



Trade By Numbers Magazine

## Canadian firms target private education in China

It's a potentially lucrative sector, but these three companies are still working at making education in China pay

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The promise of wealth and exotic allure has attracted the adventurous to China since the times of Marco Polo in the 13th Century. The modern attraction of the Middle Kingdom is its 1.3 billion people which Western companies see as the new frontier of opportunity.

In the private education business a country that boasts 600,000 schools, 12 million teachers, and 230 million students provides lots of fuel for the imagination. However, investing in China to modernize and expand the delivery of education is not without risk.

China Education Resources ([CHN-X](#) 0.41 -0.005 -1.20%) is focused on the kindergarten to Grade 12 market and was first involved in the sales of textbooks. But the business plan has changed and is now centered on the development and promotion of their online portal CERSP.com.

CERSP.com serves the needs of all participants in education from teachers to students, parents, schools and governments. New curriculum can more easily be developed and distributed using the system and there are currently 30 websites in various subject areas. CERSP is the backend of the system and the Education Service Portal (ESP) is how the company expects to monetize the technology by charging for services such as tutoring and teacher training.

China Education Resources learned about the challenges of doing business in China. They have had to deal with the fluid nature of the business environment and legal system in the country. Their last annual report indicated that total revenue in fiscal 2008 fell to \$476,691 from \$1.4-million in 2007 due to a change in government policy.

The company has also had to make provisions for bad debts which highlights the value of finding the right partners in any jurisdiction.

The chart shows that the stock has rebounded off a rock bottom in the spring of 2009 and just broke through resistance at 30 cents. China Education Resources isn't profitable at this stage and needs to fine-tune its sales process to get a bigger and more consistent piece of China's education pie.

Access International Education Ltd. ([AOE-X](#) 0.06 -- --%) has a traditional approach to education with bricks-and-mortar campuses in China and in Calgary. The Canadian operations provide a soft landing environment where students from China can gain foreign exposure while pursuing their high school education and other post-secondary training programs.

The campuses in China offer a wide range of business, technical and language diploma programs. Access International has yet to become profitable and needs to boost its sales to help it improve its opportunities.

The chart shows a stock with thin liquidity and choppy trading with no trades since Aug. 17. In May of this year the company rolled back its stock 10 to one in an effort to mop up a sloppy float.

Access International has to stabilize its cash flow and strive towards increasing its sales and profits if it wants to get investors as excited and interested as they were when the stock was trading at \$3.

Lingo Media Corp. ([LM-X](#) 0.97 -- --%) has two operating units, one in print where the bulk of its revenues are earned, and an online learning system. Both units offer English language training in China.

The online system Speak2Me was acquired in 2007 and is providing the company with increased revenue and lots of marketing sizzle. Speak2Me is free to the consumer with advertisers such as Mercedes Benz paying the freight to gain access to the eyeballs of users eager to learn English as a path to the higher incomes.

Orascom Group, the Egyptian company behind GlobeAlive Communications, bought a 23-per-cent stake in Lingo Media for \$5-million in October, 2008.

The chart shows that Lingo Media's shares need to hold onto the \$1 level, which is providing support. Lingo Media is in the nascent stages of pushing Speak2Me in China and in the second quarter reported a jump in revenue from a dead start a year earlier.

The private education opportunities in China are robust to say the least but overcoming the challenges and establishing consistent cash flow and profits have so far eluded China Education Resources, Access International and Lingo Media.

From my research, Lingo Media has an edge in that it has the interest and support of Orascom, and growing revenue from its two operating units. But it has yet to turn a profit.

Happy Capitalism!

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