

FINAL TRANSCRIPT

Thomson StreetEventsSM

ATAI - Q3 2010 ATA Inc. Earnings Conference Call

Event Date/Time: Feb. 09. 2010 / 1:00PM GMT



Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

CORPORATE PARTICIPANTS

Tom Myers

Christensen - IR

Kevin Ma

ATA Inc. - Chairman, CEO

Walter Wang

ATA Inc. - President

Carl Yeung

ATA Inc. - Outgoing CFO

Amy Tung

ATA Inc. - Principal Accounting Office, Acting CFO

CONFERENCE CALL PARTICIPANTS

Mark Marostica

Piper Jaffray - Analyst

Jeff Lee

Signal Hill Group - Analyst

Ella Gee

Oppenheimer & Co. - Analyst

Adele Mao

OLP Global - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen. And welcome to the Fiscal Third Quarter 2010 ATA Earnings Conference Call. My name is Eric. I will be your audio coordinator for today. At this time, all participants are in a listen-only mode. We will facilitate a question-and-answer session at the end of the presentation.

(Operator Instructions)

I would now like to turn your presentation over to Mr. Tom Myers. Please proceed.

Tom Myers - Christensen - IR

Thank you, Eric. Our team today includes Kevin Ma, Chairman and CEO, Walter Wang, Director and President, Carl Yeung, outgoing Chief Financial Officer, and Amy Tung, Financial Controller, Principal Accounting Officer and acting Chief Financial Officer.

One of my duties today is to remind you about forward-looking information. Our conference call may include forward-looking statements made under the Safe Harbor provisions of the Private Securities Litigation Reform Act. Although we believe the expectations reflected in our forward-looking statements are reasonable as of today, those statements are subject to risks and uncertainties that could cause the actual results to differ dramatically from those projected.



Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

There can be no assurance that those expectations will prove to be correct. Information about the risks associated with investing in ATA is included in our filings with the Securities and Exchange Commission which we encourage you to review before making an investment decision. The Company does not assume any obligation to update any forward-looking statements as a result of new information, future events, changes in market conditions or otherwise except as required by law.

Last night, ATA issued its earnings new release for the third quarter 2010. The Company will cover the main points of the release, then go to your questions, first, Mr. Ma, Chairman and CEO. Kevin?

Kevin Ma - ATA Inc. - Chairman, CEO

Hello from ATA in Beijing. I am very happy to be with you today. During the third quarter we continued to deliver good organic growth with a double-digit increase, 12.7% in net revenues from last year's third quarter. I am very happy with that build out, especially because we increased our service to the high margin enterprise in the consumer segment of the testing market, and reduced our business in long emerging test-based educational service.

Looking at our services, our testing service has increased 20% in net revenues over last year's third quarter, driven by 19% increase in average year revenue per tests and the 1% increase in test takers. Testing services accounted for about 81% of our net revenues in the quarter. That is up from about 76% of net revenues in last year's third quarter.

As you know, in March we started to leverage our technology and distribution capabilities in testing services by expanding into English language and human resources testing, mainly for the enterprise and the consumer segments of the testing model. For example, the test of English for International Communication Exam reached 36,000 test takers in this third quarter, which is a new high, and added RMB6.8 million to net revenues this quarter.

Also during the quarter, the Bank of China adopted our HR Select Services for its Certified Treasury Exam, and accounted for 72,000 tests during the quarter that contributed RMB4.2 million to net revenues this quarter. This does two things for us. One, it is the largest use of Asia Selected so far, and two, it assures our ability to leverage our national test this international and technology to attract and sell to nongovernment customers.

We also delivered about 10,000 tests of the Chinese Certified Treasury Professional exam for the Association for Financial Professionals. With one of the highest revenues for tests, that exam added RMB1.8 million to net revenues in the quarter.

Successes like those are proving that our work to prove our service and expand it into nongovernment testing is working well. We are confident that the TOEIC English exam and HR Select will continue to get additional contracts and increase our penetration in the private sector.

So both the nominal tests and the net revenues in our new initiative are looking very good. We are very pleased with that success so far.

As you know, our expansions and the investments in marketing, and in operations as we invest to broaden our market through our business, and improve our long-term vision are pressuring our emerging in the short-term. But those short-term high costs are preparing us for growth and high performance that we believe will boost our value for shareholders in the next several years, I believe, because we have proved to be a very smart investment.

Our online test preparation and the training solutions more than doubled from the last year's third quarter. This part of our business in the third quarter was about 6.5% of net revenues. It has provided us a platform for continuing education and training for licenses to professionals. Its outlook is quite strong with relative predictable and increasing demand for many years.



Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

Our test-based education service was down about 44% in net revenues for the third quarter, which is consistent with our decision to refocus our resources on our high margin business, so that was planned, not a surprise, as you know. Next, Walter will give you an update on our operations, followed by Amy, who will cover more details of our financial readouts. Walter?

Walter Wang - ATA Inc. - President

Thank you, Kevin.

Kevin Ma - ATA Inc. - Chairman, CEO

Walter.

Walter Wang - ATA Inc. - President

Thank you, Kevin. Hello. I am very pleased with the performance of our employees and operations this quarter. We are also pleased with the progress and success we are achieving as we expand our services and start new business that we expect will provide future growth and higher returns.

Looking at the quarter, in our computer-based testing services, we delivered 1.5 million tests this quarter, up 0.09% from the same quarter last year. Average revenue per test was up 19.2% to RMB41.7 per test in the quarter, driven mainly by highly value mix of tests, including HR Select, TOEIC and the Chinese Certificate Treasury Professional Exam for the Association of Financial Professionals.

These exams were successfully delivered at the 513 sites across 130 cities in China, demonstrating our ability to deliver large scale tests across our extensive secure test center network. We provide testing in locations that are convenient for the candidates while, at the same time, safeguarding all aspects of each exam's integrity and security.

Our new HR Select platform helps our clients deliver almost 83,000 exams for employee recruiting and internal assessment during the quarter. So far, we have registered 52,000 companies and converted 33 companies into paying companies for HR Select. We are quite optimistic that HR Select is becoming a really significant growth driver in our business for the next several quarters.

As Kevin mentioned, we are harvesting our test-based education services so we can focus more rapidly on expanding our marketing and operations in our higher margin testing and test preparation services. In the coming quarters, we expect testing services and test preparation and training solutions to eventually account for most of our revenues.

We are also optimistic about growth and returns from our test preparation and training solutions. We believe that we can grow our online test prep by targeting the professional training requirements, both for initial training and for long-term continuing education needs to serve professionals in the financial securities industry.

That is an attractive test preparation business that should have a very good and financially healthy liquidity. We are already achieving very good results in building a very first rate sales team, and capture the best opportunities in China's private sector with our current services in HR Select, TOEIC, and Cambridge Young Learners English. And there will be, likely, be others to come.

These marketing and sales efforts will continue to cause temporary margin pressure since we must incur our upfront costs before the revenue can grow. So far, in the several months since launch of those programs, we have been thrilled with our

Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

success and our even more encouraged as we look forward to what we think we can achieve in the next few years. Now, Amy will give you comments on our financial results. Amy?

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

Thank you, Walter. Our third quarter net revenues were within our guidance of RMB76 million to RMB80 million for the third quarter. Net revenues were up 12.7% quarter-over-quarter to RMB76.4 million, or \$11.2 million.

Net revenues from testing services were up 20.3% to RMB61.6 million, or \$9 million for the quarter. We delivered about 1.5 million tests in the third quarter, up 0.09% from the third quarter last year.

Average price per test was up 19.2% to RMB41.7 per test in the third quarter over last year's third quarter, as Walter mentioned. So, our increase in testing services reflects the continuing expansion of our business maintenance toward higher value tests, especially for the financial services industry and corporate customers.

Next is test-based educational services. Because of our strategic refocus, as expected, net revenues from test-based educational services were down 43.7% to RMB6.8 million or \$1 million from RMB12.1 third quarter to third quarter. You have already heard about our plan not to invest more in this business because its current and future profitability is marginal.

So, we are deploying our capital expenditures and expense investments into our new businesses that should have much higher margins and returns, and much higher growth potential, especially in businesses that are likely to have good long-term sustainability due to their nature and due to our strong competitive advantages.

There were no sales of NTET software in the quarter, due to the government's delay in launching the program. By the way, we have reclassified our accounts receivable related to the NTET teaching software to on current accounts receivable as of the end of the third quarter, since we believe that collection of the accounts receivable as we go into one year.

Net revenues in test preparation and training solutions increased to RMB5 million, up 104.4% third quarter to third quarter. Our gross profits declined 1.9% to RMB37.9 million or \$5.6 million third quarter to third quarter.

Gross margin in the quarter was 49.6% versus 57% in last year's third quarter, mostly due to higher staff compensation costs and depreciation expenses for HR Select and the Cambridge Young Learners Online tutorials. Another factor for the lower margin was lower average selling price for the banking tests, since electronic certificates replaced the costly paper certificates. We expect gross margin to be under pressure during our seasonally slow quarters since the effect of amortized costs are proportionally greater in these quarters.

Operating expenses were up 9.6% to RMB38.2 million, or \$4.1 million, mainly due to the higher sales and marketing expenses required to support the launch of HR Select, TOEIC and the Cambridge Young Learners Services. Research and development expenses increased 34.9% to RMB5.3 million, or \$0.8 million from the third quarter last year, mostly due to higher expenses for exploring new testing preference.

Sales and marketing expenses were up 25.6% third quarter over third quarter to RMB9.8 million or \$1.4 million, mainly due to an increase in marketing expenses to support the launch of HR Select and other testing service promotions, as well as to higher compensation expenses. General and administrative expenses declined 6.4% quarter-over-quarter to RMB13.1 million, or \$1.9 million, mainly due to lower consulting fees for professional firms.

Income from operations declined 24.8% third quarter to third quarter to RMB9.7 million, or \$1.4 million. Net income for the quarter decreased 53.6% to RMB6.4 million or \$0.9 million from RMB13.9 million in the third quarter, 2009.

Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

Diluted earnings per ADS were RMB0.2 or \$0.04 in the third quarter 2010, compared with RMB0.6 or \$0.09 in the same quarter 2009. Our non-GAAP measured net income excluding share-based compensation expense and foreign currency exchange gain or loss was RMB8.7 million or \$1.3 million for the third quarter, equivalent to diluted earnings per ADS, excluding the same terms of RMB0.38, or \$0.06.

Cash flow from operations was RMB49.6 million during the third quarter this year. As of December 31, 2009, ATA had cash of RMB255.2 million, the equivalent to \$37.4 million, up 9.2% from \$34.2 million on September 30, 2009.

Working capital at December 31 was RMB246.4 million, equivalent to \$36.1 million. We had no debts. Shareholders' equity at December 31 was RMB383.7 million, or \$56.2 million. Capital expenditures in the third quarter were RMB1.3 million, or \$0.2 million, mainly for lease hold improvements in the new Shanghai office and for more computers in our operations as we expanded staff.

Now, turning into our guidance, for the fiscal fourth quarter 2010 ending March 31, we expect net revenues to be in the range of RMB30 million to RMB34 million. Now, I will return the call to Walter for summary remarks.

Walter Wang - ATA Inc. - President

Thank you, Amy. We continue to be confident that we are currently evolving our strategic focus with the right service offerings, large computer-testing opportunities in China that should capture higher revenues, higher margins and higher returns for shareholders. With that, we will open the call to your questions. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). Your first question comes from the line of Mark Marostica with Piper Jaffray. Please proceed.

Mark Marostica - Piper Jaffray - Analyst

Yes, thank you. My first question relates to your comment about the China Banking Association pricing reduction and, first, could you quantify that reduction for us and then comment on whether or not we should expect similar price reductions across other contracts, or is this just the one op situation with China Banking Association? Thanks.

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

First of all, for the banking exam, the ASP was lowered from RMB64 to RMB49.5 for the last quarter. This is mainly because the banking exam has been changed to electronic certificates rather than we used the hard copy certificates before. So it is just part of services like printing for the certificates and delivery of the certificates is no longer required.

But we do not expect that this change in the ASP should further to other similar kinds of exams. So, for the Ministry of Labor exams, we actually have a 10-year contract. So the pricing has not been decreased in the history.

And for other government type of exams like the securities exams, actually, we -- there is a possibility that we will be increasing the average selling price. And then, in fact, our overall ASP across the business has increased for this quarter.

Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

Mark Marostica - Piper Jaffray - Analyst

I understand. That's helpful, Amy. Thank you. As we look to Q4 and the fiscal '11, I am curious as to what we should expect on overall ASP changes, and should we expect that ASP increases to be similar to Q3 going forward?

And then, perhaps touching on that question with another follow on would be at what point do we lap the, I suppose, easy comparisons on pricing given the mix shift and types of revenue. And when should we expect more of a like to like normalized ASP increase? And what would that normalize ASP increase be? Thanks.

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

Thank you for your question. As you know, we are moving our focus into the private sector business. So, in that case, we are expecting that a mixture of our products will change for the future, which will comprise more for private set of products, and which will have a higher average selling price which is current at around RMB40.

And there will be more TOEIC and more HRS exams coming. So, the TOEIC, the average selling price is around RMB200 versus HRS program is around RMB50. And, we will give more color during our next guidance.

Mark Marostica - Piper Jaffray - Analyst

Okay. Thank you. And then, one other question and that is touching on two potential exams we have talked about in the past, the Ministry of Culture, that cafe in a sort of certification exam and the security guard exam. Could you comment on the traction on these two initiatives, when and if those two will actually occur and start to generate revenue? Thanks.

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

For the Ministry of Culture, we are still having a very close dialogue with the Ministry of Culture. But our efforts, since it is Chinese New Year, we will have more concrete results probably after the Chinese New Year.

Mark Marostica - Piper Jaffray - Analyst

Great. Thank you. I'll turn it over.

Operator

Your next question comes from the line of Jeff Lee with Signal Hill. Please proceed.

Jeff Lee - Signal Hill Group - Analyst

Thank you and good evening. I wanted to ask about, more about your progress on HR Select. I guess the first question is what are you finding is the great challenge in converting all those HR Select trial accounts into paying customers? And where do you think the product is versus where you want to get it?

Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

Well, thank you for your question. We think that for the obstacles that we are facing for HR Select program, the main obstacle is that we have to teach the companies about the new platform and then we to convert them to use that new platform. So it is teaching first that is the most difficult part.

Jeff Lee - Signal Hill Group - Analyst

Okay. And last quarter, you all talked about building out either additional managers for HR Select or in building out a different sales team. Where are with those efforts? Have you worked on that?

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

Walter, probably you can give more color about this.

Walter Wang - ATA Inc. - President

Yes. Hello. Yes, we -- hello.

Jeff Lee - Signal Hill Group - Analyst

Yes, I can hear you, Walter.

Walter Wang - ATA Inc. - President

Okay, thank you. Yes, we are now recruiting more sales and those sales are very experienced in the HR industry so that we can very easily to reach those company HR directors or managers. And also, those sales are very experienced to influence and or educate those companies to change their, the way that they recruit people so that they can use more our testing to assess or prescreen their candidates to improve their quality and results of their work. Thank you.

Jeff Lee - Signal Hill Group - Analyst

Great, thanks. And then, you would -- you had Bank of China as a customer for HR Select this quarter. And then, last quarter there was Agricultural Bank of China and Peoples Insurance Company of China. How much of this business is a onetime thing versus a relationship thing that you think might be repeatable?

And then, just how could you -- I assume you have other opportunities you are working on. How many of the opportunities do you think sort of in the future will be large companies like this versus smaller and medium size companies?

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

We are expecting that these contracts will be repeatable because, actually, for the internal hire program and the campus hiring program they are always going on. And, in fact, we are also discussing with these companies about renewing the contract for next year already.

Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

Jeff Lee - Signal Hill Group - Analyst

And how much of future business do you expect to be with large companies like this versus smaller to medium size companies?

Operator

Your next question comes from the line of Ella Gee with Oppenheimer. Please proceed.

Ella Gee - Oppenheimer & Co. - Analyst

Hi, Kevin, Walter and Carl. Hi Amy and welcome, and congratulations on the strong quarter. I want to follow up with the prior question. I believe Walter in this quarter you converted additionally 18 companies into fee paying companies in the HR Select business. How much of that is small business versus large companies?

Walter Wang - ATA Inc. - President

Is that question for me?

Ella Gee - Oppenheimer & Co. - Analyst

Yes.

Walter Wang - ATA Inc. - President

I would say about 50% of the 18 companies are, come from medium and small companies and the other half are the large companies.

Ella Gee - Oppenheimer & Co. - Analyst

Okay, great. And, Walter, I believe you mentioned on last earnings call that you are looking to hire additional 10 to 15 salespeople dedicated to small business clients. I am wondering are you finished with that and when do you expect to be up to speed and begin to generate revenues?

Walter Wang - ATA Inc. - President

Currently, I -- we already finished that work by, I would say, 50%. And the rest of the 50% will be finished after Chinese New Year. And currently -- the reason for that is that, currently, we are focusing on the mass media marketing.

So we don't want to waste our money on old sales resources right now. We would rather than to delay it to after Chinese New Year.

Ella Gee - Oppenheimer & Co. - Analyst

So, from your experience, when do you think it will begin to generate revenues? How long does it take?

Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

Walter Wang - ATA Inc. - President

I would say by the end of March.

Ella Gee - Oppenheimer & Co. - Analyst

Okay. Moving on to TOEIC, and I want to ask about to do -- your TOEIC had a strong sequential growth, quarter-over-quarter. But my calculation shows the average revenue per test is lower versus last quarter.

So, one, can confirm that? And, two, can you also provide additional color in terms of what is driving such a strong sequential growth? Thanks.

Walter Wang - ATA Inc. - President

Amy, do you want me to answer the question, or do you want to answer the question? Hello, Amy?

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

Yes, I am taking this question.

Walter Wang - ATA Inc. - President

Okay.

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

So, for TOEIC, actually, there would be two key pricings. One is for the individual customers, and then the other one is for institutional customers. For the individual customers, actually, we are charging at a higher price which is about RMB300, and for the institutional customers we are charging for around RMB200 or less, depending on the size them.

And so, for the last, for the current quarter, actually, we have been taking more institutional customers instead of the individual customers. And that is why this has caused a decrease in the ASP. But this is, actually seasonal, because if the individual customer is more in the quarter, then you will see that this ASP will go higher.

Ella Gee - Oppenheimer & Co. - Analyst

So you are saying, and thanks for the color, so you are saying this is -- this mixed shift towards institutional customers is a seasonal factor. It is not a long-trend of the business?

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

No. Yes, you are right. Actually, this is quite, this is seasonal, so it will depend on how many public exams that we are holding in the quarter.



Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

Ella Gee - *Oppenheimer & Co. - Analyst*

Okay. And in terms of quarter-over-quarter growth, is there any seasonality that is contributing to it, or is it like a pick up after H1N1 flu fear is gone? Can you provide more color there?

Amy Tung - *ATA Inc. - Principal Accounting Office, Acting CFO*

The seasonality for TOEIC, that will be quite similar to last year.

Ella Gee - *Oppenheimer & Co. - Analyst*

Okay. Thanks. I want to move on to your sales and the marketing expenditure. The total amount in absolute dollars is lower quarter-over-quarter. Also this is a seasonally strong quarter for you, so is there any timing shift of expenditure? Or are you scaling down total expenditure in that area?

Amy Tung - *ATA Inc. - Principal Accounting Office, Acting CFO*

Okay. For our selling and marketing expenses, actually, this consists of two factors. One is the fixed part, and the other is the variable component. For the fixed part, it mainly includes labor and compensation. So our web force has actually been quite stable on that part. And this part of the expenses for the sales and marketing expenses are pretty stable too.

For the variable part, this is also due to seasonal factors, so, which include the advertisement that we are going in this quarter, and also the intensity of the conference course. So it is only this variable part that we have a slight seasonal factor for this quarter. But it doesn't mean that we will have any change in our focus of the sales and marketing program for TOEIC and HR as projected.

Ella Gee - *Oppenheimer & Co. - Analyst*

Great. And lastly, I just want to follow up with your NTET receivable reclassification. What happened? Why do you think you will become receivable beyond the one year? And who is this due from?

Amy Tung - *ATA Inc. - Principal Accounting Office, Acting CFO*

Let me clarify about the NTET program. Actually, this is a licensure program that the government put in for middle and high school teachers so that they will get a license before they teach. And the outlook for this business is still promising. It will just be longer.

The government has delayed to ensure that the teachers were well trained and be ready to be tested. So since the government has delayed this whole licensure requirement and we will -- we expect that the collection of the accounts receivable will be later and, therefore, we classified the accounts receivable from our current assets to the long-term receivables.

But we are still very convinced that the government will still go ahead with this project. And there is little risk to ATA, and the collectibles are still reasonably assumed.

Ella Gee - *Oppenheimer & Co. - Analyst*

Okay. Good to know. Thanks for the color.

Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

Operator

(Operator Instructions). Your next question comes from the line of Adele Mao with OLP Global. Please proceed.

Adele Mao - OLP Global - Analyst

Hi. My first question is related to Cambridge Young Learners English. I am wondering where you stand regarding the full launch of the program? How many provinces have you launched this program for and how many schools have signed up so far?

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

We have been signing for six provinces and there are around 200 schools.

Adele Mao - OLP Global - Analyst

Okay. Is this the full launch or still the soft launch?

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

I am sorry. Let me correct the figures. It should be 20,000 schools.

Adele Mao - OLP Global - Analyst

Okay. That's good to hear.

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

I'm sorry. It should be 200 schools and 20,000 candidates.

Adele Mao - OLP Global - Analyst

Okay. 200 schools and 20,000 candidates. Now, this initiative has been going on for awhile. Could you just discuss -- I am a little bit curious. Why has it taken so long to ramp up? And how do you see this program progress for, let's say, the next 12 months?

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

Well, actually, for this part we are still finalizing the -- we are still under development of the content and we are still finalizing what are the contents to be developed for the new courses. And also, this part actually has some seasonality factors as well that the schools, the timing of the schools open, that when they will have new courses will also affect the launch of this program.

Adele Mao - OLP Global - Analyst

I see, but from your content development friend, when do you expect to complete the content development?

Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

We have actually already completed the development of junior content. But it is only for the advanced content that is underdeveloped, which is expected to be completed before June.

Adele Mao - OLP Global - Analyst

Okay, thank you. My next question is for Walter. Walter, regarding the sales people that you discussed earlier that you added and you are going to add more going forward, are they primarily commission-based, or their compensation is more fixed?

Walter Wang - ATA Inc. - President

They are more compensation based.

Adele Mao - OLP Global - Analyst

You mean their compensation is more fixed.

Walter Wang - ATA Inc. - President

No, no. Their compensation is really dependent on their performance.

Adele Mao - OLP Global - Analyst

I see. Okay. So they are paid a salary and then whatever they bring in they will take a cut from the business.

Walter Wang - ATA Inc. - President

Yes. They have the basic salary and then they will have the percentage to be the compensation, a part of the compensation.

Adele Mao - OLP Global - Analyst

Okay. Could you just help us understand a little bit more in terms of from a budgeting standpoint, how much more marketing expense related to the sales and marketing events that you guys have budgeted, on a quarterly basis, related to these new programs, these emerging revenue drivers?

Walter Wang - ATA Inc. - President

Okay, I would think, Amy, this question you have the better position to answer this question.

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

That is RMB4 million additional budgeted for each quarter.

Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

Adele Mao - OLP Global - Analyst

About RMB4 million.

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

Yes, for advertisements and conferences. This is a rough figure.

Adele Mao - OLP Global - Analyst

Okay, thank you. I want to go back to the NTET software accounts receivable question again. I thought this software platform is sold through distributors. So is it the distributor who owes the money? Or is it the government? I am just a little bit confused.

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

These are actually the designated distributors of the government.

Adele Mao - OLP Global - Analyst

I see, okay. Is it from one distributor or from a number of distributors?

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

There are actually several distributors and they manage different provinces.

Adele Mao - OLP Global - Analyst

I see. When do you expect to collect these payments?

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

We don't expect to collect the full receivable for within one year, but we are ongoingly collecting these receivables.

Adele Mao - OLP Global - Analyst

Okay. I'm sorry. I didn't fully get it. Do you expect to collect the full receivable within one year, you said?

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

No. We are not expecting to collect the full receivables within one year, but ongoingly, we are still collecting these receivables.

Adele Mao - OLP Global - Analyst

Okay. So how much write-off do you actually expect from the outstanding receivables?

Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

It is zero.

Adele Mao - OLP Global - Analyst

It's what?

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

Zero. None of that.

Adele Mao - OLP Global - Analyst

Okay. All right. That's all my questions. Thank you.

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

You're welcome.

Operator

Ladies and gentlemen, this concludes our Q&A session. Now I would like to turn the call over to Ms. Amy Tung.

Amy Tung - ATA Inc. - Principal Accounting Office, Acting CFO

Questions, we have come to an end of the Q&A period. Now, Kevin will give closing remarks.

Kevin Ma - ATA Inc. - Chairman, CEO

As you know, Carl Yeung, our CFO, has contributed substantially to ATA's success in the past several years. It is with regret and with our best wishes that we bid him save travel and great success as he continues his career, especially in his next position in pre ITO company here in China. I am sure you will hear more about Carl's success in the years to come.

Carl, thank you very much for all you have accomplished with for ATA. As you may know, the Lunar New Year will be celebrated in China this year on February 14, which is also the New Years Day. I hope you will take a moment or two on that day to celebrate both events with those you love.

We thank you for your interest and your investments in our company. Both have been vital to our success. Like a bond between good friends, we expect to deliver the actual results that you expect from us. Until we meet again, I wish you good health, safety and happiness. From ATA in Beijing, goodbye, for now. Thank you.

Operator

Thank you for your participation in today's conference. This concludes our presentation.

Feb. 09. 2010 / 1:00PM, ATAI - Q3 2010 ATA Inc. Earnings Conference Call

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2010, Thomson Reuters. All Rights Reserved.

