

HQ Global Education Inc.
Form 10-Q
April 14, 2011

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

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

For the quarterly period ended February 28, 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
(State or other jurisdiction of
incorporation or organization)

26-1806348
(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 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

Edgar Filing: HQ Global Education Inc. - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

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

HQ GLOBAL EDUCATION INC.
FORM 10-Q

INDEX

		Page Number
PART I. FINANCIAL INFORMATION		3
Item 1.	Financial Statements (Unaudited)	3
	Condensed Consolidated Balance Sheets as of February 28, 2011 and August 31, 2010	3
	Condensed Consolidated Statements of Income and Comprehensive Income for the three and six months ended February 28, 2011 and 2010	4
	Condensed Consolidated Statements of Cash Flows for the six months ended February 28, 2011 and 2010	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	21
Item 4.	Controls and Procedures	21
PART II. OTHER INFORMATION		22
Item 1.	Legal Proceedings	22
Item 1A.	Risk Factors	22
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 3.	Defaults Upon Senior Securities	22
Item 4.	(Removed and Reserved)	22
Item 5.	Other Information	22
Item 6.	Exhibits	22
SIGNATURES		23

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements (Unaudited)

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

	February 28, 2011	August 31, 2010
ASSETS		
CURRENT ASSETS		
Cash	\$ 10,689,312	\$ 5,225,764
Accounts receivable	10,925,634	9,023,824
Other receivables	273,254	40,972
Inventory	700,470	674,200
Advances to vendors	6,264,832	552,344
Total current assets	28,853,502	15,517,104
PROPERTY AND EQUIPMENT, NET	31,974,709	29,009,794
INTANGIBLE ASSETS, NET	2,076,645	2,029,519
TOTAL ASSETS	\$ 62,904,856	\$ 46,556,417
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term loans	\$ 1,301,045	\$ 1,314,744
Long-term loans - current portion	661,936	235,038
Accounts payable	1,172,687	2,278,346
Payroll tax payable	3,912	3,232
Payroll payable	360,921	341,098
Unearned revenues	5,737,946	-
Due to shareholder	340,000	-
Other payables and accrued liabilities	848,567	850,905
Total current liabilities	10,427,014	5,023,363
Long-term loans, less current portion	-	477,421
Due to shareholder, net of current portion	-	310,000
Other long-term payables	99,247	96,757
TOTAL LIABILITIES	10,526,261	5,907,541
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
	-	-

Edgar Filing: HQ Global Education Inc. - Form 10-Q

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	3,392,010	1,785,928
Statutory reserve	12,880,440	10,339,551
Retained earnings	34,876,171	27,293,423
Total shareholders' equity	52,378,595	40,648,876
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$62,904,856	\$46,556,417

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

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

	For the three months ended February 28,		For the six months ended February 28,	
	2011	2010	2011	2010
Revenues				
-Fee based	\$10,230,667	\$5,333,367	\$22,429,375	\$14,131,443
-Service based	2,263,853	1,531,729	6,706,903	5,742,731
	12,494,520	6,865,096	29,136,278	19,874,174
Cost of revenue				
-Fee based	(5,047,583)	(2,481,332)	(11,225,311)	(6,774,451)
-Service based	(1,852,153)	(1,175,194)	(5,822,167)	(4,740,567)
	(6,899,736)	(3,656,526)	(17,047,478)	(11,515,018)
Gross profit	5,594,784	3,208,570	12,088,800	8,359,156
Selling expenses	(170,485)	(107,664)	(339,710)	(243,758)
General and administrative expenses	(754,040)	(476,672)	(1,534,442)	(928,236)
Income from operations	4,670,259	2,624,234	10,214,648	7,187,162
Other expenses				
Interest expenses, net	(31,071)	(25,766)	(61,645)	(45,127)
Other expenses	(331)	(553)	(29,366)	(969,950)
Total other expenses	(31,402)	(26,319)	(91,011)	(1,015,077)
Income before income taxes	4,638,857	2,597,915	10,123,637	6,172,085
Provision for income taxes	-	-	-	-
Net income	4,638,857	2,597,915	10,123,637	6,172,085
Other comprehensive income				
Foreign currency translation income	730,859	5,762	1,606,082	19,627
Comprehensive Income	\$5,369,716	\$2,603,677	\$11,729,719	\$6,191,712
Basic and diluted income per common share	\$0.14	\$0.11	\$0.31	\$0.28
Basic and diluted weighted average common shares outstanding	33,000,000	23,416,667	33,000,000	21,950,276

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 six months ended February 28,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 10,123,637	\$ 6,172,085
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,219,282	900,645
Loss on disposal of property & equipment	-	969,369
Changes in assets and liabilities		
(Increase) decrease in -		
Accounts receivable	(1,559,644)	(4,692,513)
Other receivables	(210,609)	(47,810)
Inventory	(2,057)	848,808
Increase (decrease) in -		
Accounts payable	(1,173,539)	626,130
Payroll Payable	7,496	36,575
Payroll Taxes payable	557	21,852
Unearned revenues	5,670,973	1,527,334
Other payables and accrued liabilities	(3,347)	531,454
Net cash provided by operating activities	14,072,749	6,893,929