HQ Global Education Inc.
Form 10-Q
July 15, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2011

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number: 333-150385

HQ GLOBAL EDUCATION INC.

(Exact name of registrant as specified in its charter)

Delaware	26-1806348
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

27th Floor, BOBO Fortune Center, No.368, South Furong Road,
Changsha City, Hunan Province, 410007
People's Republic of China
(Address of principal executive offices)

Tel: (86 731) 87828601
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨Yes ¨No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. ¨

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

As of July 14, 2011, 33,000,000 shares of the Company’s common stock, $0.0001 par value, were issued and outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. Unaudited Financial Statements

HQ GLOBAL EDUCATION INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	May 31, 2011	August 31, 2010
ASSETS		
CURRENT ASSETS		
Cash	$10,607,514	$5,225,764
Accounts receivable	11,310,848	9,023,824
Other receivables	188,569	40,972
Inventory	431,679	674,200
Advances to vendors	5,574,896	552,344
Total current assets	28,113,506	15,517,104
PROPERTY AND EQUIPMENT, NET	33,804,257	29,009,794
INTANGIBLE ASSETS, NET	7,120,450	2,029,519
TOTAL ASSETS	$69,038,213	$46,556,417
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term loans	$702,280	$1,314,744
Long-term loans - current portion	671,411	235,038
Accounts payable	1,034,147	2,278,346
Payroll tax payable	3,969	3,232
Payroll payable	720,414	341,098
Unearned revenues	3,076,602	-
Due to stockholder	523,062	-
Other payables and accrued liabilities	936,183	850,905
Total current liabilities	7,668,068	5,023,363
Long-term loans, less current portion	-	477,421
Due to stockholder, net of current portion	3,086,944	310,000
Other long-term payables	100,171	96,757
TOTAL LIABILITIES	10,855,183	5,907,541
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 40,000,000 shares authorized, none issued and outstanding	-	-
Common Stock, $0.0001 par value 100,000,000 shares authorized, 33,000,000 shares issued and outstanding	3,300	3,300
Additional paid-in capital	1,226,674	1,226,674

Accumulated other comprehensive income	4,205,379	1,785,928
Statutory reserve	14,128,209	10,339,551
Retained earnings	38,619,468	27,293,423
Total stockholders' equity	58,183,030	40,648,876
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$69,038,213	$46,556,417

The accompanying notes are an integral part of these condensed consolidated financial statements.

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HQ GLOBAL EDUCATION INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)

	For the three months ended May 31, 2011	For the three months ended May 31, 2010	For the nine months ended May 31, 2011	For the nine months ended May 31, 2010
Revenues				
-Fee based	$10,001,591	$12,020,167	$32,430,966	$26,151,610
-Service based	6,864,329	5,215,749	13,571,232	10,958,480
	16,865,920	17,235,916	46,002,198	37,110,090
Cost of revenue				
-Fee based	(5,217,384)	(6,560,027)	(16,442,695)	(13,334,478)
-Service based	(5,631,626)	(4,242,786)	(11,453,793)	(8,983,353)
	(10,849,010)	(10,802,813)	(27,896,488)	(22,317,831)
Gross profit	6,016,910	6,433,103	18,105,710	14,792,259
Selling expenses	(259,593)	(268,893)	(599,303)	(512,651)
General and administrative expenses	(741,108)	(567,662)	(2,275,550)	(1,495,898)
Income from operations	5,016,209	5,596,548	15,230,857	12,783,710
Other expenses				
Interest expenses, net	(21,631)	(38,711)	(83,276)	(83,838)
Other expenses	(3,512)	(8,877)	(32,878)	(978,827)
Total other expenses	(25,143)	(47,588)	(116,154)	(1,062,665)
Income before income taxes	4,991,066	5,548,960	15,114,703	11,721,045
Provision for income taxes	-	-	-	-
Net income	4,991,066	5,548,960	15,114,703	11,721,045
Other comprehensive income				
Foreign currency translation adjustments	813,369	(10,268)	2,419,451	9,359
Comprehensive Income	$5,804,435	$5,538,692	$17,534,154	$11,730,404
Basic and diluted income per common share	$0.15	$0.17	$0.46	$0.46
Basic and diluted weighted average common shares outstanding	33,000,000	33,000,000	33,000,000	25,673,993

The accompanying notes are an integral part of these condensed consolidated financial statements.

HQ GLOBAL EDUCATION INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the nine months ended May 31, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$15,114,703	$11,721,045
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,914,997	1,409,368
Loss on disposal of property & equipment	-	969,369
Changes in assets and liabilities		
(Increase) decrease in -		
Accounts receivable	(1,793,442)	(5,313,198)
Other receivables	(113,109)	(372,119)
Inventory	271,257	1,173,255
Increase (decrease) in -		
Accounts payable	(1,332,941)	314,443
Payroll Payable	354,890	513,828
Payroll Taxes payable	561	31,185
Unearned revenues	3,016,006	3,229,791
Other payables and accrued liabilities	249,451	750,937
Net cash provided by operating activities	17,682,373	14,427,904
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of intangible assets	(4,952,859)	(265,109)
Advance to vendors for acquisition of property and equipment	(4,896,174)	-
Acquisition of property and equipment	(5,109,996)	(7,639,799)
Net cash used in investing activities	(14,959,029)	(7,904,908)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term loan	234,526	578,508
Repayments on short-term loan	(900,278)	-
Proceeds from long-term loan	-	234,333
Repayments on long-term loan	(75,655)	(556,540)
Proceeds from stockholders' loan	3,026,143	310,000
Collection of loans to related party	-	2,448,629
Net cash provided by financing activities	2,284,736	3,014,930
EFFECT OF EXCHANGE RATE CHANGE ON CASH	373,670	(24)
NET INCREASE IN CASH	5,381,750	9,537,902
CASH, BEGINNING OF PERIOD	5,225,764	3,848,040
CASH, END OF PERIOD	$10,607,514	$13,385,942
Supplemental disclosures of cash flow information:		
Interest paid	$89,639	$93,735

The accompanying notes are an integral part of these condensed consolidated financial statements.

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HQ GLOBAL EDUCATION INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. ORGANIZATION AND BASIS OF PRESENTATION

HQ Global Education Inc. ("the Company") provides a wide range of educational programs and services through vocational schools, consisting primarily of customized education programs for various vocational skills and vocational training services to a varied student population throughout the People's Republic of China.

The Company, formerly known as Green Star Mining Corp., was incorporated under the laws of the State of Delaware on January 22, 2008. On February 8, 2010, the Company acquired all of the outstanding capital stock of Risetime Group Limited ("Risetime"), a BVI business company incorporated in British Virgin Islands on December 17, 2007. Risetime owns 100% of the equity of Xiangtan Nicestar Business Administration Co., Ltd. ("Xiangtan Nicestar") through its 100% subsidiary, Global Education International Ltd. ("GEI"), an investment holding company incorporated in Hong Kong on November 15, 2007. Xiangtan Nicestar is a wholly foreign-owned enterprise incorporated in Xiangtan City, Hunan Province, People's Republic of China ("PRC") on September 30, 2009 and is primarily engaged in providing business administration, planning and consulting services. Substantially all of Risetime and GEI's operations are conducted in the PRC through Xiangtan Nicestar, and through contractual arrangements with Xiangtan Nicestar's consolidated affiliated entities in the PRC, including Hunan Oya Education Technology Co., Ltd. ("Oya") and Oya's subsidiaries and variable interest entities ("VIEs"). Oya is a company incorporated in Changsha City, Hunan Province, PRC on November 20, 2008 and is primarily engaged in providing vocational education service and vocational skills training service.

In connection with the acquisition in February 2010, the Company issued 20,500,000 shares of common stock to the shareholder of Risetime in exchange for all of the capital stock of Risetime (the "Share Exchange" or "Merger"). Upon the completion of the Merger, the shareholders of Risetime own 62.12% of the issued and outstanding capital stock of the Company and consequently control the business and operation of the Company. The acquisition was accounted for as a reverse acquisition since there was a change of control. Accordingly, Risetime and its subsidiaries are treated as the continuing entity for accounting purposes.

In March 2010, Green Star Mining Corp. changed its name to HQ Global Education Inc. to more effectively reflect the Company's business and communicate the Company's brand identity to customers.

On July 28, 2009, Oya entered into certain exclusive agreements with Changsha Huanqiu Vocational Secondary School ("Changsha Huanqiu") and Shaoshan Huanqiu Vocational Technical Secondary School ("Shaoshan Huanqiu") and their shareholders. Pursuant to these agreements, Oya provides exclusive consulting and other general business operation services to Changsha Huanqiu and Shaoshan Huanqiu in exchange for substantially all net income of Changsha Huanqiu and Shaoshan Huanqiu. Oya has the right to appoint all senior management personnel of Changsha Huanqiu and Shaoshan Huanqiu.

On November 28, 2009, Xiangtan Nicestar entered into certain exclusive agreements with Oya and its shareholders. Pursuant to these agreements, Xiangtan Nicestar provides exclusive consulting and other general business operation services to Oya in exchange for all net income of Oya. All voting rights of Oya are assigned to Xiangtan Nicestar and Xiangtan Nicestar has the right to appoint all directors and senior management personnel of Oya. In addition, Oya's shareholders have pledged their equity interest in Oya to Xiangtan Nicestar as collateral for the fees for consulting and other services due to Xiangtan Nicestar.

As a result of these contractual arrangements, which obligate Oya to absorb a majority of the risk of loss from Changsha Huanqiu and Shaoshan Huanqiu's activities and enable Oya to receive a majority of its expected residual returns, Oya accounts for Changsha Huanqiu and Shaoshan Huanqiu as variable interest entities under ASC 810-10, "Consolidation". Accordingly, Oya has included the accounts of Changsha Huanqiu and Shaoshan Huanqiu in its consolidated financial statements. For the same reason, Xiangtan Nicestar accounts for Oya as a VIE and includes Oya's accounts in its consolidated financial statements.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. These condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on November 29, 2010. Operating results for the three and nine months ended May 31, 2011 are not necessarily indicative of the results that may be expected for the full year.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company, Risetime, GEI, Xiangtan Nicestar, Oya, as well as Oya's subsidiaries and VIEs. All significant inter-company balances and transactions are eliminated in consolidation.

The Company has 11 VIEs including Oya. Oya operates four private secondary vocational schools (Changsha Huanqiu, Shaoshan Huanqiu, Hunan New HQ Technical School and Tianzhen Huanqiu Technical Secondary School) and a public secondary vocational school (Shaoshan Vocational School) in China. Through Changsha Huanqiu, the Company operates five public secondary vocational schools, Yingjing Vocational School, Tianquan Vocational School, Shimian Vocational School, Lushan Vocational School and Shaoyang Vocational School.

Use of estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes, and disclosure of contingent liabilities at the date of the condensed consolidated financial statements. Estimates are used for, but not limited to, the selection of the useful lives and residual values of property and equipment and intangible assets, provision necessary for contingent liabilities, fair values, revenue recognition, and other similar charges. Management believes that the estimates utilized in preparing its condensed consolidated financial statements are reasonable and prudent. Actual results could differ from these estimates.

Accounts receivable

Accounts receivable consist of balances receivable for the charges of education services provided and for tuition revenues. Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectable amounts. As of May 31, 2011 and August 31, 2010, total accounts receivable were $11,310,848 and $9,023,824 respectively, of which, $9,641,523 and $6,946,895, respectively represented tuition due from governmental organizations and associations under the impoverished student aid programs for the periods ended May 31, 2011 and August 31, 2010.

According to the Company's policy, accounts receivable over 90 days are considered overdue. The Company does periodical reviews as to whether the carrying values of accounts have become uncollectable. The assets are considered to be doubtful if the collectability of the balances become doubtful, accordingly, management estimates an allowance for anticipated uncollectable receivable balances. When facts subsequently become available to indicate that the allowance provided requires an adjustment, then the adjustment will be recorded as a change in allowance for doubtful accounts. As of May 31, 2011 and August 31, 2010, the allowance for doubtful accounts was $-0-.

Advances to vendors

Advances to vendors consisted of balances paid for the construction of buildings and facilities, acquisition of property, equipment and materials. Advances to vendors are reviewed at least annually by comparing with their respective fair values to determine whether their carrying value has become impaired. The Company has determined that no impairment reserve is necessary as of May 31, 2011 and August 31, 2010.

Intangible assets

Intangible assets are accounted for in accordance with the provisions of Accounting Standards Codification (“ASC”) 350, "Intangibles-Goodwill and Other". Under ASC 350, intangible assets deemed to have indefinite useful lives are not amortized. Indefinite-lived intangible assets are assessed for impairment at least annually based on comparisons of their respective fair values to their carrying values. Intangible assets with a finite useful life are amortized over their useful life.

Revenue recognition

The Company recognizes revenues in accordance with ASC 605 “Revenue Recognition” when the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the services have been rendered, (iii) the fees are fixed or determinable and (iv) collection of the resulting receivable is reasonably assured.

(a) Tuition revenue received for educational programs and services is recognized proportionately according to the progress of the students completing the educational programs in the school. Tuition paid in advance is recorded as unearned revenues.

(b) The Company provides off-campus internship programs for students. The Company has arrangements with certain regional corporations in which these entities are the sponsors for off-campus internship programs which last two to three months. The Company collects a fixed amount of fees from both the internship sponsor and the student after the student is admitted into the programs. Revenue is recognized upon completion of the internship program.

(c) The Company provides other services mainly cafeteria and laundry services for students and the revenue from such services is recognized upon completion of the service.

Fair value of financial instruments

The Company follows the provisions of ASC 820, Fair Value Measurements and Disclosures. ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other then quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity’s own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The Company's financial instruments include cash, accounts receivable, advances to vendors, other receivables, accounts payable, accrued expenses, taxes payable, notes payable, other payables and accrued liabilities, unearned revenues, and short-term loans payable. Management has estimated that the fair value of these financial instruments approximate their carrying amounts due to their short-term nature. The fair value of long-term loans also approximate their recorded value because the interest rates charged under the loan terms are not substantially different than current interest rates.

The Company did not have assets and liabilities that are measured at fair value on a recurring basis.

Earnings per share

Basic earnings per share (EPS) is measured as net income divided by the weighted average common shares outstanding for the period. Diluted EPS includes the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. The Company does not have any potential diluted shares outstanding as of May 31, 2011 and August 31, 2010.

The Company computes the weighted-average number of common shares outstanding in accordance with ASC 805, Business Combinations, which states that in calculating the weighted average shares when a reverse acquisition takes place in the middle of the year, the number of common shares outstanding from the beginning of that period to the acquisition date shall be computed on the basis of the weighted-average number of common shares of the legal acquiree (the accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the merger agreement. The number of common shares outstanding from the acquisition date to the end of that period shall be the actual number of common shares of the legal acquirer (the accounting acquiree) outstanding during that period.

Foreign currency translation

The Company's condensed consolidated financial statements are presented in US dollars. In accordance with ASC 830, "Foreign Currency Matters", an entity's functional currency is the currency of the primary economic environment in which the entity operates. Since substantially all operations of the Company are conducted in the PRC, the functional currency of the Company is Renminbi ("RMB"). The condensed consolidated financial statements of the Company have been translated into U.S. dollars. The financial statements are first prepared in RMB and then are translated into U.S. dollars at period-end exchange rates as to assets and liabilities and average exchange rates as to revenue and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred. The effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income in stockholders' equity.

	May 31, 2011	August 31, 2010	May 31, 2010
Period end exchange rate (RMB: US$)	6.4789	6.8074	6.8279
Average exchange rate for the period (RMB: US$)	6.6091	6.8178	6.8266

Note 3. RELATED PARTY TRANSACTIONS

The balance due to stockholder consists of the following:

	As of May 31, 2011	As of August 31, 2010
Loan from Mr. Guangwen He (1)	$ 3,396,944	$ 310,000
Rental and other expenses payable to Mr. Guangwen He (2)	213,062	-
Total	$ 3,610,006	$ 310,000

(1) Represents loans from Mr. Guangwen He, the Chief Executive Office of the Company, which consist of a) $310,000 interest free unsecured loan, with a term of two years and is payable on February 28, 2012. b) $3,086,944 (RMB 20,000,000) interest free unsecured loan, with a term of three years and is payable on May 25, 2014 pursuant to a loan agreement the Company entered into with Mr. He on January 5, 2011 for the purpose of business expansion.

(2) The Company rents office facilities from Mr. Guangwen He under a fifteen-year agreement for annual rental of US$ 77,174.

Note 4. SHORT-TERM LOANS

As of May 31, 2011, the short-term borrowings consisted of two loans. One loan for $463,042 (RMB 3,000,000) was received from Changsha Foundation for Education. The loan was unsecured and bears interest at 6% per annum, and matures on July 15, 2011. The second loan in the amount of $239,238 (RMB1,550,000) was borrowed from Ningxiang Rural Credit Cooperative Union. This loan bears interest at 8.96% per annum until maturity on December 28, 2011. This loan is secured by one of the Company's buildings with a cost of $354,999.

Note 5. LONG-TERM LOANS

The details of long-term loans outstanding as of May 31, 2011 are as follows:

Lender	Term		Interest rate	Principal	
	From	To		RMB	US$
Long-term loan - Current Portion					
Ningxiang Rural Credit Cooperative Union	Sep 1, 2009	Aug 21, 2011	8.64 %	1,600,000	246,956
Ningxiang Rural Credit Cooperative Union	Nov 25, 2008	Nov 13, 2011	10.80 %	1,350,000	208,369
Ningxiang Rural Credit Cooperative Union	Nov 25, 2008	Nov 13, 2011	10.80 %	1,400,000	216,086
				4,350,000	671,411

The loans borrowed from Ningxiang Rural Credit Cooperative Union were collateralized by buildings with an aggregate cost of $1,125,476 and land use rights with an aggregate cost of $49,139.

For the three and nine months ended May 31, 2011 and 2010, the Company incurred $31,550, $102,854, $38,171and $91,724 interest expense on the above loans respectively.

Note 6. TAXES

Corporation income tax ("CIT") and business tax

The Company is governed by the Income Tax Law of the People's Republic of China ("PRC") concerning the private-run enterprises. The PRC government also provides various incentives to companies that engage in the development of vocational education. Such incentives include reduced tax rates, tax exemptions and other measures. Some specific enterprises, organizations and schools could enjoy the same tax incentives as the schools run by the government, and could be exempt from business tax and income tax accordingly. As long as the operation of the Company meets the requirements of these regulations, the Company is exempt from business tax and income tax. No income tax and business tax provisions were provided for the reporting period in accordance with the regulations of the relevant taxing authorities.

Note 7. STATUTORY RESERVE

According to Law of the PRC on Promotion of Privately-run Schools, implemented from September 1, 2003, the Company and the related subsidiaries are required to set aside at least 25% of their after-tax net profits each year, if any, to fund the statutory reserves for the future development of educational activities. The statutory reserves are not distributable in the form of cash dividends to the shareholders.

For the nine months ended May 31, 2011 and 2010, the Company has made appropriations in the amount of $3,788,658 and $2,930,914 to this statutory reserve, respectively. As of May 31, 2011 and August 31, 2010, the balances of the statutory reserve were $14,128,209 and $10,339,551, respectively.

Note 8. SEGMENT INFORMATION

In accordance with ASC 280, "Segment Reporting", establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for details on the Company's business segments.

The Company is mainly engaged in providing vocational education service and vocational skills training service. The Company's chief operating decision maker ("CODM") has been identified as the CEO who reviews the financial information of separate operating segments when making decisions about allocating resources and assessing performance of the group. Based on management's assessment, the Company has determined that it has three operating segments which are Vocational Education, Order-oriented Service, and Campus services. These three operating segments are also identified as reportable segments. The Company adjusted its operating segments and has reclassified results of all periods presented to conform to the revised operating segments disclosures as of May 31, 2011 and 2010.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The CODM evaluates performance based on each reporting segment's revenues, cost of revenues, and gross profit, and selling expenses and G&A expenses are not separated to each segment. The CODM does not review balance sheet information to measure the performance of the reportable segments, nor is this part of the segment information regularly provided to the CODM. Revenues, cost of revenues, gross profit, total capital expenditure and total depreciation and amortization by segment were as follows:

For the three months ended May 31, 2011

	Vocational Education	Order-oriented Service	Campus Services	Unallocated Amounts	Consolidated
Net revenues	10,001,591	-	6,864,329	-	16,865,920
Cost of revenues	5,217,384	-	5,631,626	-	10,849,010
Gross profit	4,784,207	-	1,232,703	-	6,016,910
Depreciation and amortization	353,574	11	256,114	86,016	695,715
Total capital expenditures	1,402,489	-	18,577	4,816,164	6,237,230

For the three months ended May 31, 2010

	Vocational	Order-oriented