

CHINA EDUCATION ALLIANCE INC.
Form 424B5
September 30, 2009

PROSPECTUS SUPPLEMENT (to Prospectus dated August 21, 2009)

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-161487

3,162,055 Shares of Common Stock

China Education Alliance, Inc.

This is a firm commitment public offering of 3,162,055 shares of our common stock.

Our common stock is listed on NYSE Amex Equities ("NYSE Amex") under the symbol "CEU." On September 29, 2009, the last reported sale price of our common stock was \$5.64.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should read the discussion of material risks of investing in our common stock in "Risk Factors" beginning on page S-6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$ 5.50	\$ 17,391,303
Underwriting discount	\$ 0.33	\$ 1,043,478
Proceeds, before expenses, to us(1)	\$ 5.17	\$ 16,347,825

(1) We estimate the total expenses of this offering, excluding the underwriting discounts and commissions, will be approximately \$200,000.

The underwriters may also purchase up to an additional 474,308 shares of our common stock at the public offering price, less the underwriting discounts and commissions, to cover over-allotments, if any, within 45 days of the date of this prospectus.

The underwriters are offering our common stock as set forth under "Underwriting and Plan of Distribution." Delivery of the shares will be made on or about October 5, 2009.

Rodman & Renshaw, LLC

The date of this prospectus supplement is September 30, 2009.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not authorized anyone to provide you with different information.

We are not making an offer of our common stock covered by this prospectus supplement in any jurisdiction where the offer is not permitted.

You should not assume that the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the respective dates thereof.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying prospectus, which gives more general information. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference, on the other hand, the information in this prospectus supplement shall control.

In this prospectus supplement, the terms “China Education,” “Company,” “we,” “our” or “us” refer to China Education Alliance Inc., a North Carolina corporation, and its subsidiaries, unless the context suggests otherwise. Additionally, unless we indicate otherwise, references in this prospectus supplement to:

- “China” and the “PRC” are to the People’s Republic of China, excluding, for the purposes of this prospectus supplement, Taiwan and the special administrative regions of Hong Kong and Macau;
- “RMB” and “Renminbi” are to the legal currency of China; and
- “\$,” “US\$” and “U.S. dollars” are to the legal currency of the United States.

You should rely only on the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus, or of any sale of our common stock. You should read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference before making an investment decision. You should also read and consider the information in the documents we have referred you to in the section of this prospectus supplement entitled “Incorporation of Certain Documents by Reference.”

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. In accordance with the Exchange Act, we file reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. Such reports, proxy statements and other information filed by us are available to the public free of charge at <http://www.sec.gov>. Copies of certain information filed by us with the SEC are also available on our website at <http://www.chinaeducationalliance.com>. You may also read and copy any document we file at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the public reference facilities by calling the SEC at 1-800-SEC-0330.

This prospectus supplement and the accompanying prospectus are part of a registration statement we filed with the SEC. This prospectus supplement and the accompanying prospectus omit some information contained in the registration statement in accordance with SEC rules and regulations. You should review the information and exhibits in the registration statement for further information about us and the securities we are offering. Statements in this prospectus supplement or the accompanying prospectus concerning any document we filed as an exhibit to the

registration statement or that we otherwise filed with the SEC are not intended to be comprehensive and are qualified by reference to these filings. You should review the complete document to evaluate these statements.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Exchange Act. All statements other than statements of historical fact are “forward-looking statements” for purposes of these provisions. Such forward-looking statements include, but are not limited to, statements regarding our expectations, hopes, beliefs, intentions or strategies regarding the future, including our financial condition, and results of operations. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipates,” “believes,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “might,” “plan,” “potential,” “predicts,” “projects,” “seeks,” “should,” “will,” “would” and similar expressions, or the negatives of such terms, may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this prospectus supplement and the accompanying prospectus are based on current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments actually affecting us will be those anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements, including the following:

- Changes in the laws of the PRC that affect the Company’s operations;
- Any significant occurrence of epidemics or pandemics such as those related to severe acute respiratory syndrome (SARS), Avian Flu, or Swine Flu (H1N1);
- The Company’s ability to obtain and maintain all necessary government certifications and/or licenses to conduct the Company’s business;
- The cost of complying with current and future governmental regulations and the impact of any changes in the regulations on the Company’s operations;
 - Changes in the political and economic policies of the government in China, where all of the Company’s assets are located and from where all its revenues are derived;
 - Adverse capital and credit market conditions, and the Company’s ability to meet liquidity needs;
 - Fluctuation of the foreign currency exchange rate between U.S. Dollars and Renminbi;
 - Our ability to protect our intellectual property rights;
 - Any patent, copyright or trademark infringement actions or other litigation matters brought against us;
 - Our ability to obtain additional funding for our continuing operations and to fund our expansion;
 - Our ability to meet our financial projections for any financial year;
 - Our ability to retain our key executives and to hire additional senior management;
 - Continued growth of the Chinese economy and demand for our services;
 - Our ability to anticipate trends and provide programs that are relevant and useful to our students;
- other factors, including those described in this prospectus supplement and the accompanying prospectus under the heading “Risk Factors,” as well as factors set forth in other filings we make with the Securities and Exchange Commission.

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

SUMMARY

The following summary highlights information contained elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. The following summary does not contain all of the information that you should consider before investing in our securities. To understand this offering fully, you should read this entire prospectus supplement and the accompanying prospectus carefully, including the financial statements and the documents incorporated by reference.

Our Company

Our company provides education and vocational training services and on-line teaching services in the PRC.

Our principal business is the distribution of educational resources in China through the internet. Our website, www.edu-chn.com, is a comprehensive education network platform which is based on network video technology and large data sources of elementary education resources. We have 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. Our data base includes more than 300,000 exams and test papers and courseware for college, secondary and elementary schools. While some of these exams were given in previous years, we engage instructors to develop new exams and a methodology for taking the exams. We market this data base under the name "Famous Instructor Test Paper Store." We also offer, through our website, video on demand, which includes tutoring of exam papers and exam techniques. We complement the past exams and test papers with an interactive platform for students to understand the key points from the papers and exams. Although a number of resources are available through our website without charge, we charge our subscribers for such services as the Famous Instructor Test Paper Store and video on demand. Subscribers can purchase debit cards which can be used to download material from our website.

We also provide on-site teaching services in Harbin, China, which we market under the name "Classroom of Famed Instructors." We have a 36,600 square foot training facility in Harbin, Heilongjiang Province, PRC, which has 17 classrooms and can accommodate 1,200 students. These classes, which complement our on-line education services, provide classroom and tutoring to our students. The courses cover primarily the compulsory education curriculum of junior, middle and high school. We charge tuition for these classes.

We are also in the business of providing on-line vocational training services. We collaborated with the China Vocation Education Society to set up a website, www.360ve.com, which is an internet platform for training agencies and schools to offer their services. We launched www.360ve.com in September 2007. We called this program our "Millions of College Students Employment Crossroad" program. We offer job search capability and career planning courses for university students. We developed this program in response to the high jobless rate for PRC college graduates. Many college graduates pursue vocational training after college education in order to find employment. Our program is designed to establish a long-term training program for college students to build connections with corporations and obtain educational programs prescribed by the hiring corporations. We anticipate that we will constantly revise our materials to meet changes in the market as well as the demands of university students and graduates who enroll in our courses in order to meet their changing needs.

Corporate Information

We were incorporated in North Carolina on December 2, 1996 under the name of ABC Realty Co. to engage in residential real estate transactions as a broker or agent. Following a September 2004 reverse acquisition in which we acquired all the equity interest in Harbin Zhong He Li Da, Education Technology, Inc. ("ZHLD"), our corporate name

was changed to China Education Alliance, Inc. and we ceased being a blank-check shell corporation.

Our principal executive offices are located at 588 Heng Shan Road, Kun Lun Shopping Mall, Harbin, People's Republic of China 150090. Our telephone number is 011-86- 451-8233-5794. Our website is www.chinaeducationalliance.com. Information contained on, or that can be accessed through our website is not part of this prospectus supplement or the accompanying prospectus. For additional information about us and our business, see "Where You Can Find More Information."

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THE OFFERING

Securities we are offering pursuant to this prospectus supplement	3,162,055 of shares of common stock at a price of \$5.50 per share.
Use of proceeds after expenses	We intend to use the proceeds from this offering to fund our operations and for other general corporate purposes, such as additions to working capital, expansion of our business through internal growth or acquisitions and repayment of indebtedness, although we have no current commitments or agreements with respect to any such investments or acquisitions as of the date of this prospectus supplement. See "Use of Proceeds."
Risk factors	This investment involves a high degree of risk. See "Risk Factors" beginning on page S-6 of this prospectus supplement and page 9 of the accompanying prospectus.
Market for our common stock	Our common stock is quoted on NYSE Amex under the symbol "CEU." On September 29, 2009, the last reported sale price of our common stock on NYSE Amex was \$5.64.
Common stock to be outstanding after this offering	28,408,646 shares

The number of shares of common stock that will be outstanding immediately after this offering is based on 25,246,591 shares of common stock outstanding as of September 29, 2009 and excludes the underwriter's over-allotment shares of common stock and the following:

- 1,615,882 shares of common stock issuable upon conversion of 4,847,645 shares of series A preferred stock outstanding prior to this offering; and
- 1,889,923 shares of common stock issuable upon exercise of warrants outstanding prior to this offering with exercise prices ranging from \$1.29 to \$3.00.

SUMMARY FINANCIAL INFORMATION AND DATA

The following summary financial information and data were derived from our audited consolidated financial statements for the years ended December 31, 2008 and 2007, and our unaudited condensed consolidated financial statements for the three and six months ended June 30, 2009 and 2008. The information is only a summary and should be read in conjunction with our historical consolidated financial statements and related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” incorporated by reference into this prospectus supplement. The historical data included below and elsewhere in this prospectus supplement and accompanying prospectus are not necessarily indicative of our future performance.

The following table sets forth information from our statements of operations for the three months ended June 30, 2009 and 2008.

	(Dollars)			
	Three Months Ended June 30,			
	2009		2008	
Revenue	\$ 8,118,373	100.0%	\$ 4,458,694	100.0%
Cost of sales	1,605,876	19.8%	737,692	16.5%
Gross profit	6,512,497	80.2%	3,721,002	