

# FINAL TRANSCRIPT

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## **ATAI - Q2 2009 ATA Inc. Earnings Conference Call**

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## CORPORATE PARTICIPANTS

**Ed Job**

*CCG Elite - IR*

**Kevin Ma**

*ATA Inc. - CEO*

**Carl Yeung**

*ATA Inc. - CFO*

**Walter Wang**

*ATA Inc. - President*

## CONFERENCE CALL PARTICIPANTS

**Mark Marostica**

*Piper Jaffray - Analyst*

**Scott Schneeberger**

*Oppenheimer & Co. - Analyst*

**Mark Chang**

*Merrill Lynch - Analyst*

**Adele Mao**

*Susquehanna Financial Group - Analyst*

**Tian Hou**

*Pali Capital - Analyst*

## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the ATA Second Quarter Fiscal Year 2009 Earnings Conference Call. My name is Nikita, and I will be your operator for today. At this time, all participants are in listen-only mode. We will facilitate a question and answer session towards the end of today's presentation.

(Operator Instructions)

As a reminder this conference is being recorded. I will now introduce Mr. Ed Job. Please proceed, sir.

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**Ed Job - CCG Elite - IR**

Thank you, Nikita. Good morning, and good evening, and welcome to ATA's second quarter of fiscal year 2009 earnings conference call. With us today are ATA's CEO, Mr. Kevin Ma, President Mr. Walter Wang, and Chief Financial Officer, Mr. Carl Yeung.

Before I turn over the call to Mr. Ma, may I remind our listeners that in this call, management's prepared remarks contain forward-looking statements, which are subject to risks and uncertainties, and management may make additional forward-looking statements in response to your questions.

Therefore, the Company claims the protection of the Safe Harbor for forward-looking statements that is contained in the Private Securities Litigation Reform Act of 1995. Actual results may differ from those discussed today, and therefore we refer you to a more detailed discussion of the risks and uncertainties in the Company's filings with the Securities and Exchange Commission.

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In addition, any projections as to the Company's future performance represent management's estimates as of today, November 11th, 2008. ATA assumes no obligation to update these projections in the future as market conditions may change.

To supplement its financial results presented in accordance with US GAAP, management will make reference to certain non-GAAP financial measures, which the Company believes provides meaningful additional information to understand ATA's operating performance. A table reconciling non-GAAP measures to the nearest GAAP equivalent can be found on the earnings press release issued earlier today.

For those of you unable to listen to the entire call, a recording will be available via webcast for 90 days at the investor relations section of ATA's website at [www.ata.net.cn](http://www.ata.net.cn). And now it's my pleasure to turn the call over to ATA's CEO, Mr. Kevin Ma. Mr. Ma, you may proceed.

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**Kevin Ma - ATA Inc. - CEO**

Thank you, Ed. Welcome everyone, and thank you for joining us today. We are very pleased to report another solid quarter of progress in the execution of our business plan. The highlights for the second quarter of fiscal year 2009 include -- one, net revenue was up approximately 3.9% to RMB51.7 million; two, gross profit was up approximately 15.7% to RMB34.4 million; three, net income was RMB8.3 million.

In the fiscal second quarter, on a pro forma basis, our revenue was actually up 48%, excluding the effect of the change in timing of the China Banking Association exams, which this year happened in the June quarter rather than the September quarter, as was the case last year. Those results are a testament of our success in developing the computer-based testing market within the important financial services vertical, and we continue to see significant opportunities for further progress in the financial vertical, and for expansion into other attractive verticals in the quarter ahead.

The market turbulence that has engulfed the global economy in recent months did not impact the demand for our service during the quarter. We do however expect near-term delays in the ramp-up of our recently signed enterprise internal assessment contracts in the financial sector, as well as in the launch of some new test titles, such as those for the accounting and the legal professionals. As a result, we have lowered our fiscal year 2009 revenue guidance by approximately 11.5%.

As we move forward, however, we expect the regulation of the China financial services industry to be tightened, which we expect will result in an increase in the number of test titles, as well as with stricter compliance with existing qualification requirements. In this environment, we believe ATA is well positioned to benefit, as we bring to bear our leading technology, solid track record of execution, and the largest test center network in China.

In addition to the expected changes in the regulatory environment that we expect will help drive demand for our services within the financial services vertical, we continue to see opportunities to expand our business by penetrating new industry verticals, including legal services, and accounting, and developing test preparation solutions to complement our computer-based testing services.

We also see an opportunity to develop a computer-based testing and education services for the enterprise HR assessment market, where we continue to develop relationships with important accounts, including the newly signed up Bank of China, to provide them with recruitment services. With that, I will now turn the call over to Walter, who will provide you with a business update, and Carl, who will discuss our financial results for the quarter.

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**Walter Wang** - ATA Inc. - President

Thank you Kevin, and welcome to everyone joining us on the call today. We are pleased with our results this quarter, which came in within our guidance. We are also pleased with the progress in key areas of our business, which we expect will lay the foundations for our profitable growth in the quarter and year to come.

In the computer-based testing segment, we delivered 1.5 million tests this quarter, which represent a pro forma 4.5% increase over the same period last year, after excluding the effect of the shift in the timing of the China Banking Association exam this year. In addition, during the quarter we delivered 220,000 securities market related exams, up from 6,000 in the same period last year.

This is the result of successful completion of the inaugural launch of the title "Fund Sales Professional Qualification Exam" for the Securities Association of China. We also continued to expand the number of test centers, which reached 1,895 in the quarter, up from 1,886 at the end of fiscal Q1.

In the quarter, we continued to make progress developing the very promising HR assessment market, we continued to acquire large enterprise customers, as well as having beta trials with small and medium enterprises. The feedback on our beta service is excellent and we are very excited about the opportunities when it is fully launched nationwide.

Our test-based education services continue to slow down on a year on year basis. As we discussed in the last call, we see limited market potential for our current content in test-based education program offering and thus having shift our marketing efforts to our testing and test prep services. We continue to discuss opportunities for cooperation with Tsinghua University, which, if successful, would be expected to contribute to our growth in fiscal year 2010 and beyond.

Finally, our test preparation and training solutions targeted at professional licensure and certification tests grew 33% on a year-over-year basis. Sales of NTET preparation software increased 7.8% year-on-year, while online test preparation and training increased 377% year-on-year. We saw more currently licensed securities professionals satisfy their continuous professional training requirements via our exclusive online training platform for the Securities Association of China.

We expect to continue to maintain a robust growth rate for our online test preparation and training solutions as the number of people that need to satisfy their continuous professional training in the securities industry remains large.

With that, I will now turn the call over to our CFO, Carl Yeung, who will go over our financial results in more details.

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**Carl Yeung** - ATA Inc. - CFO

Thank you, Walter. We were very pleased with our second quarter results, which came in within our guidance. Total net revenue was up 3.9% year-on-year to RMB51.7 million, or US\$7.6 million. Net revenue from testing services decreased by approximately 33.7% to RMB14.2 million, or US\$2.1 million for the quarter. The number of tests delivered was down by 9.2% year-on-year to 1.5 million tests.

Average price per test delivered was approximately RMB9.8, down from RMB13.4 in the comparable period last year. The decrease in average price per test was due to the change in timing of the China Banking Association exam, which this year was in the June quarter, as opposed to the September quarter last year.

In the quarter, we were very pleased to deliver 220,000 tests for the securities industry compared to only 6,000 in the same period of last year. Net revenue from test preparation and training solutions increased by 33% in the period to RMB21.2 million or US\$3.1 million, from RMB16 million driven by sales of NTET software in the quarter.

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Net revenue from test-based education services was down by 7.2% to RMB11 million or US\$1.6 million, in the second quarter, representing 21.2% of total net revenues. Gross profit increased by approximately 15.7% year over year to RMB34.4 million, or US\$5.1 million. Gross margin also increased to 66.5% from 59.7% in the comparable period last year. Gross margin expansion was driven by improved revenue mix from more profitable testing services.

Total operating expenses increased by approximately 29.8% year on year to RMB25.6 million, or US\$ 3.8 million, primarily driven by general and administrative expenses. G&A expenses increased by an estimated 28.6% year-on-year to RMB13.9 million or US\$2 million. This increase was primarily as a result of the increase in share-based compensation and bad debt provisions. Sales and marketing expenses increased by 12% to RMB6.9 million, or US\$1.0 million, primarily due to an increase in accrued bonuses and share-based compensation in the quarter.

Research and development expenses increased by an estimated 74.7% year-on-year to RMB4.8 million, or US\$0.7 million, primarily due to new testing services being developed for launch early next year. Income from operations was RMB8.8 million, or US\$1.3 million, down 12.2% from the same period last year. Our operating margin in the quarter was 17%, compared to 20.1% in the same period of last year.

Income tax was approximately RMB2.6 million, US\$0.4 million, with an effective tax rate of 23.9%. This was lower than previous quarters due to the tax planning to achieve more favorable allocation of non-tax-deductible expenses. Net income for the quarter was RMB8.3 million, US\$1.2 million, compared to RMB9.3 million in the comparable period last year.

Basic and diluted earnings per common share amounted to RMB0.11, or US\$0.03, and RMB0.18, or US\$0.03, also. Basic and diluted earnings per ADS were RMB0.36, or US\$0.06, and RMB0.36, US\$0.06, respectively.

Net income excluding share-based compensation expense and foreign currency exchange gains or losses, which is a non-GAAP measure, was an estimated RMB9.7 million, or US\$1.4 million, for the second quarter 2009. Basic and diluted earnings per ADS, excluding share-based compensation expense and foreign currency exchange gains and losses, again, a non-GAAP measure, were RMB0.41 and RMB0.41, which is US\$0.06, respectively.

As of September 30, 2009, ATA had cash of RMB346 million, US\$51 million, working capital of RMB354.2, or US\$52.2 million, and no debt. The shareholders' equity at the balance sheet date was RMB385.3 million, or US\$56.7 million, up from RMB363.1 million at the end of fiscal second quarter of 2008.

CapEx for the second quarter of fiscal year 2009 were RMB2.2 million, or US\$0.3 million, mainly for the addition of computers and servers.

Now, turning over to outlook, for the fiscal third quarter 2009, we expect net revenues will be in the range of RMB105 million to RMB115 million, representing year-on-year growth in the range of 58% to 73%.

ATA expects net revenue for the fiscal year ended March 31st, 2009 to be in the range of RMB300 million to RMB310 million, which is expected to represent a 74% to 80% growth over fiscal year 2008. As we mentioned in our press release issued prior to the call, we are expecting slower ramp-up of some of our HR internal assessment contracts in the financial sector due to the unfavorable global economic environment. We are also expecting delays in the launch of our new test titles in the accounting and legal services verticals.

We do not expect these delays to affect our margins structure, which we believe will stay around current levels or to improve. This is ATA's current and preliminary view, which is subject to change. Our results of operations for the fiscal second quarter 2009 are not necessarily indicative of our operating results of any future periods. Now I'll turn the call back to Walter for some closing remarks.

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**Walter Wang** - ATA Inc. - President

Thank you, Carl. Before I open the call to your questions, I want to summarize some of the near-term developments that will support our profitable growth in the quarters ahead. In summary, we are pleased with the execution of our strategy this quarter and we continue to be very positive in the opportunities ahead to expand our business as we focus on the complete testing value chain and develop more test titles and acquire new clients.

We look forward to continue to report positive results and to create lasting value to our shareholders in the quarters ahead. With that, we would now like to open the call to your questions.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions). Our first question comes from the line of Mark Marostica with Piper Jaffray. You may proceed.

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**Mark Marostica** - Piper Jaffray - Analyst

Good evening.

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**Kevin Ma** - ATA Inc. - CEO

Hi, Mark.

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**Mark Marostica** - Piper Jaffray - Analyst

My first question relates to your visibility on your December quarter guidance. Could you help characterize that for us? In other words, what needs to happen for you to achieve that guidance that you don't know yet today?

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**Carl Yeung** - ATA Inc. - CFO

Actually, for the December guidance we have, we are relatively more comfortable with this number after we lowered our guidance. The reason is, for the China Banking Association exam, that's already completed and it's already occurred in October. Also, for the Securities Association exam, which is also already completed in the previous month, so we have quite a big percentage of our December number already being done.

The reason why we lower our guidance is at the beginning of the year, when we sort of have a rough understanding of the guidance structure for the year, we believe that we're going to see one or two major contracts that can come in this year, and which we mentioned in the script, which was accounting and legal, but we believe, to be more conservative, the signing of those contracts will probably happen next year.

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**Mark Marostica** - Piper Jaffray - Analyst

And on that point, could you give us a sense when you think those two contracts, accounting and legal, will be awarded to ATA, and I suppose more importantly when the tests will be launched?

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**Carl Yeung** - ATA Inc. - CFO

Yes, this is very difficult, as I said earlier, before. The timing of government to outsource these contracts is highly uncertain. However, we do have -- we believe we are at the fairly late stage in terms of a client development process for both clients. So we believe achieving a contract in next year -- not early, within the next year, it's highly possible.

**Mark Marostica** - Piper Jaffray - Analyst

Okay, and then, Carl, you did mention that you expected margins to stay the same or improve, and I'm curious, given the reduction in revenue guidance, why that is the case.

**Carl Yeung** - ATA Inc. - CFO

The revenue guidance did reduce. However, most of the growth into the December quarter will still come from the highest profitable areas, including testing, as well as test preparation, which both have high margins. So, overall, I think we're looking at our December margin to actually be better than the full fiscal year 2008.

**Mark Marostica** - Piper Jaffray - Analyst

Okay, and a point of clarification on the guidance reduction. Could you give us a relative sense of what drove the guidance down, maybe what amount was due to the HR internal assessment contracts being pushed out or delayed and what proportion was attributable to the accounting and legal exams not being launched as planned in the quarter?

**Carl Yeung** - ATA Inc. - CFO

Yes, we attribute about RMB15 million to these big bank internal assessment tests. We have already signed all these contracts. But, it's just due to the adverse financial environment, most of these banks have tightened in their budgets and hiring process, so hand-in-hand, we have to reduce our estimates for that.

We actually did not do a very aggressive estimate for new contracts, so for the full year we only estimated about RMB25 million from a new bid contract, so if that's delayed, the impact overall to us is only RMB25 million. Together, it would be to impact -- it will result in a lowering of full-year guidance versus previous guidance of about 11%.

**Mark Marostica** - Piper Jaffray - Analyst

Okay, and just a couple of questions here, actually, one last question, and that's the tax rate. You mentioned you had a favorable effect on the tax rate this quarter. What should we be expecting going forward on the tax rate, and then I'll turn it over? Thanks.

**Carl Yeung** - ATA Inc. - CFO

Yes, I think within the Company, we are actually right at the verge of applying for the high-tech status, and once we achieve that, our tax rate will be dramatically reduced. But even within the company model right now we want to be more on the conservative end, and any good things will be a [nice] surprise. We are estimating our tax rate to be between 25% to 30% for the rest of the year.

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**Mark Marostica** - Piper Jaffray - Analyst

And, Carl, if you get the high-tech status, what will the tax rate go to?

**Carl Yeung** - ATA Inc. - CFO

It will be between 20% to 25% for the rest of the year.

**Mark Marostica** - Piper Jaffray - Analyst

Okay, and then when will you find that out, do you think?

**Carl Yeung** - ATA Inc. - CFO

It's difficult to say. We are applying it this week and we don't know when the approval process will be completed.

**Mark Marostica** - Piper Jaffray - Analyst

Okay, fair enough. Thank you.

**Carl Yeung** - ATA Inc. - CFO

Thank you, Mark.

**Operator**

Our next question comes from the line of Scott Schneeberger of Oppenheimer. You may proceed.

**Scott Schneeberger** - Oppenheimer & Co. - Analyst

Thank you. Good evening. I guess, following up on that line there of the breakout of the guidance, is there -- with regard to what you're expecting with your enterprise clients, do you see this slowdown having a major impact on what you had expected for next year, or is it too early to tell?

**Carl Yeung** - ATA Inc. - CFO

It is too early to tell, but we believe at the moment the impact will not be significant going to next year, because our strategy was to focus on getting these big financial institutions as HR clients this year, and then next year's strategy is to move away from these big HR clients to move into other verticals, from IT to small and medium enterprises. That's where the real market is for our particular HR service. So once we actually fully launch our platform, the impact will be significantly reduced from the financial sector.

**Scott Schneeberger** - Oppenheimer & Co. - Analyst

And are you aggressively moving into those new verticals now, or is that a next-year event.



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**Carl Yeung** - ATA Inc. - CFO

Like I said in the call -- as Walter mentioned in the call -- we are having beta tests for some of sort of the trial -- leading companies, small and medium enterprises. The feedback has been pretty positive so far, and we hope to launch it as soon as possible once we get the platform fully ready.

**Scott Schneeberger** - Oppenheimer & Co. - Analyst

Okay, thanks. Could you supply an update on where you stand on the Internet cafe initiate.

**Carl Yeung** - ATA Inc. - CFO

Yes, actually, why don't I have Walter talk about that?

**Walter Wang** - ATA Inc. - President

We are very happy with the result of discussions with the Ministry of Culture, and they will have a meeting with us to finalize the approval of the curriculum next week, so we expect that Internet cafe will -- the Internet cafe examination and training will be launched during the December -- in December, yes.

**Scott Schneeberger** - Oppenheimer & Co. - Analyst

Thanks. Could you guys discuss -- you mentioned in the press release, you alluded to an increase in bad debt. Could you give us a little background what's behind that? Thanks.

**Carl Yeung** - ATA Inc. - CFO

I think that for a quarter for a quarter that is an abnormally small quarter, any small number becomes big. This is what it is. We have a bad debt provision of RMB1.2 million for the quarter. The reason why we cited it in the press release was because it was -- it had a growth of about RMB500,000 versus last year. It's actually a normal trend.

The RMB1.2 million, the maturity is a normal company provision that we apply to our account receivables, so it's just a provision that we have. In there, there is a RMB500,000 write-off, to a specific account in the education -- in the testing space that we had passed quite a few years ago. We thought that account was delinquent and we didn't want to collect that money anymore. But, again, in the context of things, RMB500,000 is not a whole lot.

**Scott Schneeberger** - Oppenheimer & Co. - Analyst

And it doesn't have any impact on going forward. That was just a receivable you basically gave up on.

**Carl Yeung** - ATA Inc. - CFO

Exactly, exactly.

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**Scott Schneeberger** - *Oppenheimer & Co. - Analyst*

Okay, and then one final one if I could, the continuing ed initiative that you outlined, could you give us a little more color on that? That sounds interesting. Thanks.

**Carl Yeung** - *ATA Inc. - CFO*

Yes, well, early in the beginning of the year, we did sign that contract with the Securities Association of China, and it will carry us through in terms of generating a significant revenue through the rest of this year, as well as going forward. I'll let Walter give you more color in terms of what the cooperation is actually about, continuing education.

**Walter Wang** - *ATA Inc. - President*

The China Securities Association, again, launched their continuing education this year, together with ATA. We are using our online learning platform to provide the service to the stockbrokers and other securities industry employees.

And the China Securities Association is very happy with the result during the past couple of months, and the number of people who satisfied their requirements of the continued education via ATA continued education platform, the number of that is increasing dramatically in the recent months. And we are expecting that number will continue to be [growth]. Thank you.

**Scott Schneeberger** - *Oppenheimer & Co. - Analyst*

Okay, thanks.

**Operator**

Our next question comes from the line of Mark Chang, with Merrill Lynch. You may proceed.

**Mark Chang** - *Merrill Lynch - Analyst*

Hello.

**Kevin Ma** - *ATA Inc. - CEO*

Hi, Mark.

**Mark Chang** - *Merrill Lynch - Analyst*

Hi. I've actually got two questions here. One, actually, could you give us more detail in terms of the ASP on the Securities Association, what type of ASP you are charging in terms of average and also any expectation of the Banking Association ASP changes going forward? This is the question number one. Can you --?

**Carl Yeung** - *ATA Inc. - CFO*

Sure. Hi, Mark. The ASP for Securities Association is around RMB37 to ATA, net of taxes, net of sales tax. So that has been pretty stable for the past quarter, as long as we have been working with the Securities Association. Now, for the Banking Association,

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the ASP to ATA right now after tax basically is RMB61, so it's been pretty stable since we have moved that from RMB70 last year. And we don't expect those to change.

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**Mark Chang** - Merrill Lynch - Analyst

Okay. And in the second part of my question actually is related to the Tsinghua education side. Can you give us some update about what's the progress here, and when do you think that you will see revenue generated from the cooperation with Tsinghua?

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**Carl Yeung** - ATA Inc. - CFO

Okay, we are actually in the discussion right now. Because it is market-sensitive information, because it has to do with the acquisition, I can't comment too much on it. In terms of the market, though, as you know, Tsinghua University is one of the biggest brand names in terms of an education institution within China, along with Beijing University, Beida.

Beida has a joint venture with Aptech, with (inaudible) and that company has been very successful in the commercial space, the commercial training space. They have about 25% more market share and it's a very sizable company.

We believe right now, Tsinghua, even though a similar brand name, they have a very, very small market share, probably less than 5% market share, and by working with a commercial entity like ATA we look toward significantly increasing the market share.

Now, some of the key hurdles in achieving the increase in market share really depends on the team that we plan to put together to execute this. Right now, I can't say without getting too much further into the details of the transaction, we are working on resolving the right team and then we'll see what happens. We hope to have a conclusion to this, either a go or no-go by the end of December.

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**Mark Chang** - Merrill Lynch - Analyst

Okay, thank you.

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**Operator**

(Operator Instructions). Our next question comes from the line of Adele Mao with Susquehanna International. You may proceed.

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**Adele Mao** - Susquehanna Financial Group - Analyst

Yes, hi, it's Adele Mao from Susquehanna. First, I just want to get some clarification related to your gross margin. You indicated in the press release that gross margin will be about the same or higher. Do you mean quarterly gross margins will be at least 66%, similar to this quarter, going forward? Because in the past, your gross margin trends quarter over quarter did fluctuate, especially in the March quarter?

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**Carl Yeung** - ATA Inc. - CFO

Yes, I think the message -- I'm sorry it wasn't clear in the press release. We should have done a better job there. We actually are expecting gross margin for the December quarter to be better than fiscal 2008 on a full year. So fiscal 2008 full year was 61.1%. We look to be better than that number, so that will be done in the full year of fiscal 2009 to be better than fiscal 2008.

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**Adele Mao** - *Susquehanna Financial Group - Analyst*

I see. So you still expect slightly downward sort of fluctuation in the March quarter, that's more of seasonality kicking in.

**Carl Yeung** - *ATA Inc. - CFO*

It's hard to say, because I haven't given the March quarter guidance yet, but for the full year, again, I think we will hit somewhere between 61% to 65%.

**Adele Mao** - *Susquehanna Financial Group - Analyst*

Okay. I think last quarter you guys discussed several near-term drivers, including Securities Association, adding to your title Banking Association, adding three titles to launch in the first half of calendar '09, and also I believe Ministry of Labor, new title. Which ones -- are all of these progressing smoothly, or any of these delayed?

**Carl Yeung** - *ATA Inc. - CFO*

Yes, we don't think any of those are delayed. The market is still very, very robust. We are very strong competitively. In fact, we believe we have a monopoly in the market. The government, from especially the banking and securities sector have not slowed down in terms of requiring more tests, so all those that we have talked about in the previous quarter still stand true. We are lowering our guidance for specific reasons.

**Adele Mao** - *Susquehanna Financial Group - Analyst*

For the financial services vertical enterprise customers, are you seeing the delay coming from mostly domestic customers or multi-national or pretty much across the board?

**Carl Yeung** - *ATA Inc. - CFO*

Mostly from domestic customers. To give you an example, this is something we could talk about, is we have signed up eight or nine different banks over the last six months. We have recently signed up, as we discussed on our earnings call, Bank of China for the recruitment service we're providing help with.

We'll be generating probably RMB6 million, RMB7 million, from just one Bank of China. But all the other companies have been quite conservative in terms of HR spending. They must be spending a small fraction of this kind of amount. So at the beginning of the year we have been estimating most of these we'll be doing hiring and each will be spending in the millions range. That's why we have to lower our guidance a little bit.

**Adele Mao** - *Susquehanna Financial Group - Analyst*

I see, okay, that's very helpful.

**Kevin Ma** - *ATA Inc. - CEO*

The products are all there. They're all live. We did experience some impacts, just because of these banks tightening their belts.

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**Adele Mao** - *Susquehanna Financial Group - Analyst*

Right. Well, now, multinational banks are now given the authorization to conduct more RMB business in China. Do you expect this trend to help offset some of the delays from your domestic customers?

**Carl Yeung** - *ATA Inc. - CFO*

It's difficult to say right now. Our mix of multinational banks within our group, our customers, are not that many yet. I mean, we have HSBC China at the moment. We don't have any other multi-national banks right now. Most are still domestic banks.

**Adele Mao** - *Susquehanna Financial Group - Analyst*

I see. Okay, last question I have, recently China unveiled this massive stimulus plan, mostly geared towards infrastructure spending and boosting consumer demand, which may not be as direct to your business. Do you expect any benefits coming from the reform of value-added tax?

**Carl Yeung** - *ATA Inc. - CFO*

That's a possibility, but it's kind of hard to say in terms of the real direct impact. One real direct impact from the whole financial crisis we experienced was that the development is stepping on the foot -- I'm sorry, I shouldn't say it that way. The government is really aware of the importance of regulation and having quality people doing the right things.

So we do expect over the next 12 to 24 months, the government will be looking at qualifying people where they haven't qualified people before, issuing new regulations, getting people tested. So I think over the long-term the trend is more favorable to ATA today than before the financial crisis.

**Adele Mao** - *Susquehanna Financial Group - Analyst*

Great. That's helpful. Thank you.

**Operator**

Our next question comes from the line of Tian Hou with Pali Capital. You may proceed.

**Tian Hou** - *Pali Capital - Analyst*

Hi, good evening, Kevin and Carl. How are you? It's Tian.

**Carl Yeung** - *ATA Inc. - CFO*

Hi, Tian, good to hear from you.

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**Tian Hou** - Pali Capital - Analyst

I'm sorry to come up late. I have the other calls. And if the question has been asked, then it's [unfair] to answer again, so the one question is really the general economy. When we have this economic slowdown, I remember when we had [thorough], and the education spending actually increased. So do you see that in your business?

**Carl Yeung** - ATA Inc. - CFO

In fact, we do. The securities market dropped about 70% from its high to its current levels, but you have seen our securities professional test grew to 220,000 versus 6,000 in the comparable period last year. And I think overall our health of the Company is even better today than before.

One thing, however, that I have to say is that today the Company is more reliant on the financial services sector from testing to test preparation, and that's why we are aggressively doing things to diversify away from this reliance on the financial service sector, including the launch of our HR service platform to small and medium enterprises, to across other verticals.

We have -- there is another market rumor that we are working on some English training products. That will diversify away from this heavy reliance on the financial services vertical. And we are really looking forward to get another test from a big vertical, like accounting or legal, which we have very solid results with and, to be honest, we are really at the fairly late stage of our pipeline, of our customer development program. So all of those factors will come in to make that argument of a company like ATA being stronger in an economic downturn even more true.

**Tian Hou** - Pali Capital - Analyst

Okay, so I think last time when we talked you do have something like in a kid's English and in the area, much more or less sponsored by the government. So do you plan to further expand in that area. Hello?

**Carl Yeung** - ATA Inc. - CFO

Yes, we are actually -- there is another market rumor about this. We are working on something like that. Why don't I give some color to it at the moment, since we have the opportunity to have everyone on the line. We are working with [Charibu Kasakunchin], which is NEEA, China's National Education Examination Association, which is the authority in that association.

And that's the entity that is well recognized within the country to be the bench-marker of standards, and working with that in conjunction with Cambridge, the Cambridge grant, to launch Cambridge Young Learner's English, it will be a product that will fully utilize our testing capabilities and technology. In fact, there will be some DST technology involved in the product.

Our goal is to transform what is today a not very well-structured learning curriculum, face-to-face curriculum, into something that is more robust, and that's what the government wants to do. To date, kids, really mainly K through 12, they go and learn English by going to after-school programs. They will visit a teacher, visit a class, maybe once a week, and then for the other five times of the week they won't practice.

This platform being launched by ATA will be sponsored both by the NEEA, as well as Cambridge, and this will allow each student to practice this at night on the computer, using testing methods, basically transforming that once-a-week learning program into a fairly light, but creative and interesting learning environment every night to make that program -- learning program more effective. We are very excited about this product. We've done the demonstration to NEEA. They are very excited about it and we look forward to launching it very, very soon.

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**Tian Hou** - *Pali Capital - Analyst*

Thank you. That's all my questions.

**Operator**

At this time, there are no additional questions. I will now turn the call over to management for closing remarks.

**Carl Yeung** - *ATA Inc. - CFO*

Yes, on behalf of the entire ATA management team, I want to thank you for your interest and participation in this call. If you have any interest in visiting ATA, please let us know. Again, thank you all for joining us on the call. Operator?

**Operator**

Thank you for your participation in today's conference. This concludes the presentation and you may now disconnect. Good day.

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