

CHINA EDUCATION ALLIANCE INC.  
Form 10QSB  
August 14, 2007

United States  
Securities and Exchange Commission  
Washington, D.C. 20549  
Form 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 333-101167

China Education Alliance, Inc.

(Exact name of small business issuer as specified in its charter)

56-2012361

North  
Carolina  
(State or other  
jurisdiction of  
incorporation  
or  
organization)

(I.R.S.  
Employer  
Identification  
No.)

58 Heng Shan Rd. Kun Lun Shopping Mall

Harbin, P.R. China 150090

(Address of principal executive offices)

001-86-451-8233-5794

(Issuer's telephone number)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date: 57,965,000 shares as of August 10, 2007.

Transitional Small Business Disclosure Format (check one): Yes  No

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CHINA EDUCATION ALLIANCE, INC.

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## PART I. FINANCIAL INFORMATION

**China Education Alliance, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheet**  
**June 30, 2007**  
**(Unaudited)**

## ASSETS

**Current Assets**

Cash and cash equivalents	\$	8,315,833
Prepaid expenses		827,955
<b>Total current assets</b>		<b>9,143,788</b>

<b>Property and equipment, net</b>		<b>5,504,230</b>
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<b>Franchise rights</b>		<b>632,208</b>
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<b>Goodwill</b>		<b>43,696</b>
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	\$	15,323,922
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**LIABILITIES AND STOCKHOLDERS' EQUITY****Current Liabilities**

Accounts payable and accrued expenses	\$	448,024
Deferred revenues		1,157,791
Loan from shareholder		133,391
Notes payable		3,400,000
<b>Total current liabilities</b>		<b>5,139,206</b>

**Stockholders' Equity**

Preferred stock (\$0.001 par value, 5,000,000 shares authorized, none issued and outstanding)		-
Common stock (\$0.001 par value, 150,000,000 shares authorized, 57,965,000 issued and outstanding)		57,965
Additional paid-in capital		2,986,174
Accumulated other comprehensive income		526,429
Retained earnings		6,614,148
<b>Total stockholders' equity</b>		<b>10,184,716</b>
	\$	15,323,922

See accompanying summary of accounting policies and notes to financial statements.

**China Education Alliance, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
**For the Three and Six Months Ended June 30, 2007 and 2006**  
**(Unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
<b>Revenues</b>				
Online education revenues	\$ 3,717,985	\$ 1,752,959	\$ 6,344,653	\$ 2,692,462
Training center revenues	631,770	413,895	1,091,329	821,795
<b>Total revenue</b>	<b>4,349,755</b>	<b>2,166,854</b>	<b>7,435,982</b>	<b>3,514,257</b>
<b>Cost of Goods Sold</b>				
Online education costs	619,870	466,445	1,287,617	793,549
Training center costs	227,525	197,167	446,089	363,814
<b>Total cost of goods sold</b>	<b>847,395</b>	<b>663,612</b>	<b>1,733,706</b>	<b>1,157,363</b>
<b>Gross Profit</b>				
Online education gross profit	3,098,115	1,286,514	5,057,036	1,898,913
Training center gross profit	404,245	216,728	645,240	457,981
<b>Total gross profit</b>	<b>3,502,360</b>	<b>1,503,242</b>	<b>5,702,276</b>	<b>2,356,894</b>
<b>Operating Expenses</b>				
Selling expenses	1,088,728	118,870	1,839,166	207,893
Administrative	438,003	78,636	595,666	108,231
Depreciation and amortization	107,052	6,803	213,177	62,781
<b>Total operating expenses</b>	<b>1,633,783</b>	<b>204,309</b>	<b>2,648,009</b>	<b>378,905</b>
<b>Other Income (Expense)</b>				
Other Income	55,494	-	55,494	-
Interest income	10,459	4,026	16,086	4,922
Interest expense	(388,582)	-	(493,079)	-