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NEW LISTING

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CHINA EDUCATION ALLIANCE INC

Company Website: www.chinaeducationalliance.com

History: Incorporated in North Carolina on Dec. 2, 1996 as ABC Realty Co. Present name adopted on Nov. 17, 2004.

On Sept. 15, 2004, Co. was reorganized pursuant to the Plan of Exchange to acquire Harbin Zhong He Li Da Education Technology, Inc., a corporation formed on Aug. 9, 2004 in the City of Harbin of Heilongjiang Province, the People's Republic of China, with an authorized capital of \$60,386 (RMB500,000).

During Dec. 2006, Co. acquired all of the fixed assets and franchise rights of Harbin Nangang Compass Computer Training School for approx. \$1,000,000.

On Apr. 27, 2008, Co. acquired a 70% equity interest in World Exchanges, Inc.

On July 7, 2008, Co.'s wholly owned subsidiary, Harbin Zhong He Li Da Education Technology, Inc. (ZHLDD) completed an agreement and supplementary agreement with Harbin Daily Newspaper Group to invest in a joint venture company, Harbin New Discovery Media Co. ZHLDD contributed RMB3,000,000 (approx. \$430,000) and Harbin Daily Newspaper Group contributed RMB3,120,000 (approx. \$445,000) towards the registered capital of Harbin New Discovery Media Co. In return for their respective contributions, ZHLDD will own 49.02% equity interest and Harbin Daily Newspaper Group will own 50.98% equity interest in Harbin New Discovery Media Co., Ltd.

On Dec. 23, 2008, Co.'s subsidiary, World Exchanges Inc., established a wholly-owned subsidiary, Beijing Wei Shi Yi Tong Education Technology Co., Inc.

On Jan. 4, 2009, Co.'s subsidiary, Harbin Zhong He Li Da Education Technology, Inc. (ZHLDD) entered into an agreement with Mr. Guang Li to jointly incorporate and invest in a joint venture company, Zhong He Li Da (Beijing) Management Consultant Co., Ltd. (ZHLDBJ). ZHLDD contributed RMB 425,000 (approx., \$62,107), and Mr. Guang Li contributed RMB 75,000 (approx., \$10,960) towards the registered capital of ZHLDBJ, amounting to a total registered capital of 500,000 RMB (approx., \$73,067). In return for their respective contributions, ZHLDD owns 85% equity interest, and Mr. Guang Li owns 15% equity interest in ZHLDBJ. ZHLDD has authorized Mr. Xiqun Yu, Co.'s CEO, to hold 20% of its equity interest of ZHLDBJ on its behalf.

On Feb. 3, 2010, Co. announced that through its wholly owned subsidiary, Harbin Zhong He Li Da Education Technology, Inc., it has incorporated a new company in the People's Republic of China, Beijing New Shifan Education & Technology, with registered capital of RMB 1,950,000.

On Mar. 14, 2011, Co. acquired a 60% controlling interest in Tianlang for a purchase price of RMB35,000,000 (approximately \$5,300,000).

On May 31, 2011, Co. acquired a 100% ownership in Changchun City Chaoyang District Nuoya Foreign Languages School and Harbin City Nangang District Nuoya Foreign Languages School. The aggregate purchase price for the two schools was RMB16,000,000 (approximately \$2,500,000).

Business Summary: China Education Alliance is an education service company that provides on-line education and on-site training in China through the internet. Co.'s website, www.educhn.com, is an education network platform based on network video technology and data sources of elementary education resources. Co. has a database comprised of such resources as test papers that were used for secondary education and university

level courses as well as video on demand. Co.'s data base includes more than 350,000 exams and test papers and courseware for college, secondary and elementary schools. Co. also provides, though its website, video on demand, which includes tutoring of exam papers and exam techniques.

Property: Co. maintains its principal executive offices in Harbin, The People's Republic of China (PRC), which have a total area of 4,177 sq. ft.

Co. also has a 36,600 sq. ft. building in the Harbin, which it uses for its educational training center and its vocational training center.

Co.'s subsidiary, Harbin New Discovery Media Co., Ltd., has a total area of 120 sq. meters located in Harbin. Co.'s subsidiary, Beijing Hua Yu Hui Zhong Technology Development Co. Ltd. has a total area of 327 sq. m. in Beijing, China.

Co.s subsidiary, Zhong He Li Da (Beijing) Management Consultant Co. Ltd. has a total area of 356 sq. m. in Beijing.

Co.s subsidiary, Beijing New Shifan Education & Technology Co. Ltd. has a total area of 100 sq. m. in Beijing Normal University.

Subsidiaries

(wholly owned unless otherwise noted)
Harbin Zhong He Li Da Education Technology, Inc
Heilongjiang Zhonghe Education Training Center
Harbin New Discovery Media Co. (49%)
Beijing New Shifan Education & Technology Co. Ltd. (65%)
Beijing Hua Yu Hui Zhong Technology Development Co., Ltd (70%)
Zhong He Li Da (Beijing) Management Consultant Co., Ltd. (85%)
Harbin Tianlang Culture and Education School (60%)

Officers

Xiqun Yu, Chairman; President; Chief Executive Officer
Cloris Li, Chief Financial Officer

Directors

Xiqun Yu, Chairman
Yizhao Zhang, Director
Liansheng Zhang, Director
Xiaohua Gu, Director

Auditors: Sherb & Co. LLP

Annual Meeting: In September

Shareholder Relations: Cloris Li, Chief Financial Officer
Tel: 86 451 8233 5792

No. of Stockholders: Dec. 23, 2011, 173

No. of Employees: Apr. 15, 2011, 409

Address: 58 Heng Shan Road Kun Lun Shopping Mall, Harbin 150090, China (Peoples Rep. Of)
Tel: 86 451 8233 5794 Fax: 86 10 5977 2473
Email: yxq8877@126.com Web: www.chinaeducationalliance.com

Consolidated Income Statement, years ended Dec. 31 (\$):

	2010	2009 (revised)	2008 (revised)
Online education revenues	28,495,602	22,238,325	16,706,917
Training center revenues	16,033,297	12,097,375	5,552,969

Advertising revenues			2,591,131
Other revenues	1,738,090	2,631,783	
Total revenue	46,266,989	36,967,483	24,851,017
Online education costs	4,798,259	4,584,519	2,859,593
Training center costs	3,232,063	2,569,538	1,922,841
Advertising costs			182,505
Other costs	147,656	210,882	
Total cost of goods sold	8,177,979	7,364,939	4,964,939
Online education gross profit	23,697,343	17,653,806	13,847,324
Training center gross profit	12,801,233	9,527,837	3,630,128
Advertising gross profit			2,408,626
Other gross profit	1,590,434	2,420,901	
Total gross profit	38,089,010	29,602,544	19,886,078
Selling expenses	17,250,787	9,352,392	7,467,118
Administration expenses	3,349,116	3,145,094	1,506,411
Depreciation & amortization	913,965	952,193	894,112
Total operating expenses	21,513,867	13,449,679	9,867,641
Income from operations	16,575,142	16,152,865	
Other income	(67)	130,056	536,876
Interest income	223,803	130,675	127,751
Investment loss		671	95,331
Total other income (expenses)	223,735	260,060	569,296
Net income (loss) before provision for income taxes - United States operations	(1,082,000)	(1,916,000)	(782,000)
Net income (loss) before provision for income taxes - China operations	17,881,000	18,328,000	11,370,000
Net income (loss) before provision for income taxes	16,798,878	16,411,925	10,587,733
Provision for income taxes	1,648,158	1,295,224	669,197
Net income (loss)	15,150,719	15,116,701	9,918,536
Less: net income (loss) attributable to the noncontrolling interests	111,689	90,071	90,963
Net income attributable to China Education Alliance, Inc. & subsidiaries	15,262,408	15,206,772	10,009,499
Weighted average shares outstanding - basic	10,642,997	8,027,001	7,183,127

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Weighted average shares outstanding - diluted	10,677,775	8,540,869	8,220,943	Prepaid expenses	2,834,976	2,692,310	Less: treasury stock	977,072	
Year end shares outstanding	10,283,125	10,013,651	7,297,544	Total current assets	74,372,421	69,002,369	Total shareholders' equity (deficit) - China Education Alliance & subsidiaries	92,656,618	76,076,225
Net earnings per share - basic	\$1.44	\$1.89	\$1.38	Buildings	7,172,301	4,455,227	Noncontrolling interests in subsidiaries	(848,991)	(737,302)
Net earnings per share - diluted	\$1.44	\$1.77	\$1.23	Transportation vehicles	4,593,799	273,513	Total stockholders' equity	91,807,627	75,338,923
Total number of employees	7,409	8,466	9,413	Communication equipment	14,488,844	9,826,502	Reclassified to conform with 2010 presentation.		
Number of common stockholders	10,173	11,211	9,389	Furniture & fixtures	4,542,115	3,236,520	As reported by Company.		
<p>Reclassified to conform with 2010 presentation. Restated to reflect adoption of FASB Accounting Standards Codification 810 Consolidation. As reported by Company. Rounding difference, breakdown taken from notes. Adjusted for 1-for-3 stock split, September 26, 2011. Approximate. As of April 15, 2011. As of March 5, 2010. As of March 23, 2009. As of December 23, 2011. As of March 8, 2010.</p>									
Consolidated Balance Sheet, as of Dec. 31 (\$):									
	2010	2009 (revised)		Property & equipment, net	9,946,729	6,589,982	Capital Stock: 1. China Education Alliance Inc preferred; par \$ 0.001.		
Cash on hand - China	4,588	1,398		Intangibles & capitalized software, net	1,515,381	737,761	AUTHORIZED — 20,000,000 shs. — OUTSTANDING — Dec. 31, 2009, 4,502,142 shs; par \$0.001.(converted in 2010)		
Bank deposits - China	69,640,382	49,898,143		Advance on acquisition		932,000	2. China Education Alliance Inc common; par \$ 0.001.		
Bank deposits - US	1,460,445	15,135,791		Long term investment	559,269	341,686	AUTHORIZED — 150,000,000 shs.		
Cash & cash equivalents	71,105,415	65,035,332		Total non-current assets	19,193,680	8,601,429	OUTSTANDING — Dec. 31, 2010, 30,849,375 shs; par \$ 0.001.		
Other receivables	432,030			Total assets	93,566,101	77,603,798	TREASURY — 412,536 shs.		
Accounts receivables		1,274,727		Accounts payable & accrued expenses	686,102	1,255,991	STOCK SPLITS — \$0.001 par shares split 1-for-3 Oct. 12, 2007 and Sept. 26, 2011.		
Prepaid rent	253,073	305,853		Deferred revenues	1,072,373	1,008,884	OWNERSHIP — As of Apr. 15, 2011, officers and directors as a group beneficially owned 40.69% of Co.'s outstanding common shares.		
Prepaid teachers & online material	401,962	294,622		Total current liabilities	1,758,475	2,264,875	VOTING RIGHTS — Entitled to one vote for each share held on all matters voted upon by stockholders, including the election of directors.		
Prepaid services & professional fees	78,543	81,441		Total liabilities	1,758,475	2,264,875	OPTIONS — Dec. 31, 2010, outstanding, 425,340; authorized for issuance, 1,000,000.		
Prepaid advertising	712,700	1,812,973		Preferred stock		1,867,644	PRIMARY EXCHANGE — National Bulletin Board (NBB): CEAI		
Other prepaid expenses	1,388,698	197,421		Common stock	31,263	30,041	PRICE RANGE —		
				Additional paid-in capital	39,705,625	38,231,623	2011		
				Statutory reserve	3,731,672	3,016,143	High		
				Accumulated other comprehensive income	5,573,565	2,886,087	Low		
				Retained earnings (accumulated deficit)	44,591,566	30,044,687	1.89		
							0.43		