

CHINA EDUCATION ALLIANCE INC.
Form 10QSB
November 14, 2006

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, 2006

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

For the transition period from _____ to _____

Commission File Number: 000-52092

China Education Alliance, Inc.
(Exact name of small business issuer as
specified in its charter)

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

56-2012361
(I.R.S. Employer Identification No.)

80 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: 57,935,000 shares as of November 13, 2006

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

CHINA EDUCATION ALLIANCE, INC.
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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

China Education Alliance and Subsidiaries
Condensed Consolidated Balance Sheet
As of September 30, 2006
(Expressed in US Dollars)
(Unaudited)

ASSETS

Current Assets		
Cash and Cash Equivalents (Note 5)	\$	5,610,885
Inventories (Note 6)		72
Prepaid Expense		142,088
Total Current Assets		5,753,045
Property and Equipment		
Fixed Assets, Net of Accum. Depreciation (Note 7)		3,905,808
Total Property and Equipment		3,905,808
Investment		
Total Assets	\$	9,658,853

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Accounts Payable and Accrued Expenses	\$	2,021
Advances on Accounts (Note 8)		477,496
Loan from Shareholder (Note 14)		281,503
Wages Payable		8,766
Welfare Payable		6,649
Taxes Payable (Note 9)		38,090
Notes Payable (Note 10)		1,530,000
Total Current Liabilities		2,344,525
Total Liabilities		2,344,525
Commitments and Contingencies (Note 15)		
Shareholders' 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, 57,935,000 issued and outstanding)		57,935
Additional Paid-in Capital		2,414,949
Currency Conversion Adjustment (Note 3)		68,910
Retained Earnings		4,772,534
Total Shareholders' Equity		7,314,328
Total Liabilities and Shareholders' Equity	\$	9,658,853

China Education Alliance and Subsidiaries
Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2006 and 2005
(Expressed in US Dollars)
(Unaudited)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2006	2005	2006	2005
REVENUES				
Sales and Tuition (Note 3)	\$ 2,284,521	\$ 1,019,020	\$ 5,798,779	\$ 1,383,048
Less: Cost of Good Sold	734,034	477,445	1,891,397	533,739
Gross Profit	1,550,487	541,575	3,907,382	849,309
OPERATING EXPENSES				
General, Administrative and Selling Expenses	359,456	65,931	738,361	144,192
Total Operating Expenses	359,456	65,931	738,361	144,192
Income from Operations	1,191,031	475,644	3,169,021	705,117
Other Expense (Income)				
Interest Expense (Income)	(5,127)	629	(10,049)	5,552
Other Expense	-	51	-	1,287
Total Other Expense (Income)	(5,127)	680	(10,049)	6,839
Income before Tax Provision	1,196,158	474,964		