okay. Okay, thank you very much.

Julia Huang - *ChinaEdu Corporation - Chairman, CEO*

Thank you.

Operator

Your next question comes from the line of Mark Marostica with Piper Jaffray. Please proceed.

Mark Marostica - *Piper Jaffray - Analyst*

Okay, thank you. My question, first question, is related to the international curriculum business. Julia you talked about a pretty significant ramp into 2011 in this business, I think over 100% growth, and I am curious what your level of conviction is around that growth and some of the background as to why you are expecting such a significant recovery in that business. Thanks.

Julia Huang - *ChinaEdu Corporation - Chairman, CEO*

We have a team, a very experienced team who have track records in building up this business and building up the scale of the revenues and student numbers. What we are doing, as we see the high demand of students who want to go abroad to study, especially US, going to the top ranked schools, top ranked private high schools, so what are doing, we are putting a team of high quality staff with oversea education experiences, helping on application processes and also helping on the SAT prep, and teaching the prep courses for them to ready for US college and high school studies.

And we already developed the partnerships with the US universities, partnerships with some of high schools and the partnership with Chinese high schools. So we already set up a few alliances and we also have the plans and a lot of implementation procedures ready.

Mark Marostica - *Piper Jaffray - Analyst*

What do you think about the tutoring business on the offline model, I am curious how you are planning to approach it, whether it is you are going to utilize small class, or one-on-one or a combination? I heard your pricing level, but could you be more specific? Would it be more larger classes, small classes or one-on-one and if you could clarify that that would be great.

Julia Huang - *ChinaEdu Corporation - Chairman, CEO*

Yes. What we are planning now is for the big class and top ranked teachers, those classes are going to be taught online. So those are going to be our online products. And exams, exercises and testing are going to be done online.

So our offline classes are going to be small classes or one-on-one, which a lot of our online products can not provide. So the offline will be complementary to our existing online products, so it is going to be small classes and one-on-one programs.

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Mark Marostica - Piper Jaffray - Analyst

Interestingly, from a pricing perspective your pricing level that you talked about for the offline, I thought you said RMB100 to RMB150, --

Julia Huang - ChinaEdu Corporation - Chairman, CEO

That's for --

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Yes. RMB150, yes, it is for one-on-one.

Mark Marostica - Piper Jaffray - Analyst

Okay, great. And I am curious is that pricing seems a little lower than what I recall from some of the other competitors. Is that the case, or am I misreading?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

No. I believe one-on-one is pretty much around the range. Average in the market is around RMB180, depending on the subject, but small classes is depending on the subjects and the class size.

Mark Marostica - Piper Jaffray - Analyst

Okay, fair enough. And is that per hour that you are quoting, that level? That RMB180, is that per hour or is that per class?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Per hour.

Mark Marostica - Piper Jaffray - Analyst

Okay, that's fair. Just a couple of housekeeping items, just clarifying your tax rate for fiscal '11, what should we be modeling at this point?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

We are going to model around 20% to 21% range for 2011.

Mark Marostica - Piper Jaffray - Analyst

Okay, great. And then, last question, minority interest, how should we be thinking about modeling that in fiscal '11?

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Julia Huang - ChinaEdu Corporation - Chairman, CEO

We are thinking about taking online degree revenue as basis. We are going to use around 12% of online degree program revenue.

Lily Liu - ChinaEdu Corporation - CFO

Let me put in another note. It is actually online degree programs revenue, but excluding the learning centers revenue, so it is our core online degree programs revenue, around 12% of that it will be the minority interest.

Mark Marostica - Piper Jaffray - Analyst

Got it. And I think you mentioned for online degree revenue I think in total about was it 8% of that would be -- oh no, I think you said 8% of, 7% or 8% of revenue would be tied to the learning centers?

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Correct.

Mark Marostica - Piper Jaffray - Analyst

Okay, got it. Thank you.

Operator

At this time there are no further questions. I would like to turn the call over to the CEO, Ms. Huang, for closing remarks.

Julia Huang - ChinaEdu Corporation - Chairman, CEO

Ladies and gentlemen, thank you again for participating in ChinaEdu's third quarter earnings call. I would like to close by reiterating how much we appreciate your interest and support. We have focused and will continue to concentrate our attention and resources to our core competency. The management team believes that our executions and our strategic directions will bring long-term success and long-term value to our shareholders. We look forward to keeping you apprised of our future success.

Lastly, I would like to thank Lily for her contribution to the Company and wish her all the best. Thank you and have a good day or good night.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Have a good day.

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