

China Finance Online Co. LTD  
Form 20-F/A  
March 30, 2012  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 20-F/A**

(Amendment No. 1)

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number: 000-50975

# CHINA FINANCE ONLINE CO. LIMITED

(Exact name of Registrant as specified in its charter)

**Not Applicable**

(Translation of Registrant's name into English)

**Hong Kong**

(Jurisdiction of incorporation or organization)

**9th Floor of Tower C, Corporate Square**

**NO.35 Financial Street, Xicheng District**

**Beijing 100033, China**

(Address of principal executive offices)

**Jun Wang, Chief Financial Officer**

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**9/F, Tower C, Corporate Square**

**No.35 Financial Street, Xicheng District**

**Beijing 100033, China**

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

**Title of each class**

**None**

**Name of each exchange on which registered**

**None**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

**American Depositary Shares, each representing 5 ordinary shares,**

**par value HK\$0.001 per share \***

**(Title of Class)**

\* Not for trading, but only in connection with the listing on the NASDAQ Global Market of American Depositary Shares each representing 5 ordinary shares pursuant to the requirements of the Securities and Exchange Commission

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 110,887,883 ordinary shares, par value HK\$0.001 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transaction report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

Indicate by check mark whether the registration has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in the filing:

U.S. GAAP  International Financial Reporting Standards as issued  Other

By the International Accounting Standards Board

If  Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**TABLE OF CONTENTS**

**INTRODUCTION**

**PART I**

ITEM 1	<u>Identity of Directors, Senior Management and Advisers</u>	5
ITEM 2	<u>Offer Statistics and Expected Timetable</u>	5
ITEM 3	<u>Key Information</u>	5
ITEM 4	<u>Information on the Company</u>	38
ITEM 5	<u>Operating and Financial Review and Prospects</u>	61
ITEM 6	<u>Directors, Senior Management and Employees</u>	81
ITEM 7	<u>Major Shareholders and Related Party Transactions</u>	92
ITEM 8	<u>Financial Information</u>	101
ITEM 9	<u>The Offer and Listing</u>	101
ITEM 10	<u>Additional Information</u>	102
ITEM 11	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	110
ITEM 12	<u>Description of Securities Other than Equity Securities</u>	110

**PART II**

ITEM 13	<u>Defaults, Dividend Arrearages and Delinquencies</u>	112
ITEM 14	<u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	112
ITEM 15	<u>Controls and Procedures</u>	112
ITEM 16A	<u>Audit Committee Financial Expert</u>	114
ITEM 16B	<u>Code of Ethics</u>	114
ITEM 16C	<u>Principal Accountant Fee and Services</u>	114
ITEM 16D	<u>Exemption from the Listing Standards for Audit Committees</u>	115
ITEM 16E	<u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	115
ITEM 16F	<u>Change in Registrant's Certifying Accountant</u>	115
ITEM 16G	<u>Corporate Governance</u>	115

**PART III**

ITEM 17	<u>Financial Statements</u>	115
ITEM 18	<u>Financial Statements</u>	115
ITEM 19	<u>Exhibits</u>	115

**Table of Contents**

**EXPLANATORY NOTE**

This Amendment No. 1 on Form 20-F/A hereby amends and restates the Company's annual report on Form 20-F for the fiscal year ended December 31, 2010, which was filed on May 31, 2011. This amendment no. 1 is being filed for the purpose of providing additional details to our disclosures in the original report as well as providing additional clarifying information in the notes to our financial statements pursuant to comments we received from the Staff of the U.S. Securities and Exchange Commission in connection with its review of our periodic filings.

**INTRODUCTION**

Except where the context otherwise requires and for purposes of this annual report only:

we, us, our company, the company, our, refer to China Finance Online Co. Limited, or CFO Hong Kong and its subsidiaries, and, in context of describing our operations include consolidated affiliates in China, Hong Kong or British Virgin Islands;

shares and ordinary shares refer to our ordinary shares, preferred shares refers to our preferred shares, all of which were converted into our ordinary shares upon the completion of our initial public offering on October 20, 2004, ADSs refers to our American depositary shares, each of which represents five ordinary shares, and ADRs refers to the American depositary receipts which evidence our ADSs;

China or PRC refers to the People's Republic of China, excluding Taiwan, Hong Kong and Macau;

Hong Kong refers to the Hong Kong Special Administrative Region of the People's Republic of China; and

all references to Renminbi, RMB or yuan are to the legal currency of China, all references to U.S. dollars, dollars, \$ or US\$ are to the legal currency of the United States and all references to Hong Kong dollars or HK\$ are to the legal currency of Hong Kong. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

We and certain selling shareholders of our company completed the initial public offering of 6,200,000 American depositary shares, each representing five of our ordinary shares, par value HK\$0.001 per share on October 20, 2004. On October 15, 2004, we listed our ADSs on the NASDAQ Global Market (known as the Nasdaq National Market prior to July 1, 2006), or Nasdaq, under the symbol **JRJC**. Effective January 3, 2011, our ADSs have been elevated to trade on the NASDAQ Global Select Market.

**FORWARD-LOOKING INFORMATION**

This annual report on Form 20-F contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about us and our industry. All statements other than statements of historical fact in this annual report are forward-looking statements. These forward-looking statements can be identified by words or phrases such as may, will, expect, anticipate, estimate, intend, plan, /are likely to or other and similar expressions. The forward-looking statements included in this annual report relate to, among others:

our goals and strategies, including how we effect our goals and strategies;

**Table of Contents**

our future business developments, business prospects, financial condition and results of operations;

our future pricing strategies or policies;

our plans to expand our service offerings;

our plans to use acquisitions and strategic investments as part of our corporate strategy;

competition in the PRC financial data and information services industry;

the expected growth of the online financial data and information services market;

performance of China's securities markets;

performance of Hong Kong's securities markets;

growth in our registered user accounts and subscriber base;

PRC governmental policies relating to taxes and how they will impact our business;

PRC governmental policies relating to the Internet and Internet content providers;

PRC governmental policies relating to the securities investment advisory companies to provide advisory services on securities and related products;

PRC governmental policies relating to the distribution of content, especially the distribution of financial content over the Internet; and

PRC governmental policies relating to mobile value-added services.

These forward-looking statements involve various risks, assumptions and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, we cannot assure investors that our expectations will turn out to be correct. Our actual results could be materially different from and worse than our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in Item 3.D of this annual report, Key Information Risk factors and elsewhere in this annual report.

This annual report on Form 20-F also contains data related to the online financial data and information services market and the Internet. This market data includes projections that are based on a number of assumptions. The online financial data and information services market may not grow at the rates projected by market data, or at all. The failure of these markets to grow at the projected rates may have a material adverse effect on our business and the market price of our ADSs. In addition, the relatively new and rapidly changing nature of the online financial data and information services industry subjects any projections or estimates relating to the growth prospects or future condition of our markets to

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significant uncertainties. Furthermore, if any one or more of the assumptions underlying the market data turn out to be incorrect, actual results may differ from the projections based on these assumptions.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. You should not place undue reliance on these forward-looking statements and you should read these statements in conjunction with the risk factors disclosed in Item 3.D of this annual report, Key Information Risk factors. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.

**Table of Contents****PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable.

**ITEM 3. KEY INFORMATION****A. Selected financial data.**

The selected historical consolidated financial statement of operations data for the years ended December 31, 2008, 2009 and 2010 and the selected historical consolidated balance sheet data as of December 31, 2009 and 2010 set forth below are derived from our audited historical consolidated financial statements included elsewhere in this annual report. The selected historical consolidated statement of operations data for the years ended December 31, 2006 and 2007 and the selected historical consolidated balance sheet data as of December 31, 2006, 2007 and 2008 set forth below are derived from our audited historical consolidated financial statements, which are not included in this annual report. This data may not be indicative of our future condition or results of operations and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and accompanying notes.

(in thousands of U.S. dollars, except per share or per ADS data)	For the year ended December 31,				
	2006	2007	2008	2009	2010
<b>Consolidated statement of operations and comprehensive income (loss) data:</b>					
Net revenues	7,128	25,903	56,243	53,606	59,716
Cost of revenues	(1,468)	(4,427)	(9,367)	(8,147)	(8,497)
Gross profit	5,660	21,476	46,876	45,459	51,219
Operating expenses:					
General and administrative	(2,956)	(7,784)	(15,371)	(16,982)	(13,208)
Product development	(742)	(2,269)	(5,635)	(10,754)	(13,028)
Sales and marketing	(2,666)	(6,924)	(13,521)	(26,095)	(26,991)
Total operating expenses	(6,364)	(16,977)	(34,527)	(53,831)	(53,227)
Government subsidies		136	437	567	514
Income (loss) from operations	(704)	4,635	12,786	(7,805)	(1,494)
Interest income	1,003	1,105	1,609	1,352	1,590
Interest expense					(142)
Exchange gain, net	267	424	1,489	2	813
Gain from trading securities				41	1,138
Other income, net	115	9	(169)	(258)	(7)
Loss from impairment of cost method investment	(1,322)	(11,127)			
Income (loss) before income tax benefit (provision)	(641)	(4,954)	15,715	(6,668)	1,898
Income tax benefit (provision)	41	809	3,047	446	(264)
Purchased pre-acquisition earning			227		
Net income (loss)	(600)	(4,145)	18,989	(6,222)	1,634
Less: net (loss) attributable to the noncontrolling interests		(15)	(31)	(2)	(326)
Net income (loss) attributable to China Finance Online Co. Limited	\$ (600)	\$ (4,130)	\$ 19,020	\$ (6,220)	1,960
Net income (loss) per share attributable to China Finance Online Co. Limited					
-basic	\$ (0.01)	\$ (0.04)	\$ 0.19	\$ (0.06)	\$ 0.02



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-diluted	\$ (0.01)	\$ (0.04)	\$ 0.17	\$ (0.06)	\$ 0.02
Net income (loss) per ADS equivalent attributable to China Finance Online Co. Limited					
-basic(1)	\$ (0.03)	\$ (0.22)	\$ 0.96	\$ (0.30)	\$ 0.09
-diluted(1)	\$ (0.03)	\$ (0.22)	\$ 0.84	\$ (0.30)	\$ 0.09

**Table of Contents**

(in thousands of U.S. dollars)(1)	For the year ended December 31,				
	2006	2007	2008	2009	2010
<b>Consolidated balance sheet data:</b>					
Cash and cash equivalents	\$ 44,956	\$ 74,729	\$ 97,544	\$ 107,391	\$ 106,773
Current working capital(2)	38,011	53,811	78,226	81,255	90,146
Total assets	71,119	103,885	141,823	165,609	180,091
Deferred revenue, current	6,419	20,457	28,202	30,620	32,995
Total current liabilities	8,521	31,034	35,472	52,401	60,259
Deferred revenue, non-current		4,665	8,786	14,547	13,022
Total equity	\$ 62,453	\$ 67,834	\$ 96,942	\$ 97,667	\$ 105,843

(1) Each ADS represents five ordinary shares.

(2) Current working capital is the difference between total current assets and total current liabilities.

**Table of Contents****Exchange Rate Information**

We have published our financial statements in U.S. dollars. Our business is primarily conducted in China and denominated in Renminbi. Periodic reports will be made to shareholders and will be expressed in U.S. dollars using the then-current exchange rates. The conversion of Renminbi into U.S. dollars in this annual report is based on the official base exchange rate published by the People's Bank of China. Unless otherwise noted, all translations from Renminbi to U.S. dollars in this annual report were made at \$1.00 to RMB6.6227, which was the prevailing rate on December 31, 2010. The prevailing rate on May 16, 2011 was \$1.00 to RMB 6.5108. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes controls over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade.

The People's Bank of China sets and publishes daily a base exchange rate. Until July 21, 2005, the People's Bank of China set this rate with reference primarily to the supply and demand of Renminbi against the U.S. dollar in the market during the prior day. Beginning on July 21, 2005, the People's Bank of China has set this rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The People's Bank of China also takes into account other factors such as the general conditions existing in the international foreign exchange markets. Although governmental policies were introduced in the PRC in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or security, requires the approval of the State Administration for Foreign Exchange and other relevant authorities.

The following table sets forth various information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this annual report or will use in the preparation of our periodic reports or any other information to be provided to you.

	Average(1)	High	Low	Period-end
	<i>(RMB per U.S.\$1.00)</i>			
<b>December 31, 2006</b>	7.9693	8.0705	7.8051	7.8087
<b>December 31, 2007</b>	<b>7.5806</b>	<b>7.8127</b>	<b>7.2946</b>	<b>7.2946</b>
<b>December 31, 2008</b>	<b>6.9193</b>	<b>7.2946</b>	<b>6.7800</b>	<b>6.8225</b>
<b>December 31, 2009</b>	<b>6.8314</b>	<b>6.8399</b>	<b>6.8201</b>	<b>6.8282</b>
<b>December 31, 2010</b>	<b>6.7668</b>	<b>6.8284</b>	<b>6.6227</b>	<b>6.6227</b>
<b>Most recent six months:</b>				
<b>November 2010</b>	<b>6.6558</b>	<b>6.6925</b>	<b>6.6239</b>	<b>6.6762</b>
<b>December 2010</b>	<b>6.6515</b>	<b>6.6786</b>	<b>6.6227</b>	<b>6.6227</b>
<b>January 2011</b>	<b>6.6027</b>	<b>6.6349</b>	<b>6.5876</b>	<b>6.5891</b>
<b>February 2011</b>	<b>6.5840</b>	<b>6.5985</b>	<b>6.5752</b>	<b>6.5752</b>
<b>March 2011</b>	<b>6.5662</b>	<b>6.5750</b>	<b>6.5564</b>	<b>6.5564</b>
<b>April 2011</b>	<b>6.5292</b>	<b>6.5527</b>	<b>6.4990</b>	<b>6.4990</b>
<b>May 2011 (through 16th)</b>	<b>6.5006</b>	<b>6.5108</b>	<b>6.4948</b>	<b>6.5108</b>

(1) Averages are calculated from month-end rates.

**Table of Contents**

**B. Capitalization and indebtedness.**

Effective June 29, 2010, China Merchants Bank Company Limited Shenzhen Branch issued a standby letter of credit in favor of Hong Kong Wing Lung Bank guaranteeing any credit that Hong Kong Wing Lung Bank grants to Hong Kong Genius Information Technology Co., Ltd., or CFO HK Genius, one of our wholly owned subsidiaries in Hong Kong. Based on the aforementioned standby letter of credit, Hong Kong Wing Lung Bank has granted CFO HK Genius a credit of a term loan facility up to HKD 20,000,000 (approximately US\$2,570,000) and a revolving loan facility of HKD 79,000,000 (approximately US\$10,150,000). Prior to the issuance of the aforementioned standby letter of credit, CFO Genius deposited RMB 96,250,000 (approximately US\$14,533,000) with China Merchants Bank Company Limited Shenzhen Branch to support CFO HK Genius credit application with Hong Kong Wing Lung Bank. As of December 31, 2010, the outstanding loan amount drawn down by CFO HK Genius is HKD 50,000,000 (approximately US\$6,424,000).

**C. Reasons for the offer and use of proceeds.**

Not Applicable.

**D. Risk factors.**

**Risks relating to our business**

*Any prolonged or substantial slowdown in the Chinese economy could adversely affect Chinese investors' interests and engagement in the securities market, which may in turn have a significantly negative impact on our business.*

Our business can be adversely affected by the general macroeconomic environment. Economic, securities market and financial developments all could significantly influence the overall interests and engagement of Chinese investors in the stock market. The world's major economies remained fragile throughout 2010. Any prolonged or substantial slowdown in the Chinese economy could adversely affect Chinese investors' interests and engagement in the securities market, which may in turn have a significantly negative impact on our business.

*Negative changes in China's securities markets, economic conditions, inflation, regulatory policies, interest rates and other factors that could affect investors' interests in investing in China's securities markets could have an adverse effect on our business.*

We believe that the level of public interest in investing in China's securities market could significantly influence the demand for market intelligence on China's securities markets and our products. Such demand could be affected by the level of trading activities in China's securities markets. During the past several years, China's securities markets have experienced significant volatility. The benchmark Shanghai Stock Exchange Composite Index, or SSE Composite Index, surged 426.18% between the start of 2006 and the market peak in October 2007. However, the market experienced two severe corrections on February 27, 2007 and May 30, 2007, when China stock market declined approximately 9% and 7% respectively on a single trading day. Primarily due to the fluid macroeconomic conditions, the domestic stock market in China remained sluggish. The SSE Composite Index ended 2010 decreased 14.3% for the year, a decrease of 53.9% from its all-time high on October 16, 2007. Any factors that lead to prolonged weakness or intensified volatility in China's securities markets in the future may diminish investors' interest in China's securities markets, and our business could be adversely affected accordingly.

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**Table of Contents**

China's securities market is under-developed and hedging instruments were not available in the past. In January 2010, as an effort to reform its securities market, the State Council of China principally approved a trial launch of margin trading and short selling and launch of stock index futures in China. The China Securities Regulatory Commission, or the CSRC, then issued a series of regulations, which make margin trading, short selling and stock index futures available to investors in China, subject to certain conditions and criteria. China launched its margin trading and short selling trial program on March 31, 2010 on the Shanghai and Shenzhen stock exchanges. Subsequently, index futures started trading on the Shanghai Stock Exchange on April 16, 2010. However, these hedging instruments are relatively new to Chinese investors. There are also uncertainties with the implementation of relevant policies. It is possible that these hedging instruments could cause increased volatility in China's securities market, which, in turn, may have a negative impact on Chinese investors' participation in the securities market, and materially and adversely affect our business.

In 2010, the People's Bank of China announced a series of monetary measures to reduce inflationary pressure, including raising the bank deposit reserve ratio by the same margin of 0.5 percentage points for six times and benchmarking one-year lending and deposit rates by 0.25 percentage points twice within one year. The change in inflation on interest rates in China could have a significant impact on Chinese investors' general participation in China's stock market, which could in turn materially and adversely affect our business. Any measures adopted by the People's Bank of China, such as an interest rate increase to reduce an inflation rate, may have an adverse effect on China's securities markets, which could materially and adversely impact our business.

***Downturns, disruptions and volatility in Hong Kong securities markets and negative developments in the business, economic and market conditions that could affect investors' investing in Hong Kong securities markets could have a material and adverse impact on our business in the future.***

Following the acquisition in 2007 of Daily Growth Securities Limited, or Daily Growth Securities, a licensed securities brokerage firm incorporated in Hong Kong, which is now a subsidiary of Daily Growth Financial Holdings Limited, or Daily Growth Holdings, we provide a diversified portfolio of brokerage and informational service to our clients in connection with their investment in Hong Kong securities market. Lower trading volumes and price levels of securities transactions in Hong Kong securities market may affect investors' participation in Hong Kong's securities markets and have a material and adverse impact on our business in the future. Historically, securities trading volume and price level in Hong Kong have fluctuated considerably. After reaching its all-time high on October 30, 2007, the Hang Seng index lost approximately 30% of its value from October 30, 2007 through March 9, 2008. The Hang Seng index then fell to 10,676 points on October 27, 2008 and rebounded to 23,035.45 points on December 31, 2010. These fluctuations may result from regional and global economic, political and market conditions, broad trends in business and finance that are out of our control.

***Our securities brokerage, futures trading, wealth management and securities advising business in Hong Kong operate in a highly regulated industry and compliance failures could materially and adversely affect our business.***

Daily Growth Securities provides a diversified portfolio brokerage and other related services to our customers who invest in stocks listed on the Hong Kong Stock Exchange. Daily Growth Futures Limited, or Daily Growth Futures, a licensed futures trading firm incorporated in Hong Kong, commenced futures contract trading business in May 2009. Daily Growth Wealth Management Limited, or Daily Growth Wealth Management, a wholly owned subsidiary of Daily Growth Holdings incorporated in Hong Kong, obtained a Type 4 license in June 2009, which allows it to engage in securities advising activities in Hong Kong. As of the date of this report, Daily Growth Wealth Management has not yet commenced its securities advising business. The securities brokerage, securities advising and futures trading business and operations in Hong Kong are subject to extensive regulations by the Hong Kong Stock Exchange and Hong Kong Securities and Futures Commission, which may increase our cost of doing business and may be a limiting factor on the operations and development of our securities brokerage, securities advising and futures trading business. The regulation on securities broker-dealer, securities advising and futures trading business is also an ever-changing area of law and is subject to modification by government, regulatory and judicial actions. As our business has expanded into the securities brokerage, futures trading and securities advising areas in Hong Kong, we devote more time to regulatory matters. Failure to comply with any of the laws, rules or regulations applicable to our securities brokerage, securities advising and futures trading business could lead to adverse consequences including, without limitation, investigations, fines, law suits and other penalties from regulatory agencies. Any of these consequences could materially and adversely affect our securities broker-dealer, futures trading and securities advising business.

## **Table of Contents**

*Our business could be materially and adversely affected if new features and new research tools are not accepted by users.*

We currently offer to our subscribers a limited number of service packages with different features and functionalities. If we introduce a new feature or a new research tool that is not favorably received, our current subscribers may not continue to use our service as frequently as before. New subscribers could also choose a competitive or different service offering than ours. We may also experience difficulties that could delay or prevent us from introducing new research tools or features. Furthermore, these research tools or features may contain errors that are discovered after the services are introduced. We may need to significantly modify the design of these research tools or features to correct these errors. Our business could be materially and adversely affected if we experience difficulties or delays in introducing new features and research tools or if these new features and research tools are not accepted by users.

*We may not be able to successfully implement our growth strategies, which could materially and adversely affect our business, financial condition and results of operations.*

We are pursuing a number of growth strategies, which will require us to expand our data and information content and service offerings through internal development efforts and through partnerships, joint ventures and acquisitions. Some of these strategies relate to new service offerings for which there are no established markets in China, or relate to service offerings in which we lack experience and expertise. We cannot assure investors that we will be able to deliver new service offerings on a commercially viable basis or in a timely manner, or at all.

In addition, online advertising business strategies may be developed in addition to our subscription-based service offerings. However, since we regard subscription-based services as our current core business and allocate a significant portion of the advertising inventories of our websites, namely, *www.jrj.com* and *www.stockstar.com*, to promote our subscription-based service offerings, to date, our current online advertising business has been limited. We cannot assure investors that we will be able to efficiently or effectively implement and grow our online advertising business, or that online advertising on our websites will not detract from our users' experience and thereby materially and adversely affect our brand name or our subscription-based service offerings.

If we are unable to successfully implement our growth strategies, our revenue and profitability will not grow as we expect, if at all, and our competitiveness may be materially and adversely affected.

*We face significant competition which could materially and adversely affect our business, financial condition and results of operations.*

The online financial data and information services market in China is under-developed, has few entry barriers and is rapidly changing. More broadly, the number of financial news and information sources competing for consumers' attention and spending has increased since we commenced operations and we expect that competition will continue to intensify. We currently compete, directly and indirectly, for paying subscribers and viewers with companies in the business of providing financial data and information services, including publishers and distributors of traditional media, Internet portals providing information on business, finance and investing, dedicated financial information websites, personal stock research software vendors and stock brokerage companies, especially stock brokerage companies with online trading capabilities. Some of the sponsors with whom we currently maintain sponsorship arrangements could also become our competitors in the future.

## **Table of Contents**

Many of our existing competitors, as well as a number of potential new competitors, have longer operating histories, larger customer bases and significantly greater financial, technical and marketing resources than we do. This may allow them to adopt our business model and devote greater resources than we can to the development and promotion of service offerings similar to or more advanced than our own. These competitors may also engage in more extensive research and development, undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies and offer products and services that achieve greater market acceptance than ours. They may also undercut us by making more attractive offers to our existing and potential employees, content providers and sponsors. New and increased competition could result in price reductions for our research tools, reduced margin or loss of market share, any of which could materially and adversely affect our business, results of operations and financial condition.

In addition to us, many companies in China offer stock quotes, economic and company-specific news, historical stock performance statistics, online chatting regarding individual securities and other features for free over the Internet. If users determine that the information available for free over the Internet is sufficient for their investing needs, they would be unlikely to pay for subscription to our services, thus reducing our revenues and net income and forcing us to develop a new business model. Furthermore, the amount and quality of information available for free over the Internet may expand in the future, reducing the attractiveness of our services and forcing us to spend additional money to develop more sophisticated services in order to compete. There can be no assurance that we would be successful in developing a new business model or more advanced services in response to either of the above challenges. Failure to do so would lead to significant declines in our number of subscribers, revenues and net income.

China's financial information service industry is still in its developing stage with few substantial barriers to entry, which has historically caused certain unqualified companies and low-quality products to compete with us in the market. Certain unlicensed participants supplied counterfeit, illegal or low-quality and inferior products or services under our name. Such unlawful acts could not only distort market order, but also negatively impact our reputation and materially and adversely affect our future developments. In October 2010, the CSRC promulgated the *Provisional Regulations on Securities Investment Advisory* and *Provisional Regulations on Issuance of Securities Research Reports* (collectively referred to as the New Provisional Regulations), effective January 1, 2011. The New Provisional Regulations restrict the activities of those participants without licenses, thus benefitting industry leaders. Full and complete satisfactory results of the New Provisional Regulations, however, may only develop gradually over a period of time.

***Our business could be materially and adversely affected if the stock exchanges from which we receive data and information fail to deliver us reliable data and price quotes or other trading related information, or if we cannot maintain our current business relationships with our historical data providers on commercially reasonable terms.***

We depend on four securities data providers associated with the Shanghai, Shenzhen and Hong Kong Stock Exchanges and China Financial Futures Exchange, or CFFEX, to provide us with real-time stock, bond, mutual fund and financial futures quotes and other trading related information. We primarily rely on contractual arrangements with SSE Infonet Ltd. Co, which is associated with the Shanghai Stock Exchange, with Shenzhen Securities Information Co., Ltd., which is associated with the Shenzhen Stock Exchange, with HKEx Information Services Limited ( HKEx-IS ), which is a business subsidiary of Hong Kong Exchanges and Clearing Limited Group, and CFFEX, pursuant to which we pay fixed service fees in exchange for receiving real-time price quotes and other trading related information through satellite communication.

## **Table of Contents**

In June 2006, we were certified by SSE Infonet Ltd. Co to develop service packages based on Level II quotes (which provide insight into stock price movements and provide faster and more comprehensive trading data), and upgrade the features and functions of our current products. The definitive agreement was contemplated to continue through July 31, 2012.

In April 2010, we were certified by Shenzhen Securities Information Co., Ltd. to develop service packages based on Level II quotes, and upgrade the features and functions of our current products. The definitive agreement is contemplated to continue through March 31, 2012.

Level II quotes give investors unique insight into a stock's price movement, which, we believe, is of great value to Chinese investors. In addition, Level II quotes provide faster and more comprehensive trading data and statistical information on market transactions.

In January 2008, we entered into a license agreement with SSE Infonet Ltd. Co to distribute TopView, which was a series of trading data and statistics for stocks listed on the Shanghai Stock Exchange. Among other things, TopView reveals valuable statistics, such as trading volume and prices of various types of trading accounts, which provide investors with additional information concerning major market participants' trading activities in specific stocks and assist investors in making more informed decisions. Effective January 1, 2009, the SSE Infonet Ltd. Co ceased to provide TopView market data to third-party vendors, including us. As such, we discontinued TopView series of market data analysis products effective January 1, 2009. Although we are continuing to design and improve new and existing products as substitutes for TopView, the termination of TopView products has impacted our business in 2009.

In October 2009, we entered into a definitive agreement with HKEx-IS, a business subsidiary of Hong Kong Exchanges and Clearing Limited Group whereby *www.JRJ.com* would become the first HKEx-IS designated finance portal in mainland China to provide free real-time basic market quotes to mainland China investors. *www.JRJ.com* is authorized to provide free real-time quotes of securities traded on the Hong Kong Stock Exchange. The definitive agreement with HKEx-IS is contemplated to continue through December 31, 2011.

In April 2010, we entered into a definitive agreement with CFFEX to provide real-time coverage on China's newly introduced stock index futures. CFFEX authorizes us to provide all the data including market information, trading data and other information or data related to stock index futures products to end users in mainland China. The definitive agreement is contemplated to continue through April 16, 2012.

Any disruption in our ability to secure data, price quotes or other trading related information on timely basis either through technical issues or through our inability to maintain and renew our contracts with the above-mentioned data providers will have a material adverse effect on our business.

We have transitioned the primary source of historical data and information on listed companies, bonds and mutual funds to Shenzhen Genius Information Technology Co. Ltd., or CFO Genius, which we acquired in September 2006. CFO Genius has become our primary provider of historical data and information, thereby mitigating our reliance on third-party backup providers of such historical data and information. Any problems arising in or any disruption to CFO Genius as the primary provider of historical data and information will have a material adverse effect on our business.



## **Table of Contents**

We cannot assure investors that we will be able to enter into business arrangements with each of the four securities data providers associated with the Shanghai, Shenzhen and Hong Kong Stock Exchanges, and CFFEX on commercially reasonable terms, or at all, after our current contracts expire. We cannot assure investors that the four securities data providers will not charge us service fees substantially higher than the service fees we are currently paying. Our business, financial condition and results of operations could be materially and adversely affected if any of our four securities data providers imposes on us service fees substantially higher than the service fees we are currently paying. Even if we are able to maintain our current business arrangements for data on commercially reasonable terms, any of the four securities data providers may fail to deliver us reliable price quotes or other trading related information. In either case, it would be difficult for us to receive reliable real-time price quotes and other trading related information from a different source, which could materially and adversely affect our business.

Additionally, we cannot assure investors that we will be able to enter into or maintain our business arrangements with our current data providers on commercially reasonable terms or at all. In this case, it could take time for us to locate alternative providers of comprehensive historical data and information on commercially reasonable terms, which could cause disruptions to our operations and adversely affect our business. Even if we are able to find alternative data providers, they may fail to deliver to us reliable and comprehensive data and information in accordance with our specifications and requirements, which could materially and adversely affect our business.

Lastly, under the agreements, we receive data from the Shanghai Stock Exchange, the Shenzhen Stock Exchange, CFFEX and HKEx-IS. Each of these four data providers can terminate its respective agreement with us if we breach the terms of the relevant agreement, such as our untimely payment of, or failure to pay, fees to these providers.

***Our business would be adversely affected if we do not continue to maintain an effective telemarketing and customer support force.***

We market our service offerings through our websites, as well as through our telemarketing and customer service centers in Beijing, Shanghai and Shenzhen. In addition to sales and marketing functions, we depend on our customer support force to market our service offerings to our existing and potential subscribers and to resolve our subscribers' technical problems. Many of our telemarketing and customer support personnel have only worked for us for a short period of time and some of them may not have received sufficient training or gained sufficient experience to effectively serve our customers. In addition, we will need to further increase the size of our customer support force as our business continues to grow. We may not be able to hire, retain, integrate or motivate additional customer support personnel without any short-term disruptions of our operations. As a result, our business could be adversely affected if we do not continue to maintain an effective customer support force.

***Acquisitions present many risks, and we may not realize the financial and strategic goals that were contemplated at the time of the acquisitions.***

An active acquisition program is an important element of our corporate strategy. For example, we acquired CFO Genius, a financial information database provider mainly serving Chinese domestic institutional customers, in September 2006. In October 2006, we acquired Stockstar Information Technology (Shanghai) Co., Ltd., or CFO Stockstar, a leading finance and securities website in China. In November 2007, we acquired Daily Growth Securities, a licensed securities brokerage firm incorporated in Hong Kong.

## **Table of Contents**

In October 2008, Fortune Software (Beijing) Co., Ltd., or CFO Software, one of our subsidiaries, entered into a series of contractual arrangements with Shenzhen Newrand Securities Advisory and Investment Co., Ltd., or CFO Newrand. CFO Newrand is a CSRC (China Securities Regulatory Commission) licensed securities investment advisory firm, which also wholly owns Shenzhen Newrand Securities Training Center, or CFO Newrand Training, a Shengzhen Bureau of Education licensed securities investment training center. In January 2009, we entered into a series of contractual arrangements with Beijing Chuangying Securities Advisory and Investment Co., Ltd. or CFO Chuangying (formerly known as Guangzhou Boxin Investment Advisory Co., Ltd. or Beijing Chuangying Advisory and Investment Co., Ltd.), which is a CSRC licensed securities investment advisory firm.

After our acquisition of 80% equity interest, in Shanghai Stockstar Securities Advisory and Investment Co., Ltd. or CFO Securities Consulting (formerly known as Shanghai Securities Consulting Co., Ltd.) in 2009, we raised the share capital of US\$3.76 million in CFO Securities Consulting in November 2010, increased our beneficiary interest in CFO Securities Consulting from 80% to 92.5%. In November and December, 2010, we obtained the remaining 5% and 2.5% equity interest in CFO Securities Consulting, consequently our total percentage of beneficial interest of CFO Securities Consulting increased from 92.5% to 100%. As a result of these transactions, we became the beneficiary of CFO Newrand, CFO Chuangying and CFO Securities Consulting and, accordingly, we consolidate the results of operations of CFO Newrand, CFO Chuangying and CFO Securities Consulting in our financial statements.

We may not be able to achieve all of the benefits of the business combinations or to successfully integrate the operations of CFO Stockstar, CFO Genius, Daily Growth Securities, CFO Newrand, CFO Chuangying and CFO Securities Consulting into that of ours. Although some of the companies we acquired have contributed positive operating cash flows on a collective basis in 2010, we cannot assure investors that they will continue to do so. Moreover, we expect to continue to acquire companies, products, services and technologies. Risks we may encounter in acquisitions include:

the acquisition may not further our business strategy, or we may pay more than it is worth;

we may not realize the anticipated increase in our revenues if we are unable to sell the acquired company's products to our customer base, or the acquired contract models of acquired contract models companies;

we may have difficulty identifying suitable acquisition opportunities and integrating acquired companies with our existing operations or their products and services with our existing products and services;

we may have higher than anticipated costs in continuing support and development of acquired products;

we may have multiple and overlapping product lines that are offered, priced and supported differently, which could cause customer confusion and delays;

our due diligence process may fail to identify problems, such as issues with unlicensed use of intellectual property;

we may have legal and tax exposures or lose anticipated tax benefits as a result of unforeseen difficulties in our legal entity integration activities;

we may face contingencies related to intellectual property, financial disclosures and accounting practices or internal controls;

our ongoing business may be disrupted and our management's attention may be diverted by transition or integration issues; and



## **Table of Contents**

to the extent that we issue a significant amount of equity securities in connection with future acquisitions, existing ADS holders and shareholders may be diluted and earnings per share may decrease.

Our failure to address these risks successfully may have a material adverse effect on our financial condition and results of operations. Any such acquisition may require a significant amount of capital investment, which would decrease the amount of cash available for working capital or capital expenditures. In addition, if we use our equity securities to pay for acquisitions, we may dilute the value of our ADSs and the underlying ordinary shares. If we borrow funds to finance acquisitions, such debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends. Such acquisitions may also generate significant amortization expenses related to intangible assets.

***New regulations of the CSRC regulating securities investment advisory business bring both opportunities and challenges to us. Any failure to comply with such new regulations could materially and adversely affect our business and operating results.***

In October 2010, the CSRC promulgated the New Provisional Regulations, effective January 1, 2011.

The New Provisional Regulations regulate securities advisory software business (as defined below) and securities research reports issuance activities. The *Provisional Regulations on Securities Investment Advisory* expressly states that the business of providing securities advisory or other similar service through software tools or any other terminal equipment ( securities advisory software business ) should be subject to regulation by the CSRC. According to the New Provisional Regulations, securities advisory software business should be regarded as a securities investment advisory business, subject to laws and regulations with respect to securities investment advisory services. Therefore, providers of such services should obtain a securities investment advisory license which we have already acquired. We devote resources to regulatory compliance. Failure to comply with such regulations could lead to adverse consequences which could materially affect our securities advisory software business.

The *Provisional Regulations on Securities Investment Advisory* now allows securities investment advisory companies to provide advisory services for securities and related products under the framework of the provisional regulations and receive service compensation. We are strategizing to provide investment advisory-related services. Downturns, disruptions and volatility in the development of the securities investment advisory services industry, and negative developments in the business, economic and market conditions could have a material and adverse impact on our securities investment advisory business in the future.

Although the New Provisional Regulations will improve the competition landscape of the securities advisory software industry, the regulatory effects will materialize gradually. The New Provisional Regulations will eliminate unlicensed participants which supply counterfeit, illegal or low-quality and inferior products or services and will improve order in the market through enhanced regulations. The New Provisional Regulations indicates the government's determination to standardize the industry. Ultimately, the New Provisional Regulations will restrict the activities of those participants without licenses and thus benefit industry leaders. Full and complete satisfactory results of the New Provisional Regulations, however, may only develop gradually over a period of time.

## **Table of Contents**

***Our securities investment advisory business conducted through our newly acquired PRC-incorporated affiliates operates in a highly regulated industry and compliance failures could adversely affect our business.***

CFO Newrand, CFO Chuangying and CFO Securities Consulting provide securities investment advisory services to our customers. The securities investment advisory business in China is subject to extensive regulations by the CSRC, in particular, the New Provisional Regulations effective January 1, 2011.

Failure to comply with any of such regulations could lead to adverse consequences, including without limitation to investigations, fines, revocation of license and other penalties from CSRC or its local branches. Moreover, the securities investment advisory licenses held by CFO Newrand, CFO Chuangying and CFO Securities Consulting are subject to annual review of CSRC and failure to pass such annual review will result in CFO Newrand, CFO Chuangying and CFO Securities Consulting's inability to conduct securities investment advisory business, which will adversely affect our business and operating results.

***Our plan to make strategic investments may negatively affect our business due to the poor financial condition and operating performance of those companies we invest in and other risks.***

As part of our business strategy, we may also make strategic investments intended to facilitate the introduction of new service offerings as well as to add capabilities that we do not currently have. For example, we invested in Moloon International, Inc., or Moloon, a Chinese wireless technology and service provider, in December 2005. However, the financial condition and operating results of companies we invest in such as Moloon could negatively affect our business and financial condition. Government regulations may adversely affect the business of companies we invest in, which could have a material and adverse impact on our business. For example, following an independent valuation of our cost method investment in Moloon, it was determined that a decline in value had occurred and we recorded a non-cash investment impairment of \$11.13 million in 2007, reducing the carrying balance of such investment from \$12.61 million to \$1.48 million, 88% off the book value. No impairment charges were recorded during the year ended December 31, 2008 and 2009.

In August 2010, Moloon was wholly acquired by Ocean Butterflies Holdings Inc., a private and independent music and entertainment production company incorporated in the Cayman Islands (referred to as Ocean Butterflies Holdings), in the form of share exchanges between Moloon and Ocean Butterflies Holdings (referred to as the Share Swap Transaction). Prior to the Share Swap Transaction, we held 9,100,000 series B preference shares of Moloon, representing 23.21% of its total outstanding shares. As a result of the Share Swap Transaction, we currently hold 7,439,479 ordinary shares of Ocean Butterflies Holdings, which represents 16.82% of shares in Ocean Butterflies Holdings. In November 2010, Meridian Capital (SG) Ltd. (referred to as Meridian) acquired 3,000,000 common shares of Ocean Butterflies Holdings from certain of its individual shareholders for a total consideration of USD1,209,762 (referred to as the Meridian Acquisition). The Meridian Acquisition did not affect the number or percentage of shares of Ocean Butterflies Holdings' common shares held by CFO. Although we do not currently believe that a decline in value will occur with respect to our investment in Ocean Butterflies Holdings, we cannot assure investors that the financial condition and operating results of companies we invest in (including Ocean Butterflies Holdings) will not negatively affect our business and financial condition. Government regulations may adversely affect the business of companies we invest in, which could have a material and adverse impact on our business. No impairment charges were recorded during the year ended December 31, 2010. In the future, we may also consider further strategic investments and partnerships with companies that specialize in non-exchange traded financial products in order to acquire their expertise in that area that we believe are difficult to otherwise obtain.

## **Table of Contents**

Our ability to successfully make strategic investments will depend on the availability of suitable candidates at an acceptable cost, our ability to compete effectively to attract and reach agreement with strategic partners on commercially reasonable terms, the availability of financing to complete larger acquisitions or joint ventures, as well as our ability to obtain any required governmental approvals. In addition, the benefits of a partnership or joint venture transaction may take considerable time to develop, and we cannot assure investors that any particular partnership or joint venture will produce the intended benefits. For example, we may experience difficulties in integrating acquisitions with our existing operations and personnel. The identification and completion of these transactions may require significant management time and resources. Moreover, the partnership and joint venture strategies we pursue could also cause earnings or ownership dilution to our shareholders' interests, which could result in losses to investors.

***Our business could be materially and adversely affected if increased usage strains our server systems or if we suffer from other system malfunctions.***

In the past, our websites have experienced significant increases in traffic when there are significant business developments, financial news and activities, or stock market trading activities. In addition, the number of our users has continued to increase over time and we are seeking to further increase our user base. Therefore, our website must accommodate a high volume of traffic to meet peak user demand and deliver frequently updated information. Our websites have in the past experienced and may in the future experience slower response time or login delays for a variety of reasons. It is essential to our success that our websites are able to accommodate our users in an efficient manner so that our users' experience with us is viewed favorably and without frequent delays.

We also depend on other Internet content providers, such as other financial information websites, to provide data and information to our website on a timely basis. Our websites could experience disruptions or interruptions in service due to the failure or delay in the transmission or receipt of this information. In addition, our users depend on Internet service providers, online service providers and other website operators for access to our website. Each of them has experienced significant outages in the past, and could experience outages, delays and other difficulties due to system failures unrelated to our systems. These types of occurrences could cause users to perceive our website as not functioning properly and therefore cause them to use other methods to obtain the financial data and information services they need.

***If we are not able to respond successfully to technological or industry developments, our business may be materially and adversely affected.***

The online financial data and information services market is characterized by rapid advancements in technology, evolving industry standards and changes in customer needs. New services or technologies may render our existing services or technologies less competitive or obsolete. Responding and adapting to technological developments and standard changes in our industry, the integration of new technologies or industry standards or the upgrading of our networks may require substantial time, effort and capital investment. If we are unable to respond successfully to technological industry developments, our business, results of operations and competitiveness may be materially and adversely affected.

***We may be subject to, and may expend significant resources in defending against, claims based on the content and services that we provide through our website and research tools.***

Due to the manner in which we obtain, collect, categorize and integrate content for our website, and because our services, including our online bulletin boards and discussion forums, may be used for the distribution of information and expression of opinions, claims may be filed against us for defamation, subversion, negligence, copyright or trademark infringement or other violations due to the nature and content of such information. For example, our bulletin boards and online forums reflect the statements and views of persons we do not control and we cannot be assured that such information is true and correct and is not misleading. These persons may also have conflicts of interest in relation to their statements or views regarding securities or other financial matters. Liability insurance for these types of claims is not currently available in the PRC. While we do not take responsibility for statements or views presented on our website, we may incur significant costs investigating and defending these types of claims even if they do not result in liability. Any such claim may also damage our reputation if our users and subscribers do not view this content as reliable or accurate, which could materially and adversely affect our business.

## **Table of Contents**

***We may be subject to intellectual property infringement claims, which may force us to incur substantial legal expenses and, if determined adversely against us, may materially disrupt our business.***

We cannot be certain that our website content, online services and our research tools do not or will not infringe upon patents, valid copyrights or other intellectual property rights held by third parties. We may become subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives. In addition, we may incur substantial expenses in defending against these third-party infringement claims, regardless of their merit. Successful infringement or licensing claims against us may result in substantial monetary liabilities, which may materially and adversely affect our business.

***Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business.***

We regard our copyrights, trademarks, trade secret and other intellectual property as critical to our success. Unauthorized use of the intellectual property used in our business may materially and adversely affect our business and reputation. We rely on trademark and copyright law, trade secret protection and confidentiality agreements with our employees, customers, business partners and others to protect our intellectual property rights. Despite our precautions, it may be possible for third parties to obtain and use our intellectual property without authorization. The validity, enforceability and scope of protection of intellectual property in Internet-related industries are uncertain and still evolving. In particular, the laws and enforcement procedures in the PRC do not protect intellectual property rights to the same extent as do the laws and enforcement procedures in the United States. Moreover, litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources, and could disrupt our business, as well as have a material adverse effect on our financial condition and results of operations.

***We depend on our key personnel and our business and growth prospects may be severely disrupted if we lose their services.***

Our future success is dependent upon the continued service of our key executives and employees. We rely on their expertise in our business operations. If one or more of our key executives are unable or unwilling to continue in their present positions, or if they join a competitor or form a competing company in violation of their employment agreements, we may not be able to easily replace them. As a result, our business may be significantly disrupted and our financial condition and results of operations may be adversely affected. In March 2010, Mr. Zuoli Xu, our then Chief Strategy Officer, resigned to pursue other interests. There is no disagreement between us and Mr. Xu. Although we do not believe that Mr. Xu's resignation will have a material and adverse impact on our business and financial conditions, we cannot assure investors that we will be able to retain the services of our executives or key personnel, or attract and retain experienced executives or key personnel in the future.

Furthermore, since our industry is characterized by high demand and intense competition for talent, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future. Prior to January 1, 2008, our employees were required to enter into one-year employment agreements with us. Commencing January 1, 2008, our employees are required to enter into at a minimum two-year employment agreements with us to be in compliance with the PRC Labor Contract Law effective January 1, 2008. We cannot assure investors that we will be able to attract or retain the key personnel that we will need to achieve our business objectives. We do not maintain key-man life insurance for any of our key personnel.

## **Table of Contents**

***PRC's new labor law restricts our ability to reduce our workforce in the PRC in the event of an economic downturn and may increase our labor costs.***

In June 2007, the National People's Congress of the PRC enacted the Labor Contract Law, effective January 1, 2008. To clarify certain details in connection with the implementation of the Labor Contract Law, the State Council promulgated the Implementing Rules for the Labor Contract Law, or the Implementing Rules, on September 18, 2008 which came into effect immediately. The new Labor Contract Law and its Implementing Rules contain substantial provisions with a view toward improving job security and protecting the rights and interests of employees. For example, the new Labor Contract Law and its Implementation Rules provide that, after completing two fixed-term employment contracts, an employee wishing to continue working for an employer is entitled to require a non-fixed term contract. A non-fixed term contract does not have a termination date and it is generally difficult to terminate such a contract because termination must be based on limited statutory grounds. In addition, the new Labor Contract Law requires the payment of statutory severance upon the termination of an employment contract in most circumstances, including the expiration of a fixed-term employment contract. Under the new Labor Contract Law, employers can only impose a post-termination non-competition provision on employees who have access to their confidential information for a maximum period of two years. If an employer intends to maintain the enforceability of a post-termination non-competition provision, the employer has to pay the employee compensation on a monthly basis post-termination of the employment.

All of our employees based exclusively within the PRC are covered by the new laws. The implementation of the new Labor Contract Law and its Implementing Rules may increase our operating expenses, in particular our personnel expenses and labor service expenses. If we want to maintain the enforceability of any of our employees' post-termination non-competition provisions, the compensation and procedures required under the new Labor Contract Law may add substantial costs and cause logistical burdens to us. Prior to the new law such compensation was often structured as part of the employee's salary during employment, and was not an additional compensation cost. In the event that we decide to terminate employees or otherwise change our employment or labor practices, the new Labor Contract Law and its Implementing Rules may also limit our ability to effect these changes in a manner that we believe to be cost-effective or desirable, which could materially and adversely affect our business and results of operations. In particular, our ability to adjust the size of our operations when necessary in periods of recession or less severe economic downturns such as the recent financial turmoil may be affected. In addition, during periods of economic decline when mass layoffs become more common, local regulations may tighten the procedures by, among other things, requiring the employer to obtain approval from the relevant local authority before conducting any mass layoff. Such regulations can be expected to exacerbate the adverse effect of the economic environment on our results of operations and financial condition.

***Undetected programming errors or defects in our research tools could materially and adversely affect our business, financial condition and results of operations.***

Our research tools may contain programming errors or other defects that our internal testing did not detect, which are commonly referred to as programming bugs. The occurrence of undetected errors or defects in our research tools could disrupt our operations, damage our reputation and detract from the experience of our users. As a result, such errors and defects could materially and adversely affect our business, financial condition and results of operations.



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**Table of Contents**

*If the current tax benefits we enjoy in PRC were no longer available, our effective tax rates for our PRC operations could increase.*

The newly enacted PRC Enterprise Income Tax Law, or the EIT Law, and the implementation regulations to the EIT Law issued by the PRC State Council, became effective as of January 1, 2008. Under the EIT Law, China adopted a uniform tax rate of 25% for all enterprises (including domestically owned enterprises and foreign-invested enterprises) and revoked the previous tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, there is a five-year transitional period during which certain enterprises are allowed to continue to enjoy existing preferential tax treatments provided by the then applicable tax laws and administrative regulations. Enterprises that were subject to an enterprise income tax rate lower than 25% prior to January 1, 2008 may continue to enjoy the lower rate and gradually transition to the new tax rate within five years after the effective date of the EIT Law. Jujin Software (Shenzhen) Co., Ltd., or CFO Jujin, CFO Stockstar, and CFO Newrand are each entitled to enjoy a reduced tax rate of 18%, 20%, 22% and 24% for 2008, 2009, 2010 and 2011, respectively, and eventually transition to the standard 25% in 2012.

Under the EIT law and its implementing rules, preferential tax treatments may continue to be granted to industries and projects that are strongly supported and encouraged by the state. Enterprises otherwise classified as High and New Technology Enterprises strongly supported by the state, such as CFO Software, Shanghai Meining Computer Software Co., Ltd., or CFO Meining and CFO Genius, are entitled to preferential EIT rate which has the effect of

providing CFO Success tax exemption for 2008 and 2009 and a preferential EIT rate of 12.5% for each of 2010, 2011 and 2012;

providing CFO Shenzhen Shangtong and CFO Qicheng tax exemption for 2010 and 2011 and a preferential EIT rate of 12.5% for each of 2012, 2013 and 2014; and

providing CFO Zhengning a reduced tax rate of 10%, 11% and 12% for 2009, 2010 and 2011, respectively, and an eventual transition to the standard tax rate of 25% in 2012.

Under the EIT law and its implementing rules, Fortune (Beijing) Success Technology Co., Ltd., or CFO Success, Zhengning Information & Technology (Shanghai) Co., Ltd., or CFO Zhengning, Fortune (Beijing) Qicheng Technology Co., Ltd., or CFO Qicheng, and Shenzhen Shangtong Co., Ltd., or CFO Shenzhen Shantong, each of which are classified as Software Enterprises, and entitled to enjoy preferential tax treatments, which has the effect of

providing CFO Success tax exemption for 2008 and 2009 and a preferential EIT rate of 12.5% for each of 2010, 2011 and 2012;

providing CFO Shenzhen Shangtong and CFO Qicheng tax exemption for 2010 and 2011 and a preferential EIT rate of 12.5% for each of 2012, 2013 and 2014;

providing CFO Zhengning a reduced tax rate of 10%, 11% and 12% for 2009, 2010 and 2011, respectively, and an eventual transition to the standard tax rate of 25% in 2012; and

The continued qualification as High and New Technology Enterprise or Software Enterprise will be subject to reevaluation in 2011 by the relevant government authority in China. We cannot assure that our above PRC incorporated subsidiaries or affiliates will continue to qualify as a High and New Technology Enterprise or Software Enterprise for 2011 and thereafter. In the event that the preferential tax treatment for them is discontinued, these entities will become subject to the standard tax rate at 25%, which materially increase our tax obligations.

## **Table of Contents**

In addition, companies that develop their own software and register the software with relevant authorities in China were generally entitled to a value-added tax, or VAT, refund. With respect to revenue generated from the sale of certain online subscriptions, including our service packages, China Finance Online (Beijing) Co., Ltd., or CFO Beijing, CFO Software, CFO Success, CFO Qicheng, CFO Zhengning, CFO Meining, CFO Genius, CFO Jujin, and CFO Shenzhen Shangtong all obtained VAT refunds that reduce their effective VAT rates from 17% to 3% before 2010. The VAT refund policy was intended to be effective until 2010, and the policy may continue or not after 2010. In the event that the preferential tax treatment for them is discontinued, these entities will become subject to the standard tax rate at 17%, which materially increase our tax obligations.

Uncertainties in the PRC tax system may lead to penalties, termination of preferential tax treatment or change of tax levy method imposed on us because of a difference in interpretation of the applicable law by the relevant governmental authority. For example, under current tax laws and regulations, the local tax authority approved some of our entities such as CFO Chongzhi to file the income tax by adopting the deemed-profit method. Under the method, the entities filed the income tax by calculating as 2.5% of the gross revenues. However, since there is no clear guidance as to the applicability of certain areas of preferential tax treatment and tax levy position, we may be found to be in violation of the tax laws and regulations based on the interpretation of local tax authorities with regard to taxable income and the applicable tax rates, and therefore might be subject to penalties, including but not limited to monetary penalties, termination of preferential tax treatment or change of tax levy method, or claw-back and late payment interest. Reduction or elimination of the preferential tax treatments we have enjoyed or change of our tax levy method on us or our combined entities in China may significantly increase our income tax expenses and materially reduce our net income, which could have a material adverse effect on our business, prospects, results of operations and financial condition.

In addition, we cannot predict the effect of future tax application and tax developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. The discontinuation of tax application could materially and adversely affect our financial condition. Any significant increase in our income tax expenses may materially and adversely affect our profit.

***Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.***

In connection with the EIT Law, the Ministry of Finance and the State Administration of Taxation jointly issued, on April 30, 2009, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59. On December 10, 2009, the State Administration of Taxation issued the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer, or Circular 698. Both Circular 59 and Circular 698 became effective retroactively on January 1, 2008.

By promulgating and implementing these circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. The PRC tax authorities have the discretion under Circular 59 and Circular 698 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. If the PRC tax authorities make adjustments under Circular 59 or Circular 698, our income tax costs associated with such potential acquisitions will be increased.

## **Table of Contents**

### ***Dividends we receive from our operating subsidiaries located in the PRC may be subject to PRC withholding tax.***

The EIT Law provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are non-resident enterprises, to the extent such dividends are derived from sources within the PRC, and the State Council has reduced such rate to 10% through the implementation regulations unless any such non-PRC investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. We are a Hong Kong incorporated company and substantially all of our income may be derived from dividends we receive from our operating subsidiaries located in the PRC. According to Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income agreed between the Mainland and Hong Kong Special Administrative Region in August 2006, dividends payable by a subsidiary located in the PRC to the company in Hong Kong who directly holds at least 25% of the equity interests in the subsidiary will be subject to a maximum 5% withholding tax under certain conditions. Since the preferential withholding tax is subject to the approval from competent taxation authorities in PRC, it remains uncertain whether our company in Hong Kong actually would be able to enjoy preferential withholding taxes for dividends distributed by our subsidiaries in China. If we are not able to enjoy the preferential withholding taxes and the tax rate may be 10% for dividends distributed by our subsidiaries, it will materially and adversely affect the amount of dividends, if any, we may pay to our shareholders and ADS holders.

### ***We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income.***

The EIT Law also provides that enterprises established outside of China whose de facto management bodies are located in China are considered resident enterprises and are generally subject to the uniform 25% enterprise income tax rate as to their worldwide income. Under the implementation regulations for the EIT Law issued by the PRC State Council, de facto management body is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. Although substantially all of our operational management is currently based in the PRC, it is unclear whether PRC tax authorities would require (or permit) us to be treated as a PRC resident enterprise. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and a material adverse effect on our net income and results of operations, although dividends distributed from our PRC subsidiaries to us could be exempted from Chinese dividend withholding tax, since such income is exempted under the EIT Law to a PRC resident recipient.

### ***Dividends payable by us to our foreign investors and gain on the sale of our ADSs or ordinary shares may become subject to taxes under PRC tax laws.***

Under the EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends on post 2007 earnings payable to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs or shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC resident enterprise, it is unclear whether dividends we pay with respect to our ordinary shares or ADSs, or the gain you may realize from the transfer of our ordinary shares or ADSs, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the EIT Law to withhold PRC income tax on dividends payable to our non-PRC investors that are non-resident enterprises, or if you are required to pay PRC income tax on the transfer of our ordinary shares or ADSs, the value of your investment in our ordinary shares or ADSs may be materially and adversely affected.

## **Table of Contents**

***We may become a passive foreign investment company, or PFIC, which could result in adverse U.S. tax consequences to U.S. investors.***

Based in part on our estimate of the composition of our income and our estimates of the value of our assets, we do not expect to be a PFIC, for U.S. federal income tax purposes for our current taxable year or in the foreseeable future. However, the application of the PFIC rules is subject to ambiguity in several respects. In addition, PFIC status is tested each taxable year and will depend on the composition of our assets and income and the value of our assets (including, among others, goodwill and equity investments in less than 25% owned entities) from time to time. Because we currently hold, and expect to continue to hold, a substantial amount of cash and other passive assets and, because the value of our assets is likely to be determined in large part by reference to the market prices of our ADSs and ordinary shares, which is likely to fluctuate, we may be a PFIC for any taxable year. If we are treated as a PFIC for any taxable year during which a U.S. investor held our ADSs or ordinary shares, certain adverse U.S. federal income tax consequences would apply to the U.S. investor. For more information on the U.S. tax consequences to you that would result from our classification as a PFIC, please see Item 10.E. Additional Information Taxation U.S. Federal Income Taxation Passive Foreign Investment Company.

***Because there is limited business insurance coverage in China, any business disruption or litigation we experience might result in our incurring substantial costs and the diversion of resources.***

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products and do not, to our knowledge, offer business liability insurance. While business disruption insurance is available to a limited extent in China, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance make having such insurance impractical for us.

### **Risks relating to our industry**

***The Internet infrastructure in China, which is not as well developed as in the United States or other more developed countries, may limit our growth.***

The Internet infrastructure in China is not as well developed as in the United States or other more developed countries. In particular, we depend significantly on the PRC government and fixed line telecommunications operators in China to establish and maintain a reliable Internet infrastructure to reach a growing base of Internet users in China. We cannot assure investors that the Internet infrastructure in China will support the demands associated with the continued growth of the Internet industry in China. If the necessary infrastructure standards or protocols, or complementary products, services or facilities are not developed in China on a timely basis or at all by these enterprises, our business, financial condition and results of operations could be materially adversely affected.

***The limited use of personal computers in China and the relatively high cost of Internet access with respect to per capita gross domestic product may limit the development of the Internet in China and impede our growth.***

Although the use of personal computers in China has increased in recent years, the penetration rate for personal computers in China is much lower than in the United States. In addition, despite a decrease in the cost of personal computers and the expansion of broadband access, the cost of Internet access remains relatively high given the average per capita income in China. The limited use of personal computers in China and the relatively high cost of Internet access may limit the growth of our business. Furthermore, any Internet access or telecommunications fee increase could reduce the number of users that use our online services. Any fee or tariff increase could further decrease our user traffic and our ability to derive revenues from transactions over the Internet, which could have a material adverse effect on our business, financial condition and results of operations.

## **Table of Contents**

***We depend largely on the infrastructure of the telecommunications operators in China, and any interruption of their network infrastructure may result in severe disruptions to our business.***

Although private Internet service providers exist in China, substantially all access to the Internet in China is maintained through the telecommunications operators, under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or MIIT. In addition, local networks connect to the Internet through a government-owned international gateway. We rely on this infrastructure and to a lesser extent, certain other Internet data centers in China to provide data communications capacity primarily through local telecommunications lines. In the event of a large-scale infrastructure disruption or failure, we may not have access to alternative networks and services, on a timely basis or at all.

We may not be able to lease additional bandwidth from the telecommunications operators in China on acceptable terms, on a timely basis or at all. In addition, we may not have means of getting access to alternative networks and services on a timely basis or at all in the event of any disruption or failure of the network.

***Unexpected network interruptions, security breaches or computer virus attacks could have a material adverse effect on our business, financial condition and results of operations.***

We have limited backup systems and have previously experienced system failures, which have disrupted our operations. Any failure to maintain the satisfactory performance, reliability, security and availability of our network infrastructure may cause significant harm to our reputation and our ability to attract and maintain users. Major risks involved in such network infrastructure include:

any breakdowns or system failures resulting in a sustained shutdown of all or a material portion of our servers, including failures which may be attributable to sustained power shutdowns, or efforts to gain unauthorized access to our systems causing loss or corruption of data or malfunctions of software or hardware; and

any disruption or failure in the national backbone network, which would prevent our users from logging on to our website or accessing our services.

Our network systems are also vulnerable to damage from fire, flood, power loss, telecommunications failures, computer virus, hackings and similar events. Any network interruption or inadequacy that causes interruptions in the availability of our services or deterioration in the quality of access to our services could reduce our user satisfaction and competitiveness. In addition, any security breach caused by hackings, which involve efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could cause our users to question the safety or reliability of our website and our services and could have a material adverse effect on our business, financial condition and results of operations. In addition, unauthorized access by third parties to our network could result in theft of personal user information, which could have a material adverse effect on our reputation.

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## **Table of Contents**

*Concerns about the security and confidentiality of information on the Internet may increase our costs, reduce the use of our website and impede our growth.*

A significant barrier to confidential communications over the Internet has been the need for security. To date, there have been several well-publicized compromises of security as a result of global virus outbreaks. We may incur significant costs to protect against the threat of security breaches or to alleviate problems caused by these breaches. If unauthorized persons are able to penetrate our network security, they could misappropriate proprietary information, including personal information regarding our subscribers, or cause interruptions in our services. As a result, we may be required to incur substantial costs and divert our other resources to protect against or to alleviate these problems. Security breaches could have a material adverse effect on our reputation, business, financial condition and results of operations.

### **Risks relating to regulation of our business and to our structure**

*We primarily rely on contractual arrangements with Beijing Fuhua Innovation Technology Development Co., Ltd., or CFO Fuhua, CFO Newrand, Shanghai Chongzhi Co., Ltd., or CFO Chongzhi, CFO Chuangying, CFO Shenzhen Shangtong and CFO Qicheng, our significant PRC-incorporated affiliates, and their shareholders for our China operations, which may not be as effective in providing operational control as direct ownership. If the affiliates fail to perform their obligations under these contractual arrangements or PRC laws impair the enforceability of these contracts, our business, financial condition and results of operations may be materially and adversely affected.*

Because PRC regulations restrict our ability to provide Internet content directly in China, we rely on contractual arrangements with CFO Fuhua, our significant PRC-incorporated affiliate over which we have no direct ownership, and its shareholders for operating our website and conducting our advertising business. These contractual arrangements may not be as effective in providing us with control over CFO Fuhua as direct ownership.

Under the share pledge agreements described under Item 7. Major Shareholders and Related Party Transactions, each of Zhiwei Zhao and Jun Wang have pledged their equity interest in CFO Fuhua to CFO Beijing. According to the PRC Property Rights Law, which came into effect on October 1, 2007, such pledges will only be effective upon registration with the relevant local office for the administration for industry and commerce. We are in the process of obtaining the relevant registrations. There is no assurance that we can have these equity pledges registered successfully. Before a completed registration of the equity pledges, we cannot assure you that the effectiveness of such pledges can be recognized in PRC courts if disputes arise regarding the pledged equity interests or that our subsidiaries' interests as pledgee will prevail over those of third parties. If the variable interest entities and their shareholders breach their respective obligations under the contractual arrangements that established our operations in China, failure to enforce pledges may leave us with fewer remedies in enforcing our contracts with our affiliated entities. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our operating entities and we may be precluded from operating our business, which would have a material adverse effect on our financial condition and results of operations.

If we had direct ownership of CFO Fuhua, we would be able to exercise our rights as shareholders to effect changes in the board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, as a legal matter, if CFO Fuhua fails to perform its obligations under these contractual arrangements, we may have to (i) incur substantial costs and resources to enforce such arrangements and (ii) rely on legal remedies under PRC law, which we cannot be sure would be effective. In addition, we cannot be certain that the individual equity owners of CFO Fuhua will always act in our best interests, especially if they leave the company.

## **Table of Contents**

Between 2007 and 2009, we entered into contractual arrangements with CFO Chongzhi, CFO Shenzhen Shangtong and CFO Qicheng, our significant PRC-incorporated affiliates over which we have no direct ownership. In 2008 and 2009, we became the beneficiary of CFO Newrand, CFO Chuangying and CFO Securities Consulting, three licensed securities investment advisory companies incorporated in the PRC to operate our securities investment advisory business. Under the contractual arrangements, these significant PRC-incorporated affiliates will pay us service fees in return for our strategic consulting and technology support services. These contractual arrangements may not be as effective in providing us with control over the PRC-incorporated affiliates as direct ownership.

These contractual arrangements are governed by PRC law and provide for the resolution of disputes through either arbitration or litigation in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. If any of CFO Fuhua, CFO Chongzhi, CFO Newrand, CFO Shenzhen Shangtong, CFO Chuangying and CFO Qicheng fails to perform its obligations under these contractual arrangements, we may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which we cannot be sure would be effective. In addition, the legal environment in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event that we are unable to enforce these contractual arrangements, our business, financial condition and results of operations could be materially and adversely affected.

***If the PRC government finds that the agreements that establish the structure for operating our internet business do not comply with PRC government restrictions on foreign investment in the online financial data and information service industry, we could be subject to severe penalties.***

PRC regulations currently limit foreign ownership of companies that provide Internet content services, which include operating financial data and information services through the Internet, to be no more than 50%. Accordingly, foreign and wholly foreign-owned enterprises are currently not able to apply for the required licenses for operating such services in China.

We are a foreign enterprise and each of our significant subsidiaries, CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning and CFO Success, is a wholly foreign-owned enterprise under PRC law and, accordingly, neither we, CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning, nor CFO Success are eligible to apply for licenses to operate our website. In order to comply with foreign ownership restrictions, we operate our website in China through CFO Fuhua and its wholly owned subsidiary CFO Meining, both of which hold the licenses required to be an Internet information content provider under the relevant PRC laws. Zhiwei Zhao, our chief executive officer, and Jun Wang, our chief financial officer, hold 45% and 55% of the equity interests in CFO Fuhua, respectively. We have been and are expected to continue to be dependent on CFO Fuhua and its wholly owned subsidiary CFO Meining to host our websites, [www.jrj.com](http://www.jrj.com) and [www.stockstar.com](http://www.stockstar.com). We have entered into contractual arrangements with CFO Fuhua, pursuant to which we provide operational support to CFO Fuhua. In addition, we have entered into agreements with CFO Fuhua and Zhiwei Zhao and Jun Wang, the shareholders of CFO Fuhua, which provide us with the substantial ability to control CFO Fuhua. Wu Chen, a financial manager at International Data Group China Ltd., a PRC company affiliated with IDG Technology Venture Investment, Inc. and IDG Technology Venture Investments, LP, two of our principal shareholders, transferred his holdings in CFO Fuhua to Jun Wang, our current chief financial officer, in October 2007. As a result, Jun Wang replaced Wu Chen as a party to all of the agreements we entered into with Wu Chen in connection with his holdings in CFO Fuhua and the operation of CFO Fuhua.

## **Table of Contents**

There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Accordingly, we cannot assure investors that the PRC regulatory authorities will ultimately take a view that our arrangements with CFO Fuhua comply with PRC law.

If we, CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning, CFO Success, CFO Fuhua and CFO Meining are found to be in violation of any existing or future PRC laws or regulations or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including:

revoking business and operating licenses of CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning, CFO Success, CFO Fuhua or CFO Meining;

discontinuing or restricting our operations or those of CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning, CFO Success, CFO Fuhua or CFO Meining;

imposing conditions or requirements with which we, CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning, CFO Success, CFO Fuhua or CFO Meining could not satisfy;

requiring us, CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning, CFO Success, CFO Fuhua or CFO Meining to restructure the relevant ownership structure or operations;

restricting or prohibiting our use of the proceeds of our initial public offering in 2004 to finance our business and operations in China;  
or

taking other regulatory or enforcement actions, including levying fines that could be harmful to our business.

Any of these actions could cause our business, financial condition and results of operations to suffer and the price of our ADSs to decline.

***Contractual arrangements that we have entered into with our PRC-incorporated affiliates may be subject to scrutiny by the PRC tax authorities and a finding that we or our PRC-incorporated affiliates owe additional taxes could substantially reduce our consolidated net income.***

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC-incorporated subsidiaries and PRC-incorporated affiliates do not represent an arm's length price and adjust the income of our PRC-incorporated subsidiaries or that of our PRC-incorporated affiliates in the form of transfer pricing adjustments. Transfer pricing adjustments could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our PRC incorporated subsidiaries or affiliates, which could in turn increase their respective tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties on our PRC-incorporated subsidiaries or affiliates for underpayment of taxes. Our consolidated net income may be materially and adversely affected if our PRC-incorporated subsidiaries or affiliates' tax liabilities increase or if they are found to be subject to late payment fees or other penalties.



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**Table of Contents**

*We rely principally on dividends and other distributions on equity paid by our wholly owned operating subsidiaries to fund any cash and financing requirements we may have.*

We are a holding company, and our ability to pay dividends and other cash distributions to our shareholders, repay any debt we may incur and meet our other cash requirements depends solely on our ability to receive dividends and other distributions from our PRC subsidiaries and consolidated affiliated entities to our offshore affiliates and/or other contractual arrangements, more specifically:

- (a) Earnings of our PRC subsidiaries that we directly own and operate inside the PRC, which include CFO Software, CFO Beijing, CFO Success, CFO Genius, and CFO Stockstar, are transferred to us by means of dividend payments. The amount of dividends paid to us by our directly owned PRC subsidiaries depends mainly on the service fees paid to them from our consolidated affiliated entities.
- (b) Earnings of our PRC subsidiaries that we indirectly hold through an intermediary Hong Kong or British Virgin Islands company, which include CFO Zhengning and CFO Jujin, are transferred to us by means of dividend payments via such intermediary company. The transfer of dividend payments from such intermediary company to us is not subject to PRC taxation or other regulatory restrictions.
- (c) Earnings of the VIEs, which we exert control via a series contracts including without limitation exclusive technology consulting and management service agreement, exclusive purchase right agreement, power of attorney and pledge agreement, are first transferred in full (pre-tax) to our wholly foreign owned enterprise via such contractual arrangements.

However, there are restrictions under PRC laws for the payment of dividends to us by our PRC subsidiaries. For example, if our PRC subsidiaries incur debt on its own behalf, the instruments governing the debt may restrict its ability to make payments or distributions to us. Furthermore, relevant PRC laws and regulations permit payments of dividends by the PRC subsidiaries only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, the PRC subsidiaries are required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve. This reserve is not distributable as dividends until the accumulated amount of such reserve has exceeded 50.0% of its registered capital. Consequently, each of our PRC subsidiaries is restricted in its ability to transfer a portion of its net assets to us or any of our other subsidiaries in the form of dividends, loans or advances. In addition, PRC tax authorities may require us to amend the VIEs contractual arrangements that would materially and adversely affect the ability of CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning and CFO Success to pay dividends and other distributions to us. The foregoing restrictions on the ability of the PRC subsidiaries to pay dividends to us could materially and adversely limit our ability to pay dividends to holders of our ADSs.

*The PRC government may prevent us from distributing, and we may be subject to liability for, content that it believes is inappropriate.*

China has enacted laws and regulations governing Internet access and the distribution of news, information or other content, as well as products and services, through the Internet. In the past, the PRC government has stopped the distribution of information through the Internet that it believes violates PRC law. MIIT, the General Administration of Press and Publication and the Ministry of Culture has promulgated regulations which prohibit information from being distributed through the Internet if it contains content that is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise State security or secrets.

## **Table of Contents**

In addition, MIIT has published regulations that subject website operators to potential liability for content included on their websites and the actions of users and others using their systems, including liability for violations of PRC laws prohibiting the distribution of content deemed to be socially destabilizing. The PRC's Ministry of Public Security has the authority to order any local Internet service provider, or ISP, to block any Internet website maintained outside China at its sole discretion. Periodically, the Ministry of Public Security has stopped the distribution over the Internet of information which it believes to be socially destabilizing. The PRC's State Secrecy Bureau, which is directly responsible for the protection of State secrets of the PRC government, is authorized to block any website it deems to be leaking State secrets or failing to meet the relevant regulations relating to the protection of State secrets in the distribution of online information.

Under applicable PRC regulation, we may be held liable for any content we offer or will offer through our website, including information posted on bulletin boards and online forums which we host and maintain on our website. Furthermore, we are required to delete any content we transmit through our website if such content clearly violates PRC laws and regulations. Where any content is considered suspicious, we are required to report such content to PRC governmental authorities.

It may be difficult to determine the type of content that may result in liability for us. If any financial data and information services we offer or will offer through our website were deemed to have violated any of such content restrictions, we would not be able to continue such offerings and could be subject to penalties, including confiscation of income, fines, suspension of business and revocation of licenses for operating online financial data and information services, which would materially and adversely affect our business, financial condition and results of operations. Moreover, if any information posted on our bulletin boards or online forums were deemed to have violated any of the content restrictions, we could be subject to similar penalties that materially and adversely affect our business, financial condition and results of operations.

### **Risks relating to doing business in the People's Republic of China**

Substantially all of our assets are located in China and substantially all of our revenues are derived from our operations in China. Accordingly, our business, financial condition, results of operations and prospects are subject, to a significant extent, to economic, political and legal developments in China.

*The PRC's economic, political and social conditions, as well as government policies, could affect the financial markets in China and our business.*

The PRC economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. These actions, as well as future actions and policies of the PRC government, could materially affect the financial markets in China and our business and operations.

## **Table of Contents**

### ***The PRC legal system embodies uncertainties which could limit the legal protections available to you and us.***

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past 31 years has significantly enhanced the protections afforded to various forms of foreign investment in China. Our significant PRC operating subsidiaries, CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning and CFO Success, respectively, are wholly foreign-owned enterprises, which are enterprises incorporated in China and wholly owned by foreign investors. Our wholly foreign-owned enterprises are subject to laws and regulations applicable to foreign investment in China in general and laws and regulations applicable to wholly foreign-owned enterprises in particular. However, these laws, regulations and legal requirements are constantly changing, and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to the Internet and investment advisory, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws.

### ***Restrictions on currency exchange may limit our ability to utilize our revenues effectively.***

The majority of our revenues and operating expenses are denominated in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Pursuant to the Foreign Currency Administration Rules promulgated on January 29, 1996 and amended on January 14, 1997 and various regulations issued by the Administration for Foreign Exchange ( **SAFE** ) and other relevant PRC government authorities, Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from the SAFE or its local branch for conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy its foreign currency-denominated obligations. Currently, each of our PRC subsidiaries and affiliates may purchase foreign exchange for settlement of current account transactions , including payment of dividends to us and payment of license fees and service fees to foreign licensors and service providers, without the approval of SAFE. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

Each of our PRC subsidiaries and affiliates may also retain foreign exchange in their current accounts to satisfy foreign exchange liabilities or to pay dividends. However, we cannot assure investors that the relevant PRC governmental authorities will not limit or eliminate our ability to purchase and retain foreign currencies in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. Since a significant amount of our future revenues will be in the form of Renminbi, the existing and any future restrictions on currency exchange may limit our ability to utilize revenues generated in Renminbi to fund our business activities outside China, if any, or expenditures denominated in foreign currencies.

## **Table of Contents**

In addition, as further explained in disclosures below, each of our PRC subsidiary and affiliated consolidated entities is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the accumulative amount of such reserve reaches 50% of its respective registered capital. These reserves are not distributable as cash dividends.

### ***Fluctuations in exchange rates could result in foreign currency exchange losses.***

Because substantially all of our revenues and expenditures are denominated in Renminbi and the net proceeds from our initial public offering were denominated in U.S. dollars, fluctuations in the exchange rate between U.S. dollars and Renminbi affect the relative purchasing power of these proceeds and our balance sheet and earnings per ADS in U.S. dollars. In addition, we report our financial results in U.S. dollars, and appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollars without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue that will be exchanged into U.S. dollars and earnings from and the value of any U.S. dollar-denominated investments we make in the future.

Since July 2005, the Renminbi has no longer been pegged to the U.S. dollar. Although currently the Renminbi exchange rate versus the U.S. dollar is restricted to a rise or fall of no more than 0.5% per day and the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium- to long-term. Moreover, it is possible that in the future, PRC authorities may lift restrictions on fluctuations in the Renminbi exchange rate and lessen intervention in the foreign exchange market.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

### ***The audit report included in this annual report are prepared by auditors who are not inspected by the U.S. Public Company Accounting Oversight Board ( PCAOB ), as such, our investors currently do not have the benefits of PCAOB oversight.***

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the U.S. Securities and Exchange Commission, as auditors of companies that are traded publicly in the United States and a firm registered with the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and applicable professional standards. Because our auditors are located in China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, our investors may be deprived of the benefits of PCAOB inspections.

## **Table of Contents**

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may consequently lose confidence in our reported financial information and procedures and the quality of our financial statements.

### **Risks relating to our shares and ADSs**

*Stock prices of Internet-related companies, particularly companies with business operations primarily in China, have fluctuated widely in recent years, and the trading prices of our ADSs are likely to be volatile, which could result in substantial losses to investors.*

The trading prices of our ADSs have been volatile and could fluctuate widely in response to factors beyond our control. Since the completion of our initial public offering in October 2004, the trading prices of our ADSs have ranged between a high of \$47.68 per ADS to a low of \$3.95 per ADS. During the twelve-month period ended December 31, 2010, the price of our ADSs on the NASDAQ Global Market has ranged from a low of \$6.20 to a high of \$9.10 per ADS. The market prices of the securities of Internet-related companies have generally been especially volatile.

In particular, the performance and fluctuation of the market prices of other technology companies with business operations mainly in China that have listed their securities in the United States may affect the volatility in the price of and trading volumes for our ADSs. Some of these companies have experienced significant volatility, including significant price declines in connection with their initial public offerings and as a result of the global financial crisis. The trading performances of these Chinese companies' securities at the time of or after their offerings may affect the overall investor sentiment towards PRC companies listed in the United States and consequently may impact the trading performance of our ADSs. Changes in the U.S. stock market generally or as it concerns our industry, as well as geopolitical, economic, and business factors unrelated to us, may also affect the market price and volatility of our ADSs, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for business specific reasons. Factors such as variations in our revenue, earnings and cash flow, announcements of new investments, cooperation arrangements or acquisitions, and fluctuations in market prices for our services could cause the market price for our ADSs to change substantially. The global financial crisis may have substantial negative impact on our financial and business performance. Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade. We cannot assure investors that these factors will not occur in the future.

*If we grant employee share options and other share-based compensation in the future, our net income could be materially and adversely affected.*

We adopted the 2004 Stock Incentive Plan, or the 2004 Plan, in January 2004, and amended it in September 2004, August 2006 and June 2009, respectively. The total number of ordinary shares issuable under the 2004 Plan as of December 31, 2010 is 21,688,488, including the newly increased 3,000,000 ordinary shares available for issuance under the 2004 Plan approved by our shareholders at the annual general meeting held on June 30, 2010. At the 2010 annual general meeting, our shareholders approved the increase in the number of ordinary shares available for issuance under the 2004 Plan by 3,000,000 ordinary shares annually until December 31, 2014. As of December 31, 2010, we had granted options under the 2004 Plan with the right to purchase a total of 21,632,328 ordinary shares, and 3,703,940 unvested options had been returned to the pool of our ungranted options as a result of resignation from employment by several former employees. We had also granted share options to purchase up to 6,829,500 ordinary shares in January 2004, under option agreements that were independent of the 2004 Plan, to other consultants and business advisors.

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**Table of Contents**

We adopted the 2007 Equity Incentive Plan, or the 2007 Plan, in June 2007. As of December 31, 2009, we had granted restricted stock awards covering 10,558,493 of our ordinary shares to our eligible employees pursuant to the Restricted Stock Issuance and Allocation Agreement, or the Grant Agreement, entered into in July 2007 under the 2007 Plan. The Grant Agreement provides that the shares granted pursuant to it may become activated and vested during the three years following the granted date, or the Vesting Term, based on our achievement of certain performance targets for 2008 and 2009, or the Performance Period. Based on our operating performance during 2008, 8,658,048 shares were activated as of December 31, 2008. Based on our operating performance during 2009, no granted share was activated in 2009. As of December 31, 2009, 7,215,040 shares were vested. In 2009, in light of the significant global economic downturn and its impact on our performance, our board amended the Grant Agreement to extend the Performance Period and the Vesting Term for an additional three years ending on December 31, 2012. Under the amended agreement any granted shares that were not activated as of December 31, 2009 would become activated and be eligible to vest based on the Company's achievement of certain performance targets for 2010, 2011 and 2012. Based on our operating performance for 2010, no more granted shares were activated in 2010. The total 8,658,048 shares that were activated based on our operating performance for 2008 were fully vested as of December 31, 2010.

On November 1, 2010, Daily Growth Holdings granted restricted stock awards representing 15% of its ordinary shares pursuant to the 2010 Equity Incentive Plan of Daily Growth Holdings to awardees who are eligible to participate in the plan. In connection with such awards, we transferred 15% of the ordinary shares of Daily Growth Holdings to an entity representing the eligible awardees. In order to bind those awardees together to promote the common interests of the awardees, Daily Growth Holdings and the Company, the ordinary shares were transferred to, and are held by, Hopewin Asia Limited, which was incorporated in BVI, on behalf of and exclusively for the benefit of the whole group of awardees eligible to participate in the plan. We believe such incentive plan will attract, maintain and incentivize our team, and we believe the plan is in our best interests and the best interests of our stockholders.

***The sale or availability for sale of substantial amounts of our ADSs could adversely affect their market price.***

Sales of substantial amounts of our ADSs in the public market in the future, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our future ability to raise capital through offerings of our ADSs.

There were 110,887,883 of our ordinary shares including 20,507,051 ADSs (representing 102,535,255 of those ordinary shares) outstanding as of December 31, 2010. In addition, there are outstanding options to purchase an additional 13,103,238 ordinary shares, including options to purchase 1,095,000 ordinary shares under the option agreements that were independent of the 2004 Plan. These ordinary shares, once issued, are exchangeable for our ADSs for trading in the public market. The 82,837,921 ordinary shares that were outstanding prior to our initial public offering are restricted securities as defined in Rule 144 promulgated under the Securities Act of 1933, as amended, or the Securities Act and may not be sold in the absence of registration other than in accordance with Rule 144 under the Securities Act or another exemption from registration. These restricted securities are available for sale subject to volume and other restrictions as applicable under Rule 144 of the Securities Act. To the extent ordinary shares are sold to the market, the market price of our ADSs could decline.

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**Table of Contents**

*A significant percentage of our outstanding ordinary shares are held by a small number of our shareholders, and these shareholders may have significantly greater influence on us and our corporate actions by nature of the size of their shareholdings relative to our public shareholders.*

As of December 31, 2010, seven of our existing shareholders, including IDG Technology Venture Investments, LP, IDG Technology Venture Investment, Inc., Vertex Technology Fund (III) Ltd., C&F International Holdings Limited, Ling Zhang, Jianping Lu and FMR LLC, beneficially owned, collectively, approximately 63.82% (As of March 31, 2011, this percentage became 58.12% as FMR LLC adjusted its holding of our outstanding ordinary shares from 14,332,020 shares or 12.92% to 8,005,180 shares or 7.22% according to the 13G filed with the SEC on April 8, 2011, which including 7,980,180 shares held by Fidelity Management & Research Company ( Fidelity ), a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, and 25,000 shares held by Pyramis Global Advisors Trust Company ( PGATC ), an indirect wholly-owned subsidiary of FMR LLC and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934.) of our outstanding ordinary shares. As of December 31, 2010, IDG Technology Venture Investments, LP and IDG Technology Venture Investment, Inc. together have one board representative on our five-director board, and beneficially own, collectively, approximately 20.19% of our outstanding ordinary shares. Accordingly, these shareholders have had, and may continue to have, significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. In addition, without the consent of these shareholders, we could be prevented from entering into transactions that could be beneficial to us.

*Provisions in our charter documents and Hong Kong law, and change in control agreements we have entered into with each of our chief executive officer and chief financial officer, may discourage our acquisition by a third party, which could limit your opportunity to sell your shares at a premium.*

Our constituent documents and Hong Kong law include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change in control transactions, including, among other things, the following:

Our articles of association provide for a staggered board, which means that our directors, excluding our chief executive officer, are divided into two classes, with half of our board, excluding our chief executive officer, standing for election every two years. Our chief executive officer will at all time serve as a director, and will not retire as a director, so long as he remains our chief executive officer. This means that, with our staggered board, at least two annual shareholders meetings, instead of one, are generally required in order to effect a change in a majority of our directors. Our staggered board can discourage proxy contests for the election of our directors and purchases of substantial blocks of our shares by making it more difficult for a potential acquirer to take control of our board in a relatively short period of time.

Hong Kong law permits shareholders of a company to remove directors by a shareholders resolution. Our articles of association require any shareholder who wishes to remove a director in this way to give us at least 120 days notice of the resolution, making it more difficult and time consuming for a potential acquirer who has accumulated a substantial voting position to obtain control of our board by removing opposing directors.

## **Table of Contents**

Our articles of association provide that our board can have no less than five and no more than nine directors. Our board currently has five directors. Any increase in the maximum number of directors on our board beyond nine directors can only be accomplished by amending our articles of association, which under Hong Kong law requires a shareholders' supermajority vote of 75% and at least 21 days' notice. These restrictions can make it more difficult for a potential acquirer who has accumulated a majority of our shares to take control of us by promptly increasing the size of our board and appointing new directors that are its nominees.

Hong Kong does not have merger laws that permit Hong Kong companies to merge in the same way as U.S. companies could in the United States. However, the Hong Kong Companies Ordinance has provisions that facilitate arrangements for the reconstruction and amalgamation of companies. The arrangement must be approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, representing three-fourths in value of each such class of shareholders or creditors that are present and voting either in person or by proxy at meetings convened by the High Court of Hong Kong. The arrangements must be sanctioned by the High Court of Hong Kong after shareholders or creditors approve it at the court-convened meeting.

Our shareholders have authorized our board of directors, without any further action by shareholders, to issue additional shares. Under Hong Kong law, the authority granted by our shareholders will remain valid until the conclusion of our next annual general meeting, or the time when our next annual general meeting is required to be held. For as long as this approval remains effective, or is renewed, our board of directors will have the power to issue additional ordinary shares (including ordinary shares represented by ADSs) and preference shares without any further action by shareholders.

***We are a Hong Kong company and because the legal and procedural protections afforded minority shareholders under Hong Kong law differ from those under U.S. law, you may have difficulty protecting your interests as our shareholder relative to shareholders of corporations organized in the U.S.***

We are a Hong Kong company and are subject to the laws of Hong Kong. The fiduciary responsibilities of our directors, and the ability of minority shareholders to take successful legal action in Hong Kong against us or our directors, are governed by the laws and court procedures of Hong Kong. Shareholders of a Hong Kong company would not be able to bring class action lawsuits against that company or its directors in a Hong Kong court in the same way that shareholders of a U.S. corporation might be able to bring such lawsuits in a U.S. court. In addition, professional conduct rules applicable to Hong Kong lawyers generally prohibit Hong Kong lawyers from accepting contingency fee arrangements, where a lawyer representing the plaintiffs is paid a fee only if the lawsuit is successful. Without contingency fee arrangements or the ability to bring class action lawsuits, our shareholders may find it more costly and difficult to take legal action against us or our directors in the Hong Kong courts. The Hong Kong courts are also unlikely:

to recognize or enforce against us judgments of courts of the United States based on the civil liability provisions of U.S. securities laws; or

to allow original actions brought in Hong Kong, based on the civil liability provisions of U.S. securities laws that are penal in nature. In addition, there is no automatic statutory recognition in Hong Kong of judgments obtained in the United States. Moreover, Hong Kong companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.



## **Table of Contents**

As a result of the entire above, minority public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, directors or controlling shareholders than they would as minority public shareholders of a U.S. corporation. Moreover, substantially all of our assets are located outside of the United States and all of our current operations are conducted in the PRC. In addition, most of our directors and officers are nationals and residents of countries other than the United States. All or a substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons.

***The voting rights of holders of ADSs must be exercised in accordance with the terms of the deposit agreement, the American depositary receipts, and the procedures established by the depositary. The process of voting through the depositary may involve delays that limit the time available to you to consider proposed shareholders' actions and also may restrict your ability to subsequently revise your voting instructions.***

A holder of ADSs may exercise its voting rights with respect to the underlying ordinary shares only in accordance with the provisions of the deposit agreement and the American depositary shares. We do not recognize holders of ADSs representing our ordinary shares as our shareholders, and instead we recognize the ADS depositary as our shareholder.

When the depositary receives from us notice of any shareholders meeting, it will distribute the information in the meeting notice and any proxy solicitation materials to you. The depositary will determine the record date for distributing these materials, and only ADS holders registered with the depositary on that record date will, subject to applicable laws, be entitled to instruct the depositary to vote the underlying ordinary shares. The depositary will also determine and inform you of the manner for you to give your voting instructions, including instructions to give discretionary proxies to a person designated by us. Upon receipt of voting instructions of a holder of ADSs, the depositary will endeavor to vote the underlying ordinary shares in accordance with these instructions. Although Hong Kong law requires us to call annual shareholders' meetings by not less than 21 days' notice in writing, and all other shareholders' meeting by not less than 14 days' notice in writing, these minimum notice requirements can be shortened or completely waived by the consent of all holders of our ordinary shares entitled to attend and vote (in the case of annual shareholders' meetings) or a majority in number of the holders of our ordinary shares representing at least 95% in nominal value of the shares giving the right to attend and vote (in the case of all other shareholders' meetings). If the minimum notice periods are shortened or waived, you may not receive sufficient notice of a shareholders' meeting for you to withdraw your ordinary shares and cast your vote with respect to any proposed resolution, as a holder of our ordinary shares. In addition, the depositary and its agents may not be able to send materials relating to the meeting and voting instruction forms to you, or to carry out your voting instructions, in a timely manner. We cannot assure investors that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. The additional time required for the depositary to receive from us and distribute to you meeting notices and materials, and for you to give voting instructions to the depositary with respect to the underlying ordinary shares, will result in your having less time to consider meeting notices and materials than holders of ordinary shares who receive such notices and materials directly from us and who vote their ordinary shares directly. If you have given your voting instructions to the depositary and subsequently decide to change those instructions, you may not be able to do so in time for the depositary to vote in accordance with your revised instructions.

Furthermore, the depositary has deemed any holders who do not send in voting instructions at all or in a timely manner as having instructed the depositary to give a discretionary voting proxy to the person(s) designated by us to receive voting proxies, with full power to exercise such holder's (or holders') voting rights under the ADSs' underlying ordinary shares in the manner as the proxy holder deems fit. Accordingly, matters that favor the incumbent board of directors and management will have a higher likelihood of passing than would otherwise be the case.

## **Table of Contents**

The depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote.

***You may not receive distributions on our ordinary shares or any value for them if such distribution is illegal or if any required government approval cannot be obtained in order to make such distribution available to you.***

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions (which may include securities or rights distributions) it or the custodian for our ADSs receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our ordinary shares your ADSs represent. However, the depositary is not responsible to make a distribution available to any holders of ADSs if it decides that it is unlawful to make such distribution. For example, it would be unlawful to make a distribution to holder of ADSs if it consisted of securities that required registration under the Securities Act but that were not properly registered or distributed pursuant to an applicable exemption from registration. The depositary is not responsible for making a distribution available to any holders of ADSs if any government approval or registration required for such distribution cannot be obtained after reasonable efforts made by the depositary. We have no obligation to take any other action to permit the distribution of our ADSs, ordinary shares, rights or anything else to holders of our ADSs. This means that you may not receive the distributions we make on our ordinary shares or any value for them if it is unlawful or unreasonable from a regulatory perspective for us to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

***You may be subject to limitations on transfer of your ADSs.***

Your ADSs, each of which represents five ordinary shares, are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

***Your right as a holder of ADSs to participate in any future rights offerings may be limited, which may cause dilution to your holdings.***

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to our ADS holders in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. In addition, the deposit agreement provides that the depositary bank will not make rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act or exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, ADS holders may be unable to participate in our rights offerings and may experience dilution in their holdings.

## **Table of Contents**

In addition, if the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case you will receive no value for these rights.

### **ITEM 4. INFORMATION ON THE COMPANY**

#### **A. History and development of the company.**

China Finance Online Co. Limited was incorporated in Hong Kong in November 1998. Prior to April 2000, we did not conduct any business operations. In April 2000, we purchased all of the equity interests of Fortune Software (Beijing) Limited and renamed it China Finance Online (Beijing) Co., Ltd., or CFO Beijing, whereby we acquired our website, *www.jrj.com.cn*, and commenced our online financial and listed company data and information operations. In October 2004, we purchased another domain name, *www.jrj.com*, and commenced operating our business under this domain name in March 2005. We maintain the same content under both domain names.

Since we commercially launched our service offerings in April 2001, we have conducted substantially all of our operations in China through our wholly owned subsidiary, CFO Beijing, until December 2004. In December 2004, we incorporated a new wholly foreign-owned enterprise, Fortune Software (Beijing) Co., Ltd., or CFO Software. As wholly foreign-owned enterprises, CFO Beijing and CFO Software are not permitted under PRC law to provide Internet information content, which requires special licenses from the MIIT or its local branches. In order to comply with foreign ownership restrictions, we operate our website in China through Beijing Fuhua Innovation Technology Development Co., Ltd., or CFO Fuhua, which holds the licenses required to be an Internet information content provider under the relevant PRC laws. Zhiwei Zhao, our chief executive officer, and Jun Wang, our chief financial officer, hold 45% and 55% of the equity interests in CFO Fuhua, respectively.

In October 2004, we completed the initial public offering of our ADSs, each of which represents five of our ordinary shares, and listed our ADSs on Nasdaq.

In June 2006, we were certified by SSE Infonet Ltd. Co (formerly known as Shanghai Stock Exchange Information Network Co., Ltd.) to develop service packages based on Level II quotes (which provide insight into stock price movements, as well as faster and more comprehensive trading data) and upgrade the features and functions of our products.

In September 2006, we entered into an agreement to acquire all the equity interest in CFO Genius, a financial information database provider primarily serving domestic securities and investment firms. CFO Genius engages in the business of constructing and maintaining financial database and data terminal products for financial institutions and research academics. CFO Genius was the first of its kind in China to provide such services for domestic securities and investment firms at the time of its establishment in 1994. The acquisition strengthened our position in the industry and provides future opportunities to develop database products.

In October 2006, we acquired each of CFO Stockstar and CFO Meining, a related company of CFO Stockstar that operates *www.stockstar.com*. Under the definitive agreements, we and one of our affiliates paid US\$6.5 million and RMB12 million, respectively, for an aggregate consideration of approximately US\$8 million, in exchange for 100% of the equity of CFO Stockstar and 100% of the equity of CFO Meining. Established in 1996, *www.stockstar.com* is one of the leading finance and securities websites in China.

## **Table of Contents**

In October 2007, we formed a strategic alliance with China Center for Financial Research, or CCFR, of Tsinghua University, one of the most reputable universities in China, primarily in the area of financial database development. We receive exclusive technical advice and support from CCFR on the development of financial database and analytics. We also cooperate with CCFR on other areas including training, product development, investor education and related areas. This collaboration enables us to further solidify our leading position in providing financial information, data and analytics in China.

In November 2007, we successfully completed the acquisition of Daily Growth Securities (formerly known as Daily Growth Investment Company Limited), a licensed securities brokerage firm incorporated in Hong Kong with a history of over 36 years. Under the definitive agreement, we acquired 85% equity interest of Daily Growth Securities for approximately \$3.6 million. By acquiring and fully integrating Daily Growth Securities, with our existing resources, particularly the investor base of our premium websites jrj.com and stockstar.com, our long-term goal is to provide a diversified portfolio of brokerage and informational services to our users and improve the monetization rate of our website user base by capitalizing our users' growing interest in investing in Hong Kong-listed securities. In 2008, we raised the authorized and issued share capital of Daily Growth Securities; consequently, the total percentage of beneficial ownership by CFO Hong Kong increased from 85% to 100%. On November 1, 2010, Daily Growth Holdings granted restricted stock awards representing 15% of its ordinary shares pursuant to the 2010 Equity Incentive Plan of Daily Growth Holdings to awardees who are eligible to participate in the plan. In connection with such awards, we transferred 15% of the ordinary shares of Daily Growth Holdings to an entity representing the eligible awardees. CFO Hong Kong currently holds 85% of the equity interests of Daily Growth Securities, Daily Growth Futures, a licensed futures contract trading firm incorporated in Hong Kong, Daily Growth Wealth Management Limited, or Daily Growth Wealth Management, and Daily Growth Investment Services Limited, or Daily Growth Investment Services, companies incorporated in Hong Kong. We intend that all the equity interests held or to be held by CFO Hong Kong in a financial service related business will be integrated into Daily Growth Holdings, thereby making Daily Growth Holdings our platform to develop financial service related business outside China.

In January 2008, we entered into a strategic alliance with China Telecom, one of the largest telecommunications services providers in China, with the purpose to deliver a variety of financial information services to China Telecom's broadband subscribers and fixed line users. Under the agreement, the two parties will establish and maintain a co-branded finance channel on China Telecom's broadband portal Vnet.cn, a website owned by China Telecom that also serves as the payment platform for its broadband subscribers for various internet value-added services. China Telecom distributes our products and services through Vnet.cn as well as its business halls in China, and the two parties share revenues generated from such products and services according to the agreed-upon scheme under the alliance agreement. We believe that this strategic alliance further solidifies our leading position in providing financial information, data and analytics in China and also bring us a unique opportunity to further enhance our brand awareness among tens of millions of potential users.

In December 2008, we discontinued TopView products after the SSE Infonet Co. Ltd., a subsidiary of Shanghai Stock Exchange, informed us that it would no longer provide TopView market data to third-party vendors effective January 1, 2009. TopView is a series of trading data and statistics for stocks listed on Shanghai Stock Exchange. Previously, we had begun to distribute TopView data in early 2008 and had integrated TopView into some of our products.

In October 2008, we entered into a series of contractual arrangements with CFO Newrand and its shareholders. CFO Newrand is a CSRC licensed securities investment advisory firm, which also wholly owns a Shengzhen Bureau of Education licensed securities investment training center providing professional training opportunities in the areas of finance, investment, wealth management and risk management. As a result of the contractual arrangements, we became the beneficiary of CFO Newrand and accordingly we consolidate the results of operations of CFO Newrand in our financial statements. The net cash consideration for the beneficial interests we have obtained in CFO Newrand is US\$3.83 million.

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**Table of Contents**

In January 2009, we entered into a series of contractual arrangements with CFO Chuangying and its individual shareholders, Yang Yang and Zhenfei Fan, who further transferred their shares to Zhiwei Zhao and Jun Wang. CFO Chuangying (formerly known as Guangzhou Boxin Investment Advisory Co., Ltd.) is a CSRC licensed securities investment advisory firm. The net cash consideration for the beneficial interests we have obtained in CFO Chuangying is US\$0.59 million.

In November 2009, one of the company's variable interest entities, CFO Chongzhi, acquired 80% of the equity interest of CFO Securities Consulting, which is a CRSC licensed securities investment advisory firm. As a result of the contractual arrangements, we became the primary beneficiary of CFO Securities Consulting. The net cash consideration for the beneficial interests we have obtained in CFO Securities Consulting is US\$1.33 million. In November 2010, we raised the share capital of US\$3.76 million in CFO Securities Consulting; consequently, our beneficiary interest in CFO Securities Consulting increased from 80% to 92.5%. On November 17, 2010 and December 20, 2010, CFO Chongzhi obtained the remaining 5% and 2.5% equity interest in CFO Securities Consulting for total consideration of US\$0.38 million, consequently our total percentage of beneficial interest of CFO Securities Consulting increased from 92.5% to 100%.

As a result of the contractual arrangements, we became the beneficiary of CFO Newrand, CFO Chuangying and CFO Securities Consulting, and accordingly we consolidate the results of operations of CFO Newrand, CFO Chuangying and CFO Securities Consulting in our financial statements. We also indirectly became the beneficiary of securities investment advisory licenses and the investment education license of CFO Newrand Training issued by the Shenzhen Bureau of Education, which will enable us to offer investment research and advisory services to individual and institutional clients, and provide a wide range of investor education services to our customers in the future. In October 2010, the CSRC promulgated the New Provisional Regulations, effective January 1, 2011. The *Provisional Regulations on Securities Investment Advisory* now allows securities investment advisory companies to provide advisory services for securities and related products under the framework of the provisional regulations and receive service compensation. We are strategizing to provide investment advisory-related services. The arrangements with CFO Newrand, CFO Chuangying and CFO Securities Consulting are part of our long-term strategic roadmap to become a comprehensive financial service provider.

In October 2009, we entered into a definitive agreement with HKEx-IS, a business subsidiary of Hong Kong Exchanges and Clearing Limited Group. Under the agreement, [www.jrj.com](http://www.jrj.com), one of the most popular Chinese finance websites owned by us, will become the first HKEx-IS designated finance portal in mainland China to provide free real-time basic market prices to global investors. The trial version of the services commenced on October 5, 2009, and the official launch of the services commenced on January 1, 2010. *JRJ.com* has been authorized to provide free real-time prices of all securities traded on the Hong Kong Stock Exchange.

In October 2009, we formed a strategic partnership with China Unicom to become the exclusive content provider of financial news and market data for its 3G mobile portal (<http://iphone.wo.com.cn>). China Unicom is the designated mobile carrier to offer the iPhone and its related 3G data services in China. The beta site went live in late October 2009 and Phase II has been up and running since March 12, 2010.

In April 2010, we entered into a definitive agreement with CCFEX to provide real-time coverage on China's newly introduced stock index futures. Pursuant to the agreement, CCFEX has authorized us to provide all the data including market information, trading data and other information or data related to stock index futures products to end users in mainland China. In February 2010, the State Council of China approved the introduction of stock index futures. The stock index futures is intended to enhance the foundation of China's capital market, increase the trading mechanism of securities, complete the market function, stabilize the market operation and promote the healthy development of the capital market. This important strategic partnership represents another key milestone as we strive to become the one-stop source of all financial and investment information, data and analytics for our current vast registered user base.

## **Table of Contents**

In April 2010, we were certified by Shenzhen Securities Information Co., Ltd. to develop service packages based on Level II quotes, and upgrade the features and functions of our current products. The definitive agreement is contemplated to continue through March 31, 2012. Level II quotes give investors unique insight into a stock's price movement, which, we believe, is of great value to Chinese investors.

On July 6, 2010, our flagship website, *jrj.com*, has entered into an exclusive agreement to form a strategic partnership with the China Academy of International Trade and Economic Cooperation (CAITEC), a Ministry of Commerce organization. Under the partnership, we will consolidate and streamline CAITEC's Themis Financial Safety data regarding companies listed on both the Shanghai and Shenzhen Stock Exchanges and distribute to our paid subscribers. Traditionally only available to institutional investors, authoritative third-party assessments on listed companies' financial soundness are now being offered for the first time to Chinese retail investors to enhance their analytical and informational competitiveness, and to promote the healthy development of China's capital markets.

In 2010, we reinforced and expanded internet-based capabilities through new initiatives such as a financial microblogging and trading simulations. We launched a leading financial microblogging platform, Ganniu, to enable investors to share with each other their investment opinions, to gain valuable insight from experienced investors and to follow the latest developments in the market. We also created trading simulation platforms for the trading simulation of mainland stocks. We also pioneered the simulation for funds, Hong Kong stocks and index futures. Simulation platforms have provided educational platform for users to gain investment knowledge and improve investment techniques. The platforms have boosted our brand image and users outreach among Chinese investors.

On January 3, 2011, our ADSs have been elevated to trade on the NASDAQ Global Select Market. The NASDAQ Global Select Market is designated for public companies that meet the highest initial listing standards in the world. Inclusion in the world-class blue chip market is a significant milestone of our progress and is indicative of our commitment to high standards and good governance, and marks our achievement, leadership and stature.

Our principal executive offices are currently located at 9th Floor of Tower C, Corporate Square, No. 35 Financial Street, Xicheng District, Beijing 100033, People's Republic of China and our telephone number is (8610) 5832-5288.

## **B. Business overview.**

We are the technology-driven, user-focused market leader in China in providing vertically integrated financial services including news, data, analytics and brokerage through web portals, software systems, and mobile handsets. Through the web portals, <http://www.jrj.com> and <http://www.stockstar.com>, we provide individual users with subscription-based service packages that integrate financial and listed company data, information and analytics from multiple sources with features and functions such as data and information search, retrieval, delivery, storage and analysis. These features and functions are delivered through proprietary software available by download, through internet or through mobile handsets. Through our subsidiary, CFO Genius, we provide financial information database and analytics to institutional customers including domestic securities and investment firms. Through our subsidiary, Daily Growth Securities, we provide securities brokerage services for stocks listed on the Hong Kong Stock Exchange.

## **Table of Contents**

Our service offerings to users are used by and targeted at a broad range of investors in China, including individual investors managing their own money, professional investors such as institutional investors managing large sums of money on behalf of their clients and high net worth individuals, other financial professionals such as investment bankers, stock analysts and financial reporters, and middle class individuals. Most, if not all, all of our research tools are designed for and tailored toward investors in China, allowing them to make informed investment decisions with respect to all of China's and Hong Kong's listed company stocks, bonds, mutual funds and stock index futures based on specifications and analyses determined by the investors.

Users are not charged for visiting our websites or obtaining basic financial information such as real-time quotes and historical financial information for all of China's and Hong Kong's listed company stocks, bonds and mutual funds, and financial news. Our integrated information platform, which allows users to select from a range of downloadable and web-based research tools, is available only through subscription. We categorize, process and, through our subscription-based research tools and our website content, present data and research results to our subscribers, allowing them to make informed investment decisions. Our service offerings are designed to enhance our users' and subscribers' experience due to the following characteristics:

### *Comprehensiveness.*

We offer a broad range of data and information regarding China's and Hong Kong's listed company stocks, bonds, mutual funds and stock index futures. We offer more than basic financial data such as price and trading information and provide our subscribers with breaking economic and financial news, detailed historical data and information, financial analysis tools, market coverage and listed company analysis and online forums that facilitate our subscribers' own investment analysis efforts. We believe we have built a comprehensive database of historical financial data and information on China's bonds and mutual funds with data and information dating back to December 1990, when the Shanghai and Shenzhen Stock Exchanges first opened for trading. Our database for Hong Kong listed companies traces back to 1986 with coverage of equities and warrants, financial and business description.

### *Integration.*

Our information platform integrates data and information from multiple, credible sources with features and functions such as data and information search, retrieval, delivery, storage and analysis. Our platform integrates all of the research tools, data and other information we have developed or gathered and, together with our screen layout and menu options, displays them in a manner designed for ease of use. The content and technology comprising our integrated information platform is also designed to be adaptable so that as we develop new research tools, content and features, these new research tools, content and features can be easily integrated with our existing platform. Depending on the service package chosen by the subscriber, a subscriber can have different levels of access privileges to financial analysis tools, real-time and historical data, news, research reports and online forums.

### *Interaction.*

We have established online bulletin boards and discussion forums where users can share with each other views on stocks and trends in the financial markets in China. In addition, we have introduced stock alert services that send messages to our users' mobile phones alerting them of changes in stock prices and other trading related information of their interest, according to their pre-set query parameters, allowing them to extend their experience with our services beyond the Internet.

## **Table of Contents**

### *Timeliness.*

We provide our subscribers and users access to real-time stock quotes, breaking news and updated research reports to allow them to stay current with the latest market developments. We receive real-time stock, bond, mutual fund, stock index futures quotes and other trading related information directly from the Shanghai, Shenzhen and Hong Kong Stock Exchanges and CFFEX. During an average trading day, we update our research tools between three and five seconds of receipt of new data and information from the stock exchanges. We also receive current news headlines from financial news websites and publishers and distributors of traditional media. We also have provided our subscribers and users with up-to-date personal finance news and wealth management products that we received from banks, trust companies, insurance companies and other financial institutions.

### *User-friendliness.*

Our research tools and our website are designed with a screen layout, menu options and displays that we believe any user familiar with a computer will find easy to use. From our basic web page, our users can choose a variety of financial data and information topics that interest them. Through our research tools, our subscribers have access to a large pool of historical financial data and information, which they can categorize and analyze as they determine. Our product development team works closely with our customer support personnel to update and develop information and presentation formats that our subscribers view as enhancing ease of use and increasing the informative power of our research tools and our website. Our website is also designed to accommodate users who only have low bandwidth for the Internet access.

To assist us in the delivery of comprehensive, timely and easy to use service offerings, we have developed a technology platform that utilizes the capabilities of the Internet. Our technology platform allows us to retrieve real-time quotes from each of the Shanghai, Shenzhen and Hong Kong Stock Exchanges and CFFEX, historical financial data and information on listed companies, bonds and mutual funds from data providers, research reports from securities advisory companies, futures companies and securities brokerage companies licensed to provide securities advisory services, commentaries from licensed individual securities advisors and news feeds from news publishers and media companies.

A substantial portion of our revenue is derived from annual subscription fees for our service offerings. For subscription services provided to individual investors, our current core business, we receive subscription fees at the beginning of the subscribers' subscription periods. Revenues from the subscription fees are deferred and recognized ratably over the service period.

### **Our websites**

We operate two of the most popular finance portals in China: [www.jrj.com](http://www.jrj.com) and [www.stockstar.com](http://www.stockstar.com), with broad geographic coverage of well-developed regions in China. JRJ is the abbreviation of Jin Rong Jie, which translates to the financial industry in Chinese. As of December 31, 2010, we had a total of approximately 20.2 million registered user accounts. Our registered users are Internet users who maintain a registered account with either [www.jrj.com](http://www.jrj.com) or [www.stockstar.com](http://www.stockstar.com). Our website content and our research tools are the key components of our information platform. Our websites have four primary functions, namely to:

attract visitors and market our subscription based service offerings. The pool of registered users that are attracted by the two finance portals for information and free services forms a natural target for our subscription services and brokerage services;

store content and serve as an integral part of our information platform;

serve as download platforms for our service offerings; and

display online advertisements.



## **Table of Contents**

In order to attract visitors to our websites, we offer a significant portion of our website content free of charge. This free content includes real-time stock quotes, trading volumes, pricing indicators for listed companies in China and market news from the Shanghai, Shenzhen and Hong Kong Stock Exchanges as well as on the data including market information, trading data and other information data related to Stock Index Futures from the CFFEX. Through our websites, users can also participate in online forum discussions and bulletin boards. Our websites also have an important marketing function for our subscription based service offerings. We provide examples to our visitors on our websites of the various premium content and features they can access and receive by becoming a subscriber to our value-added service offerings.

Our premium content and features are accessible through our research tools, some of which are web-based and others are computer-based. Subscribers to our web-based research tools are required to register and maintain personal accounts with our websites. These subscribers can store important information they viewed and analytical results they obtained in their personal accounts maintained at our websites, and later review that information and results using the same screen layouts and menu options our websites provide.

Subscribers to computer-based research tools can download from our website the packages they selected to their computers.

We believe our websites are designed for ease of use and accommodate low bandwidth access to the Internet. In addition, we have also historically derived some revenue from online advertising.

### **Our subscription services**

We collect, process and, through our research tools and our website content, provide to our subscribers financial analysis tools, real-time and historical data, news, research reports and online forums in one integrated information platform, allowing them to make informed investment decisions with respect to all of China's and Hong Kong's listed company stocks, bonds, mutual funds and stock index futures based on specifications determined by investors.

### ***Our features***

Through our integrated information platform, our subscribers have access to and can make use of each of our main content features: financial analysis tools, real-time and historical data, news, research reports and online forums.

We offer subscription-based services on a single information platform that integrates data and information from multiple sources with features and functions such as data and information search, retrieval, delivery, storage and analysis. We deliver these features and functions using software tools and mobile handsets that we have developed, which we refer to as research tools. Our research tools combine:

financial analysis tools that permit users to calculate and analyze quantitatively financial data;

current and historical financial data and information for China's and Hong Kong's listed company stocks, bonds, mutual funds and stock index futures;

categorized news and research reports; and

online forums and bulletin boards.

## **Table of Contents**

With our screen layout and menu options, we display our research tools in a manner designed for ease of use. The content and technology comprising our integrated information platform is also designed to be adaptable so that, as we develop new research tools and adopt new content and features, these new research tools, content and features can be easily integrated with our existing platform.

Our service offerings are broadly divided into three categories: Securities Market Information, Technical Analysis and Fundamental Analysis. As of December 31, 2010, we had a total of approximately 156,000 active paying individual subscribers, representing an increase of 32.3% from 117,900 as of December 31, 2009. Active paying individual subscribers refer to registered users who subscribe to one of our fee subscription-based services offered by either *www.jrj.com* or *www.stockstar.com* by download or through mobile devices.

Internet portal sites and their related web applications will continue to grow in importance for China's financial information market and we have taken steps in reinforcing our market leading position. These measures are expected to help our websites continue to grow their user base, improve user experience and customer loyalty, and stimulates online activities. At the same time, we continue to adopt a consistent approach focusing on product development and our financial database optimization to grow our registered and paid subscriber base and to lay the foundation for future growth.

### *Financial analysis tools.*

Our financial analysis tools are research tools that provide subscribers with the ability to quantitatively calculate and analyze financial data, which include:

***Securities market data analysis tools.*** Our securities market data service packages are developed on the basis of Level II quotes licensed from the Shanghai and Shenzhen Stock Exchanges. In June 2006, we entered into an agreement with SSE Infonet Ltd. Co, which is associated with the Shanghai Stock Exchange. Under the definitive agreement, we are certified by Shanghai Stock Exchange to develop service packages based on Level II quotes, and upgrade the features and functions of our current products. The definitive agreement was contemplated to continue through July 31, 2012.

In April 2010, we were certified by Shenzhen Securities Information Co., Ltd. to develop service packages based on Level II quotes, and upgrade the features and functions of our current products. The definitive agreement is contemplated to continue through March 31, 2012.

Level II quotes give investors unique insight into a stock's price movement, which, we believe, is of great value to Chinese investors. In addition, Level II quotes provide faster and more comprehensive trading data and statistical information on market transactions.

***Technical Analysis.*** Technical analysis involves researching historical price and volume data, patterns and trends to predict the performance of a given stock. This type of analysis focuses on chart formations and formulas in identifying major and minor trends to recognize buying opportunities and exit points.

***Fundamental Analysis.*** Fundamental analysis involves examining the company's financials and operations, especially sales, earnings, growth potential, assets, debt, management, products, and competition. Fundamental Analysis takes into consideration only those variables that are directly related to the company itself, rather than the overall state of the market or technical analysis data.

## **Table of Contents**

These tools allow our subscribers to perform fundamental and technical analysis on companies, bonds and mutual funds listed on the Shanghai, Shenzhen and Hong Kong Stock Exchanges, based on current and historical financial data and information, trading volumes and other user specifications.

### *Real-time and historical data.*

Our integrated information platform offers subscribers interactive charts, quotes, reports and indicators on over 10,000 securities, including company stocks, bonds, warrants and mutual funds, listed on China's Shanghai, Shenzhen and Hong Kong Stock Exchanges. Users can search by company name or ticker symbol for real-time stock quotes of these securities. Trading data is provided to us on a real-time basis by each of the Shanghai, Shenzhen and Hong Kong Stock Exchanges and CFFEX. We collect, categorize, organize and index trading data provided to us to allow searches, sorting and analysis by user specification and allow our subscribers to access and analyze the data, using our financial analysis tools and other research tools.

We also offer our subscribers detailed historical data and information on listed companies, mutual funds and bonds. This information is available for our subscribers to download from our website and is available on compact diskettes but are not accessible to general viewers. We collect historical data and information, process this information and, through our research tools, allow our subscribers to retrieve critical data and information they select.

### *News.*

Our news feature allows users to search and view breaking economic and financial news and information from China and around the world. We have a team of editorial staff who compile on daily basis economic and financial news and information reported by other public sources that are relevant to China's financial markets. Our editorial staff further indexes them according to topics and categories for the convenience of our users. Through our research tools and website content, our subscribers can access timely and customized financial information and reports, categorized and integrated into topics and sub-topics that they select, based on their investment and analysis needs. The financial data and information presented on our website or through our research tools is gathered from other financial information content providers such as major financial publications in China and intermediaries with whom we have contractual arrangements.

### *Research reports.*

Through our integrated information platform, our users can view financial news letters and analytical reports from a number of China's prominent securities professionals. We draw market research reports and commentaries from securities advisory companies, futures companies and securities brokerage companies licensed to provide securities advisory services, commentaries from licensed individual securities advisors. For our subscribers, we categorize these reports and commentaries based on topics, industry sector and other customary categorizations.

### *Online forums.*

We host several online bulletin boards on our websites by which Chinese licensed securities advisors offer their commentaries on a variety of topics ranging from macroeconomic conditions to performance of individual stocks, bonds, mutual funds and stock index futures. We do not support, comment on or advocate any views presented by any such securities advisors. We also maintain several online forums on our website, enabling our users to participate in the discussions on specific financial topics we believe will be of interest to them. The online forums are moderated by third-party moderators approved by us. We believe the online bulletin boards and discussion forums enhance our users' experience and, through our active monitoring, allow us to better understand our users' behavior and needs.

## **Table of Contents**

### ***Our research tools***

Through our research tools we have developed, our subscribers can access and analyze our content, including our real-time and historical data, news and research reports, in one integrated platform, allowing our subscribers to make informed investment decisions with respect to all of China's and Hong Kong's listed company stocks, bonds, mutual funds and stock index futures according to specifications and analyses determined by them. Some of our research tools are web-based and others require download from our website and are computer-based or mobile-based. Our subscribers pay us a subscription fee for the use of our subscription services over a specified period of time, typically 12 months.

We offer subscribers a variety of research tools designed to provide information and analysis, including financial analysis, as well as the ability to search and sort out data and information, based on subscribers' needs and preferences. For example, we make available services that permit subscribers to analyze our content using some or all of the following research tools:

*Categorized macro information.* This feature allows subscribers to search and sort up-to-date and comprehensive news and information relating to the broader financial markets or a specific financial topic or industry sector. We have a dedicated team of professional editors who collect, organize, categorize and index macro-economic and financial market information on a daily basis, according to user feedback and classification methods that we believe are accepted practice in securities markets in China.

*Industry sector analysis.* Many investors in China seek to distinguish between listed companies with investment potential and those prone to financial trouble by analyzing listed companies' financial data published in their financial statements and comparing such data among companies within the same industry sector. We collect and process listed company financial data and information according to classification methods set by relevant PRC regulatory authorities, and allow subscribers to view the relative standings of listed companies in the same industry sector or geographical locations based on market accepted performance parameters, including price-to-earnings ratios and profit margins etc.

*Fundamental analysis.* Historical and real-time financial information are important to investors because they provide insight into company fundamentals. This research tool integrates the historical and real-time trading information we maintain in our database, as well as fundamental financial information such as earnings-per-share, shareholding structure, business description and competition and other related data and information. Our subscribers can receive fundamental financial and trading information organized by their specifications and display these results on a graphical interface that we designed to be easy to visualize and navigate.

*Mutual fund analysis.* Our mutual fund research tool focuses on categorizing information relating to the portfolio holdings of mutual funds. This feature allows subscribers to study the collective effect of large market players on individual stocks. This feature also offers information relating to the performance of individual mutual funds, allowing subscribers to assess the risks and rewards of investing in mutual funds.

*Technical analysis.* This feature allows investors interested in trends formulated by historical trading data to perform technical analysis on listed companies. With over 60 markets accepted technical indicators and a complete database of historical data and information on all of China's and Hong Kong's listed company stocks, our subscribers can perform extensive chart analysis and pattern recognition on any stock listed on China's stock exchanges.

## **Table of Contents**

*Securities market data analysis.* This feature provides faster and more comprehensive trading data and statistical information on market transactions. With our Securities Market Data service packages developed on the basis of Level II quotes licensed from the Shanghai and Shenzhen Stock Exchanges, our subscribers are provided with trading transparency and unique insight into a stock price's movements, and can make more informed investment decisions.

We currently offer different service packages incorporating some or all of our research tools to our users. Our service packages provide research tools focused around three main areas: securities market data, technical analysis and fundamental analysis. We view the migration of existing subscribers and the attraction of new subscribers to our service offerings with more comprehensive research tools as one of our most important growth strategies.

### ***Pricing policy***

We price our service packages based on the research tools included and their level of comprehensiveness, as well as on market demand. Each of the securities service packages has multiple versions ranging from low end to high end with different levels of comprehensiveness in terms of features and functionality which target various levels of customer demand. Therefore, we focus on enhancing and upgrading the available features and functions of our research tools and continue to introduce updated versions of our service packages. We encourage all of our users to upgrade to newer versions of our service packages or more comprehensive service packages.

We may, from time to time, offer discounts or promotions, depending on our perceived need in accordance with our pricing policy. Any of such discounts or promotions could apply to new or repeat subscribers as we may determine.

### **Our brokerage services**

With the acquisition of Hong Kong-based Daily Growth Securities in November 2007, a licensed securities brokerage firm with a history of 36 years, we provide certain brokerage and related services to our customers who invest in stocks listed on Hong Kong Stock Exchange. Daily Growth Securities is regulated by the Hong Kong Securities and Futures Commission and Hong Kong Stock Exchange. In 2010, brokerage and related services provided by Daily Growth Securities and Daily Growth Futures represented approximately 5% of our total net revenues, and such services were not part of our core business in 2010.

### **Our online advertisement services**

We believe that our websites *www.jrj.com* and *www.stockstar.com* are among the most popular financial information websites in China. Although we believe our internet community is an attractive demographic target for advertisers because it represents an affluent, educated and technically sophisticated audience group, in 2010, we continued to allocate most of our advertising inventory to promote our own subscription-based software offerings. In 2010, revenues from advertising-related services represented approximately 12% of our total net revenues, and online advertising was not part of our core business.

## **Table of Contents**

### **Customer support**

Our customer support center provides our subscribers real-time and personal support. Our customer support center currently operates from 8:30 a.m. to 8:30 p.m. on weekdays and 9:30 a.m. to 6:00 p.m. on weekends and holidays. In addition, our customer support personnel assist our existing and prospective subscribers to resolve any technical problems, and perform sales and marketing functions. We have an in-house training program for our customer support personnel, which include training courses on China's securities markets, our service features and functionalities, technical problem solving skills in respect of our research tools and general customer service guidelines.

### **Our content providers**

We draw content from the Shanghai, Shenzhen and Hong Kong Stock Exchanges, which provide us with real-time stock, bond, mutual fund pricing and other information, CFFEX, which provides us with real-time stock index futures pricing, and our data providers, CFO Genius, which provide us with historical financial data and information on listed companies, bonds and mutual funds, according to our parameters, specifications and requirements. We also collect data and draw content from securities advisory companies, futures companies and securities brokerage companies licensed to provide securities advisory services, licensed individual securities advisors, and news publishers and media companies, as well as financial institutions, such as banks, trust companies and insurance companies.

#### ***Shanghai, Shenzhen and Hong Kong Stock Exchanges***

We receive real-time stock, bond and mutual fund quotes and other trading related information directly from the Shanghai, Shenzhen and Hong Kong Stock Exchanges. We have entered into an information service agreement with each of the stock exchanges pursuant to which we pay the stock exchanges fixed service fees in exchange for receiving real-time price quotes and other trading related information through satellite communication. We also have cable links to both exchanges to serve as back-ups to satellite communication data feeds.

Our agreement with SSE Infonet Ltd. Co, which is associated with the Shanghai Stock Exchange, allows us to develop service packages based on Level II quotes and upgrade the features and functions of our current products. Level II quotes give investors unique insight into a stock price's movement and provide faster and more comprehensive trading data.

Our agreement with Shenzhen Securities Information Co., Ltd., associated with the Shenzhen Stock Exchange, is contemplated to continue through March 31, 2012. Under the agreement, we are allowed to develop service packages based on Level II quotes, and upgrade the features and functions of our current products.

Our agreement with HKEx-IS, a business subsidiary of Hong Kong Exchanges and Clearing Limited Group, officially commenced on January 1, 2010. *JRJ.com* has been authorized to provide free real-time prices of all securities traded on the Hong Kong Stock Exchange.

#### ***China Financial Futures Exchange***

Our agreement with CFFEX allows us to provide real-time coverage on China's newly introduced stock index futures. Under the agreement, we may provide all the data including market information, trading data and other information or data related to Stock Index Futures products to end users in mainland China.

## **Table of Contents**

### ***Data providers***

We acquired CFO Genius in September 2006. Commencing in May 2007, CFO Genius has become our primary provider of historical data and information on listed companies, bonds and mutual funds for input into our information platform. We are able to obtain information in accordance with designated parameters, specifications and requirements. This information includes historical financial information for listed companies, significant corporate events such as mergers and acquisitions and significant changes in the shareholdings of listed companies, information concerning major shareholders of listed companies, biographical information for directors and management of listed companies, as well as financial news and other data and information.

### ***Financial Institutions, securities advisors and stock brokerages***

We have entered into cooperation contracts with various financial institutions, including banks, insurance and trust companies. According to these contracts, they will provide the personal finance information and product updates directly to us. We have also entered into cooperation arrangements with securities advisory companies, futures companies and securities brokerage companies, each licensed to provide securities advisory services. Under these arrangements, we have the right to extract market commentary and research notes taken from their websites, and to store, reproduce, market and deliver such information to our customers by means of our information platforms. We upload financial content from these websites on a regular basis. In addition, we have entered into cooperation arrangements with licensed individual securities advisors to receive through email and other means their published articles and commentaries covering a range of topics from macroeconomic conditions to performance of individual stocks, bonds and mutual funds. Many of these individual securities advisors have dedicated columns or bulletin boards maintained on our website for which they are responsible for maintenance. In October 2008, we entered into a series of contractual arrangements with CFO Newrand, a CSRC licensed securities investment advisory firm. CFO Newrand Training, a wholly owned subsidiary of CFO Newrand, is a licensed securities investment training center which provides professional training opportunities in the areas of finance, investment, wealth management and risk management. In 2009, we entered into contractual arrangements with CFO Chuangying and CFO Securities Consulting, two CSRC licensed securities investment advisory companies incorporated in the PRC to operate our securities investment advisory business. As a result of the contractual arrangements, we became the beneficiary of CFO Newrand, CFO Chuangying and CFO Securities Consulting and, accordingly, we consolidate the results of operations of CFO Newrand, CFO Chuangying and CFO Securities Consulting in our financial statements. Through the contractual arrangements with CFO Newrand, we also indirectly own securities investment advisory licenses and the investment education license of CFO Newrand Training issued by the Shenzhen Bureau of Education, which would enable us to offer investment research and advisory services to individual and institutional clients, and provide a wide range of investor education services to our customers in the future.

### ***News and media conglomerates***

We also draw content in the form of breaking headlines and other news information from publishers and distributors of traditional media.

### ***Chinese news publishers and media companies***

We are permitted under our arrangements with content partners to extract financial news, reports and information taken from their print publication channels, and to store, reproduce, market and deliver such information to our users through our website. We rely on our editorial staff to compile, for publication on our website, publicly available financial news, reports and information received from these sources that are relevant to China's financial markets.

### ***Sales and marketing***

We market our service offerings through our websites, as well as through customer support personnel at our telemarketing and customer service centers. Our websites provide detailed descriptions of our service offerings while our customer support personnel are available to explain to callers the various features of our offerings and to resolve our subscribers' technical problems. We also market our service offerings through banks, mutual funds and stock brokerage firms.

## **Table of Contents**

We charge our subscribers a subscription fee for the use of our service packages over an agree-upon service period, typically one year. Our subscribers either pay us by cash, by money order via post, by online bank transfer or by direct wiring of cash. Upon receipt of payment, we promptly activate our subscribers' accounts with us. We do not take any credit risk of our subscribers.

### **Product development**

We place significant emphasis on refining and upgrading our information platform, and on creating new and innovative features to meet the changing needs of our customers and utilizing the latest in technology and innovation. We believe that we are one of the few online financial information service providers in China that have solid in-house software development capabilities. Our ability to develop software internally allows us to broaden our service offerings and enhance our competitiveness.

Our product development team works as an integral part of our overall service offering efforts. For example, we require our product development team to conduct frequent meetings with our sales and marketing team to discuss the feasibility of new service offerings and the progress of existing product development efforts. Our product development team also works closely with our customer support team to develop features and content that is based on feedback we received from our subscribers and users.

We expect product development to remain an important part of our business as the online financial data and information services industry in China becomes increasingly sophisticated. In order to remain competitive, we expect to continue to expand our product development efforts, namely to:

increase the breadth of our service offerings through the addition of new features and functions to our service packages;

enhance our subscribers' experience by improving the quality of our research tools and website;

develop additional research tools, features and content specifically targeting the high-end subscribers; and

design and build new financial instrument service products that fit our strategies.

### **Technology and infrastructure**

Our internally developed technology infrastructure is designed to maximize the number of concurrent users we can serve, while minimizing information retrieval time for our users. We deliver electronically real-time and historical financial data and analysis tools to our users through our internally developed technology platform, which is designed specifically for our web-based and computer-based software services. Our technology platform, which consists of web server technology, database technology and a data aggregation engine, enables us to enhance performance, reliability and scalability in handling bursts of high-volume data requests during peak time, allowing users to quickly retrieve the information that they search for even during periods of high concurrent use. We own all of our servers.



## **Table of Contents**

### **Growth Strategy**

We are combining our own capability of organic growth with strategic acquisition and partnership.

Our own organic growth is achieved by:

leveraging our own website platform and other online and mobile platform to increase registered user base;

building competitiveness in product innovation and data quality to increase both the registered users and paid subscribers;

building our customer database by better understanding and in depth user data mining on our registered users;

reinforcing internet capacity through two of our industry-leading financial portal sites and related web applications to improve users experience and stickiness.

upgrading our existing service offerings and expanding our present service;

encouraging our subscribers to migrate to newer and more comprehensive service offerings.

On the other hand, strategic acquisition and partnership is achieved by:

acquiring strategic resources and capabilities in order to strength entry barriers, broaden product offering, expand business scale, diverse revenue resources and monetize registered user base; and

obtaining access to complementary resources and capabilities through strategic partnerships that enable us to penetrate into a bigger market to solidify our leading position and enhance our brand awareness.

### **Competition**

The online financial data and information services market in China is under-developed, has few substantial barriers to entry, and is fragmented, competitive and rapidly changing. The number of online financial news and information sources, who are competing for users' attention and subscriptions, has increased since we commenced operations. We anticipate that such competition can continue to intensify. More broadly, we also compete, directly and indirectly, for users and subscribers with companies in the business of providing financial data and information services, including:

publishers and distributors of traditional media, including print, radio and television as well as radio and television programs and news focused on financial news and information;

internet portals providing information on business, finance and investing;

financial information web pages offered by websites;

stock research software vendors, especially those that develop and market stock research software through stock brokerage companies;  
and

stock brokerage companies, especially stock brokerage companies with online trading capabilities.

## **Table of Contents**

Our ability to compete depends on many factors, including the comprehensiveness, timeliness and trustworthiness of our content, the market acceptance, pricing and sophistication of our analytical tools, the ease of use of our information platform and the effectiveness of our sales and marketing efforts.

China's financial information service industry is still in its developing stage with few substantial barriers to entry, which has historically caused certain unqualified companies and low-quality products to compete with us in the market. Certain unlicensed participants supplied counterfeit, illegal or low-quality and inferior products or services under our name. Such unlawful acts could not only distort market order, but also negatively impact our reputation and materially and adversely affect our future developments. In October 2010, the CSRC promulgated the *Provisional Regulations on Securities Investment Advisory* and *Provisional Regulations on Issuance of Securities Research Reports* (collectively referred to as the New Provisional Regulations), effective January 1, 2011. The New Provisional Regulations restrict the activities of those participants without licenses, thus benefitting industry leaders. Full and complete satisfactory results of the New Provisional Regulations, however, may only develop gradually over a period of time.

### **Intellectual property**

Our intellectual property is an essential element of our business operations. We rely on copyright, trademark, trade secret and other intellectual property law, as well as non-competition, confidentiality and license agreements with our employees, suppliers, business partners and others to protect our intellectual property rights. Our employees are generally required to sign agreements to acknowledge that all inventions, trade secrets, works of authorship, developments and other processes generated by them on our behalf are our property, and to assign to us any ownership rights that they may claim in those works. Despite our precautions, it may be possible for third parties to obtain and use intellectual property that we own or license without consent.

Our PRC subsidiaries and PRC-incorporated affiliates are the registered owners of 106 software copyrights, each of which has been registered with the National Copyright Administration of the PRC.

We have registered two key domain names relating to our websites, *www.jrj.com* and *www.stockstar.com*, with the Internet Corporation for Assigned Names and Numbers, or ICANN, an internationally organized, non-profit corporation. We have also registered one domain name relating to our website, *www.jrj.com.cn*, with the China Internet Network Information Center, a domain name registration service in the PRC. We currently have 33 trademarks registered with the China Trademark Office, owned by CFO Beijing, CFO Meining, CFO Genius and CFO Newrand, and nine trademarks registered in Hong Kong.

### **Regulation**

We operate our business primarily in the PRC under a legal regime consisting of the State Council, which is the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its leadership, including:

MIIT;

CSRC;

Ministry of Culture;

## **Table of Contents**

General Administration of Press and Publication (National Copyright Administration);

State Administration of Industry and Commerce;

Ministry of Public Security;

Ministry of Commerce; and

State Administration of Radio, Film and Television

The State Council and these ministries and agencies have issued a series of rules that regulate a number of different substantive areas of our business, which are discussed below.

### ***Foreign ownership restriction on Internet content provision businesses***

PRC regulations currently limit foreign ownership of companies that provide Internet content services, including our business of providing financial information and data to Internet users, to 50%. In order to comply with this foreign ownership restriction, we operate our website in China through CFO Fuhua, which is wholly owned by Zhiwei Zhao, our chief executive officer, and Jun Wang, our chief financial officer, who are both PRC citizens. Under PRC law, we cannot hold the licenses and approvals necessary to operate our website because those licenses and approvals cannot be held by foreign entities or majority foreign-owned entities. We, as a company incorporated in Hong Kong, are a foreign entity for this purpose.

There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Accordingly, we cannot assure investors that the PRC regulatory authorities will not ultimately take a view that is contrary to the opinion of our PRC legal counsel. If the PRC government finds that the agreements that establish the structure of our operations in China do not comply with PRC government restrictions on foreign investment in our industry, we could be subject to severe penalties.

### ***Licenses and permits***

There are a number of aspects of our business which require us to obtain licenses from a variety of PRC and Hong Kong regulatory authorities.

In order to host our website, CFO Fuhua and CFO Meining are required to hold an Internet content provider permit, or ICP, license issued by MIIT or its local offices. Pursuant to the revised Administrative Measures for Telecommunications Business Operating License promulgated by MIIT in March 2009, ICP operators providing value-added services in multiple provinces are required to obtain an inter-regional license (or National License) and ICP operators providing the same services in one province are required to obtain a local license (or Local License). CFO Fuhua currently holds a Local License and an ICP license both issued by the local branch of MIIT in Beijing, and CFO Meining currently holds a National License issued by MIIT and an ICP license issued by MIIT in Shanghai

A regulation issued by MIIT requires short message, or SMS, content providers to obtain an SMS license from MIIT or its local offices. We have obtained the required SMS license for the delivery of our financial short message content.

Furthermore, MIIT has promulgated rules requiring ICP license holders that provide online bulletin board services to register with, or obtain an approval from, the relevant telecommunications authorities. CFO Fuhua and CFO Meining have obtained such approval from Beijing Communications Administration and Shanghai Communications Administration, respectively, the government agency in charge of this matter.

## **Table of Contents**

CFO Fuhua holds a Radio and TV Program Production and Business Operation License which allows it to produce and publish cartoons, entertainment programs and special topic programs and an Information Network Communicated Audio-Video Program License which allows it to broadcast securities and futures information related audio-video programs through website.

The New Provisional Regulations promulgated by the CSRC in October 2010 and effective January 1, 2011 require that providers of such services should obtain securities investment advisory license that we have acquired already. Each of CFO Newrand, CFO Chuangying and CFO Securities Consulting, regulated by the CSRC, holds a securities investment advisory license which allows them to provide analytical report, strategic consulting and investment advisory services relating to securities market, share-holding system reform and market regulatory matters to its individual and corporate clients including domestic and overseas securities investors and securities trading and brokerage firms. CFO Newrand Training owns a private school license issued by Shenzhen Bureau of Education.

Daily Growth Securities, regulated by the Hong Kong Stock Exchange and Hong Kong Securities and Futures Commission, holds a type 1 license, which allows it to engage in securities trading and brokerage business in Hong Kong. Daily Growth Futures, regulated by Hong Kong Securities and Futures Commission, has obtained a type 2 license, which allows it to engage in futures contract trading business. Daily Growth Wealth Management, regulated by Hong Kong Securities and Futures Commission, obtained a type 4 license in June 2009, which allows it to engage in securities advising activities in Hong Kong.

### ***Regulation of Internet content***

The PRC government has promulgated measures relating to Internet content through a number of ministries and agencies, including MIIT, the Ministry of Culture and the General Administration of Press and Publication. These measures specifically prohibit Internet activities, which include provision of financial information through the Internet, that result in the publication of any content which is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise State security or secrets. If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

CFO Fuhua's and CFO Meining's ICP licenses expressly state that, in relation to their Internet content provision, among other things, they are not allowed to publish general news on politics, society or culture, or establish a news column, or provide such information under express heading of news. On September 25, 2005, the Press Office of the State Council and MIIT jointly promulgated the Provisions for the Administration of Internet News Information Services, in which the authorities provided an applicable definition of internet news information services and defined such news information as general news information. It further required that internet content providers that provide internet news information services within such definition must apply for a license. In practice, such license is compulsorily required when political, military or diplomatic news is involved. Our current business, specifically the provision of financial or securities related information through the Internet, will not be affected without procuring such license.

### ***Regulation of information security***

Internet content in China is also regulated and restricted by the PRC government to protect State security. The National People's Congress, China's national legislative body, has enacted a law that may subject to criminal punishment in China any effort to: (1) gain improper entry into a computer or system of strategic importance; (2) disseminate politically disruptive information; (3) leak State secrets; (4) spread false commercial information; or (5) infringe intellectual property rights.

## **Table of Contents**

The Ministry of Public Security has promulgated measures that prohibit use of the Internet in ways which, among other things, result in a leakage of State secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection rights in this regard, and we may be subject to the jurisdiction of the local security bureaus. If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

### ***Intellectual property rights***

The State Council and the National Copyright Administration have promulgated various regulations and rules relating to protection of software in China. Under these regulations and rules, software owners, licensees and transferees should register their rights in software with the National Copyright Administration or its local offices and obtain software copyright registration certificates. The National People's Congress amended the Copyright Law in 2001 and 2010 to widen the scope of works and rights that are eligible for copyright protection. The amended Copyright Law extends copyright protection to, products disseminated over the Internet and computer software. We have registered all of our self-developed software with the National Copyright Administration.

PRC law requires owners of Internet domain names to register their domain names with qualified domain name registration agencies approved by MIIT and obtain a registration certificate from such registration agencies. A registered domain name owner has an exclusive use right over its domain name.

Unregistered domain names may not receive proper legal protections and may be misappropriated by unauthorized third parties. We have registered our domain names, *www.jrj.com* and *www.stockstar.com*, with the ICANN and obtained a certificate for this domain name. ICANN is an internationally organized, non-profit corporation that has responsibility for Internet Protocol (IP) address space allocation, protocol identifier assignment, generic (gTLD) and country code (ccTLD) Top-Level Domain name system management, and root server system management functions.

### ***Website name***

A PRC law published in September 2000 requires entities and individuals operating commercial websites to register their website names with the Beijing Municipal Administration of Industry and Commerce, or Beijing AIC, which is authorized by the State Administration of Industry and Commerce, or the SAIC, as the only official registration authority in China during trial period. If any entity or individual operates a commercial website without obtaining such certificate, it may be charged a fine or imposed other penalties by the Beijing AIC. We have registered our website name, JRJ Investment and Finance Network and Stockstar with, and received commercial website name registration certificates from, Beijing AIC.

### ***Privacy protection***

PRC law does not prohibit Internet content providers from collecting and analyzing personal information from their users. We require our users to accept a user agreement whereby they agree to provide certain personal information to us. PRC law prohibits Internet content providers from disclosing to any third parties any information transmitted by users through their networks unless otherwise permitted by law. If an Internet content provider violates these regulations, MIIT or its local offices may impose penalties and the Internet content provider may be liable for damages caused to its users.

**Table of Contents**

*Advertising regulation*

On November 30, 2004, the SAIC issued the Administrative Regulations for Advertising Operation Licenses, or the Regulations, taking effect as of January 1, 2005. Pursuant to the Regulations and other related rulings, enterprises conducting online advertising activities are exempted from the previous requirement to obtain an advertising permit in addition to a business license. We proceed with our online advertising business through CFO Fuhua and CFO Meining, both of which have procured business licenses that include online advertising in their business scope.

**C. Organizational structure.**

We substantially conduct our business through our wholly owned subsidiaries in China, the significant entities of which are CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning and CFO Success.

In compliance with the PRC's foreign investment restrictions on Internet content provider services and other laws and regulations, we conduct some operations via significant domestic affiliates. We are dependent on CFO Fuhua and CFO Meining, each a wholly owned subsidiary of CFO Fuhua, to host our websites. In addition, between 2007 and 2009, we established CFO Chongzhi, CFO Qicheng, CFO Shenzhen Shangtong and other VIEs. During 2008 and 2009, we entered a series of contractual arrangements with CFO Newrand, which wholly owns CFO Newrand Training, with CFO Chuangying, and with CFO Chongzhi, which owns CFO Securities Consulting. We are dependent on CFO Newrand, CFO Chuangying and CFO Securities Consulting to conduct securities investment advisory business.

We provide diversified financial services in the Hong Kong market. In 2007, we acquired Daily Growth Securities (formerly known as Daily Growth Investment Company Limited) to provide securities brokerage services for stocks listed on Hong Kong Stock Exchange. In 2008, we raised the authorized and issued share capital of Daily Growth Securities so the total percentage of beneficial ownership by CFO Hong Kong increased from 85% to 100%. In addition, in 2008 and 2009 we established Daily Growth Futures, Daily Growth Wealth Management and Daily Growth Investment Services. On November 1, 2010, Daily Growth Holdings granted restricted stock awards representing 15% of its ordinary shares pursuant to the 2010 Equity Incentive Plan of Daily Growth Holdings to awardees who are eligible to participate in the plan. In connection with such awards, we transferred 15% of the ordinary shares of Daily Growth Holdings to an entity representing the eligible awardees. CFO Hong Kong currently holds 85% of the equity interests of Daily Growth Securities, Daily Growth Futures, Daily Growth Wealth Management and Daily Growth Investment Services.

**Table of Contents**

The following table sets forth the details of our principle subsidiaries and significant PRC-incorporated affiliates as of December 31, 2010:

<b>Name</b>	<b>Jurisdiction of Incorporation</b>	<b>Legal Ownership Interest</b>
Fortune Software (Beijing) Co., Ltd.	PRC	100%
China Finance Online (Beijing) Co., Ltd.	PRC	100%
Beijing Fuhua Innovation Technology Development Co., Ltd. *	PRC	Nil
Fortune (Beijing) Success Technology Co., Ltd.	PRC	100%
Beijing Chuangying Securities Advisory and Investment Co., Ltd.*	PRC	Nil
Shanghai Meining Computer Software Co., Ltd.*	PRC	Nil
Zhengning Information & Technology (Shanghai) Co., Ltd.	PRC	100%
Shanghai Chongzhi Co., Ltd.*	PRC	Nil
Fortune (Beijing) Qicheng Technology Co., Ltd*	PRC	Nil
Shanghai Stockstar Securities Advisory and Investment Co., Ltd. *	PRC	Nil
Jujin Software (Shenzhen) Co., Ltd.	PRC	100%
Shenzhen Genius Information Technology Co., Ltd.	PRC	100%
Shenzhen Shangtong Software Co., Ltd. *	PRC	Nil
Shenzhen Newrand Securities Advisory and Investment Co., Ltd.*	PRC	Nil
Shenzhen Newrand Securities Training Center*	PRC	Nil
Stockstar Information Technology (Shanghai) Co., Ltd.	PRC	100%
Daily Growth Financial Holdings Limited	BVI	85%
Daily Growth Futures Limited	Hong Kong	85%
Daily Growth Securities Limited	Hong Kong	85%
Daily Growth Wealth Management Limited	Hong Kong	85%
Daily Growth Investment Services Limited	Hong Kong	85%
Hong Kong Genius Information Technology Co., Ltd.	Hong Kong	100%

\*Denotes variable interest entities or subsidiaries of variable interest entities



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**Table of Contents**

PRC regulations currently limit foreign ownership of companies that provide Internet content provider services, or ICP services, which include our business of providing financial information and data to Internet users, to 50%. We are a Hong Kong company and we conduct our operations solely in China through our wholly owned subsidiaries. We are a foreign enterprise and the wholly owned subsidiaries are all foreign invested enterprises under PRC law and, accordingly, neither we nor our wholly owned subsidiaries are eligible for a license to operate ICP services or provide online advertising services. In order to comply with foreign ownership restrictions, we operate our online business in China through CFO Fuhua. We have entered into a series of contractual arrangements with CFO Fuhua and its shareholders, including contracts relating to the leasing of equipment, the licensing of our domain name, the provision of technical support services and strategic consulting and certain shareholder rights and corporate government matters in 2004. Upon the transfer of Jun Ning and Wu Chen's holdings in CFO Fuhua to Zhiwei Zhao and Jun Wang in November 2006 and October 2007, respectively, Zhiwei Zhao and Jun Wang replaced Jun Ning and Wu Chen, respectively, as a party to each of the contractual arrangements we had entered into with Jun Ning and Wu Chen with respect to their holdings in CFO Fuhua and the operation of CFO Fuhua.

***Loan Agreement.*** We entered into a loan agreement with Zhiwei Zhao effective November 30, 2006 to extend to Mr. Zhao a loan in the amount of \$163,000, for the sole purpose of financing his acquisition of the equity interests of CFO Fuhua from Jun Ning. The initial term of these loans is 10 years which may be extended upon the parties' agreement. Zhiwei Zhao can only repay the loans by transferring all of his interest in CFO Fuhua to us or a third party designated by us. When Zhiwei Zhao transfers his interest in CFO Fuhua to us or our designee, if the actual transfer price is higher than the principal amount of the loans, the amount exceeding the principal amount of the loans will be deemed as interest accrued on such loans and repaid by Zhiwei Zhao to us. While Hong Kong law limits the maximum interest payment chargeable under a loan to 60% of the outstanding principal amount per annum, this limitation would only be relevant if, at the time of a future transfer to us of the interest in CFO Fuhua held by Zhiwei Zhao, the actual value of CFO Fuhua were to have increased at an average annual rate greater than 60%. CFO Fuhua's assets currently consist primarily of registered capital and licenses to provide Internet content and advertising related services, and its operations are primarily limited to operating our free website and providing advertising related services on behalf of CFO Beijing. Accordingly, we do not believe this limitation will have a material effect on our business and operations, or will result in a material amount being paid to the shareholders of CFO Fuhua if and when they are permitted to transfer their interest in CFO Fuhua to us.

We entered into a loan agreement with Jun Wang in October 2007 to extend to Mr. Wang a loan in the amount of \$199,000 for the sole purpose of financing his acquisition of the equity interests of CFO Fuhua from Wu Chen subject to the same terms and conditions as the loan agreement we entered into with Zhiwei Zhao as discussed above.

***Purchase Option Agreement.*** Pursuant to a purchase option and cooperation agreement, or the purchase option agreement, entered into among us, CFO Beijing, Jun Ning, Wu Chen and CFO Fuhua on May 27, 2004, its subsequent amendments on November 20, 2006 upon the transfer of shares by Jun Ning to Zhiwei Zhao, and a purchase option and cooperation agreement entered into among us, CFO Beijing, Zhiwei Zhao, Jun Wang and CFO Fuhua on October 18, 2007 upon the transfer of shares by Wu Chen to Jun Wang, Zhiwei Zhao and Jun Wang jointly granted us an exclusive option to purchase all or any portion of their equity interest in CFO Fuhua, and CFO Fuhua granted us an exclusive option to purchase all of its assets if and when (1) such purchase is permitted under applicable PRC law and (2) to the extent permitted by law, Zhiwei Zhao and/or Jun Wang ceases to be a director or employee of CFO Fuhua, or either Zhiwei Zhao or Jun Wang desires to transfer his equity interest in CFO Fuhua to a party other than the existing shareholders of CFO Fuhua. We may purchase such interest or assets ourselves or designate another party to purchase such interest or assets.

## **Table of Contents**

The exercise price of the option will equal the total principal amount of the loan lent by us to Zhiwei Zhao and Jun Wang under their loan agreements to purchase their respective equity interest in CFO Fuhua, or the price required by relevant PRC law or government approval authority if such required price is higher than the total principal amount of the loans lent by us to Zhiwei Zhao and Jun Wang. We may choose to pay the purchase price payable to Zhiwei Zhao and Jun Wang by canceling our loans to Zhiwei Zhao and Jun Wang.

Following any exercise of the option, the parties will enter into a definitive share or asset purchase agreement and other related transfer documents within 30 days after written notice of exercise is delivered by us. Pursuant to the purchase option agreement, at all times before we or any party designated by us acquire 100% of CFO Fuhua's shares or assets, CFO Fuhua may not (1) sell, transfer, assign, dispose of in any manner or create any encumbrance in any form on any of its assets unless such sale, transfer, assignment, disposal or encumbrance is related to the daily operation of CFO Fuhua or has been disclosed to and consented to in writing by us; (2) enter into any transaction which may have a material effect on CFO Fuhua's assets, liabilities, operations, equity or other legal interest unless such transaction relates to the daily operation of CFO Fuhua or has been disclosed to and consented to in writing by us; or (3) distribute any dividends to its shareholders in any manner, and Zhiwei Zhao and Jun Wang may not cause CFO Fuhua to amend its articles of association to the extent such amendment may have a material effect on CFO Fuhua's assets, liabilities, operations, equity or other legal interest except for pro rata increases of registered capital required by law.

***Voting arrangement.*** Upon Zhiwei Zhao's receipt of Jun Ning's holdings in CFO Fuhua on November 20, 2006, and Jun Wang's receipt of Wu Chen's holdings in CFO Fuhua on October 18, 2007, each of Zhiwei Zhao and Jun Wang delivered an executed proxy substantially identical to the proxy executed by Jun Ning and Wu Chen, respectively, with respect to their voting rights as shareholders of CFO Fuhua.

***Share Pledge Agreement.*** Pursuant to a share pledge agreement, dated May 27, 2004, Jun Ning and Wu Chen have pledged all of their equity interest in CFO Fuhua to CFO Beijing to secure the payment obligations of CFO Fuhua under the equipment leasing agreement, the technical support agreement and the amended and restated strategic consulting agreement between CFO Beijing and CFO Fuhua. Upon Zhiwei Zhao's receipt of Jun Ning's holdings in CFO Fuhua on November 20, 2006, and Jun Wang's receipt of Wu Chen's holdings in CFO Fuhua on October 18, 2007, Zhiwei Zhao and Jun Wang replaced Jun Ning and Wu Chen, respectively, as a party to the share pledge agreement. Under this agreement entered into by and among Zhiwei Zhao, Jun Wang and CFO Beijing, each of Zhiwei Zhao and Jun Wang have agreed not to transfer, assign, pledge or in any other manner dispose of his interest in CFO Fuhua or create any other encumbrance on his interest in CFO Fuhua which may have a material effect on CFO Beijing's interest without the written consent of CFO Beijing, except the transfer of their interest in CFO Fuhua to us or the third-party assignee designated by us according to the purchase option agreement.

We entered into contractual arrangements with our affiliates including significant affiliates such as CFO Newrand, CFO Chongzhi, CFO Chuangying, CFO Qicheng and CFO Shenzhen Shangtong and their shareholders similar to agreements we had entered into with CFO Fuhua and its shareholders. As a result of these contractual arrangements we obtained substantial control and became the beneficiary of our PRC-incorporated affiliates and, accordingly, we consolidate the results of operations of our PRC-incorporated affiliates in our financial statements.

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## **Table of Contents**

### **D. Property and equipment.**

Our principal executive offices as well as our subsidiaries, CFO Beijing, CFO Software, CFO Fuhua, CFO Success, CFO Chuangying and CFO Qicheng, are currently located in Beijing, leasing approximately 5,616 square meters. CFO Stockstar, CFO Meining and CFO Zhengning, CFO Chongzhi, and CFO Securities Consulting are located in Shanghai, leasing approximately 3,767 square meters. CFO Genius, CFO Jujin, CFO Newrand, CFO Newrand Training, and CFO Shenzhen Shangtong are located in Shenzhen, leasing approximately 1,927 square meters. Daily Growth Securities, Daily Growth Futures, Wealth Management and Daily Growth Investment Services are located in Hong Kong, leasing approximately 557 square meters. We intend to seek additional office space as required for our operations as needed on commercially reasonable terms. We believe that we will be able to obtain adequate facilities, principally through the leasing of appropriate properties, to accommodate our future expansion plans.

### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

*The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included in this annual report on Form 20-F. This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words expect, anticipate, intend, believe, or similar language. All forward-looking statements included in this annual report are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided under the caption Risk factors in this annual report on Form 20-F. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.*

#### **A. Operating Results**

We are the technology-driven, user-focused market leader in China in providing vertically integrated financial services including news, data, analytics and brokerage through web portals, software systems, and mobile handsets. Through the web portals, <http://www.jrj.com> and <http://www.stockstar.com>, we provide individual users with subscription-based service packages that integrate financial and listed company data, information and analytics from multiple sources with features and functions such as data and information search, retrieval, delivery, storage and analysis. These features and functions are delivered through proprietary software available by download, through internet or through mobile handsets. Through our subsidiary, CFO Genius, we provide financial information database and analytics to institutional customers including domestic securities and investment firms. Through our subsidiary, Daily Growth Securities, we provide securities brokerage services for stocks listed on the Hong Kong Stock Exchange.

We offer subscription-based services based on a single integrated information platform that combines financial analysis tools, real-time and historical data, news, research reports and online forums. Our service offerings are used by and targeted at a broad range of investors in China, including individual investors managing their own money, professional investors such as institutional investors managing large sums of money on behalf of their clients and high net worth individuals, other financial professionals such as investment bankers, stock analysts and financial reporters, and middle class individuals.

Our net revenues increased by 11.4% to \$59.7 million in 2010 from \$53.6 million in 2009. Our net income was \$1.96 million in 2010. For subscription services provided to individual investors, we receive subscription fees at the beginning of the subscribers' subscription periods. Revenues from the subscription fees are deferred and recognized ratably over the subscription periods. Our deferred revenues were \$46.0 million as of December 31, 2010, compared to \$45.2 million as of December 31, 2009.

## **Table of Contents**

Our principal capital expenditures for 2008, 2009 and 2010 consisted of primarily purchases of servers, workstations, computers, computer software, and other items related to our network infrastructure for a total of approximately \$5.0 million, \$4.5 million and \$0.9 million, respectively.

### **Key factors affecting our operating results and financial condition**

Some of the key factors affecting our operating results and financial condition include the following:

performance of China's securities markets, and user demand for market intelligence on China's securities markets, as well as the overall performance of China's economy;

termination of our TopView series of market data analysis products. On December 31, 2008, SSE Infonet Ltd. Co terminated the provision of TopView data to third-party software vendors, including us. We subsequently terminated the offering of TopView products to our customers. Our 2009 operating results were impacted from the TopView termination;

contribution of alternative revenue resources such as revenues from online advertising;

seasonality associated with the level of activity of our users and subscribers and the trading activities of China's securities markets;

tax refund from the PRC tax authorities for value-added-taxes we are required to pay on the sale of subscriptions to our service packages;

other tax incentives we receive from PRC tax authorities resulting from CFO Success, CFO Zhengning, CFO Qicheng, and CFO Shenzhen Shangtong being the Software Enterprises; CFO Software, CFO Meining and CFO Genius being the High and New Technology companies; and CFO Stockstar, CFO Jujin, and CFO Newrand are entitled to enjoy a reduced tax rate;

our cost structure, including, in particular, our cost for raw data, bandwidth costs and personnel-related expenses;

the desirability of our service packages relative to other products and offerings available in the market;

our ability to benefit from the acquisition of CFO Stockstar, CFO Genius, Daily Growth Securities and the contractual arrangements with CFO Newrand, CFO Fuhua, CFO Chongzhi, CFO Chuangying, CFO Securities Consulting, and CFO Shenzhen Shangtong and other VIEs; and

PRC telecommunication and regulatory policies.

We derive revenues primarily from annual subscription fees from subscribers to our financial data and information services. The level of public interests in investing in China's securities market could significantly influence the demand for market intelligence on China's securities markets and our products. Such demand could be affected by the level of trading activity in China's securities markets. During the past several years, China's securities markets have experienced sizable volatility.



## **Table of Contents**

To a lesser extent, we also derive revenues through advertisement sales on our website, which contributed \$7.0 million in 2010, representing a 76% increase from the \$4.0 million contributed in 2009. Revenues from advertising accounted for 11.8% of our net revenues in 2010. We allocated most of our advertising inventories to promote our subscription-based software offerings, and hence online advertising was not considered a core service line of our business in 2010.

Our gross revenues also include the benefit of a refund from the PRC tax authorities for VAT, which we are required to pay on the sale of subscriptions to our service packages. We receive these refunds from the PRC tax authorities as part of the PRC government's policy of encouraging software development in the PRC. There is generally a one-month lapse between the time we complete a sale and pay the VAT on that sale and the time we receive the refund. We recognized approximately \$3.7 million in revenue for VAT refunds in 2010. The VAT refund policy was intended to be effective until 2010, and the policy may continue or not after 2010. In the event that the preferential tax treatment for them is discontinued, these entities will become subject to the standard tax rate at 17%, which materially increase our tax obligations.

### **Gross revenues**

We generate subscription fee revenues mostly from the sales of the service packages we currently offer, which are comprised of downloadable and web-based research tools. In general, a subscription permits the subscriber to use the selected service package for a one-year period.

The most significant factors that affect our subscription revenues are:

the number of registered user accounts on our websites;

the number of active paying individual subscribers; and

the service packages selected by our subscribers.

Although users of our website are not charged for visiting our website and obtaining basic financial information, such as real-time stock quotes and historical financial information for all of China's listed company stocks, bonds and mutual funds, financial news and research reports, these users are our primary source of existing and potential subscribers. As users frequent our website and rely on our offerings, we expect that a number of them will opt to purchase our subscription services. A substantial portion of our revenues are currently derived from our subscription services. Registered user accounts refer to user accounts registered by individuals with either *www.jrj.com* or *www.stockstar.com*. Active paying individual subscribers refer to registered users who subscribe for a fee to one of our subscription-based services offered by either *www.jrj.com* or *www.stockstar.com* by download or through the mobile devices.

We generally encourage our subscribers to migrate to newer, more comprehensive and higher priced service offerings. We price our service packages based on the research tools included and their level of comprehensiveness, as well as on market demand. From time to time, we may offer discounts to and promotional rates for our service packages, which may be offered to new subscribers or repeat subscribers.

### **Net revenues**

Our net revenues reflect a deduction from our gross revenues for business taxes and related surcharges incurred in connection with our China operations. The gross revenues of PRC entities from sales that are not subject to VAT are subject to a business tax at a rate ranging from 3% to 5%. We pay business tax in the PRC on revenues from advertising-related business and from mobile value-added services included in our subscription services.

**Table of Contents**

We derive revenue from external customers for each of the following services during the years presented:

	Years ended December 31,		
	2008	2009	2010
Subscription fees	\$ 50,598,929	\$ 47,201,162	\$ 49,518,331
Advertising revenue	2,946,389	3,985,699	7,031,219
Brokerage service revenue	956,549	2,228,630	3,003,246
Others	1,740,901	190,386	163,246
<b>Total revenue from external customers</b>	<b>\$ 56,242,768</b>	<b>\$ 53,605,877</b>	<b>\$ 59,716,042</b>

**Cost of revenues**

A large portion of costs of revenue are website maintenance expenses, which consist of bandwidth costs, personnel-related expenses, rent and content expenses for our *jrj.com* and *stockstar.com* websites. Cost of revenues accounted for 15% and 14 % of our net revenues in 2009 and 2010, respectively.

*Rent.* Rent attributable to cost of revenues reflects that portion of our rent expense that is directly used in the provision of our web content. We allocate rent to cost of revenues to the extent the space is occupied by our web content personnel.

*Bandwidth Costs.* Bandwidth fees are the fees we pay to Internet Data Center, or the IDC, for telecommunications services and for hosting our servers. We expect our bandwidth costs, as variable costs, to increase with the traffic on our websites. Our bandwidth costs could also increase if the IDC increase their service charges. Our bandwidth fees are the largest component of our cost of revenues, constituting 33% of our cost of revenues in 2010.

*Cost of raw data.* Our cost of raw data consists of fees we pay to the stock exchanges and our other data providers pursuant to our commercial agreements with those parties. These contracts are typically for a fixed rate, without regard to the level of use, for a term, typically less than three years, depending on the provider. Our cost of raw data is likely to be our most variable element of cost of revenues. Our cost of raw data is expected to increase:

if we enter into additional commercial agreements for purchasing data from new sources or if we obtain different or additional data from existing sources; or

due to rate increases we may experience in the future upon renewal of our existing agreements.

*Salary and compensation.* Salary and compensation expenses include wages, bonuses and other benefits, including welfare benefits. Salary and compensation included in our cost of revenues relate to our web content personnel.

**Operating expenses**

Our operating expenses consist of general and administrative expenses, product development expenses, and sales and marketing expenses. Stock-based compensation expenses are reported within each of the operating expense financial statement line items, as appropriate. The decrease in operating expenses, excluding stock-based compensation expenses, in absolute amount of operating expenses is primarily due to continuing strides that we have made in enhancing our operating efficiency through further cost reduction.

## **Table of Contents**

*General and administrative expenses.* General and administrative expenses primarily consist of salary and compensation for our general management, finance and administrative personnel, stock-based compensation expenses, rent, professional expenses and other expenses, including travel and other general business expenses, office supplies and depreciation for general office furniture and equipment.

*Product development expenses.* Our product development expenses primarily consist of salary and compensation expenses of personnel engaged in the research, development and implementation of our new service offerings, rent and depreciation of equipment attributable to our product development efforts.

*Sales and marketing expenses.* Our sales and marketing expenses primarily consist of salary and compensation for our sales and marketing personnel, as well as the marketing promotion fees.

## **Stock option plan and option agreements**

We adopted the 2004 Plan in January 2004. The 2004 Plan is intended to promote our success and to increase shareholder value by providing an additional means to attract, motivate, retain and reward selected directors, officers, employees and other eligible persons. We amended the 2004 Plan in September 2004, August 2006, June 2009 and June 2010, respectively. Subsequent to these amendments, the total number of ordinary shares issuable under the 2004 Plan as of December 31, 2010 is 21,688,488, including the newly increased 3,000,000 ordinary shares available for issuance under the 2004 Plan approved by our shareholders at the annual general meeting held on June 30, 2010. At the annual general meeting held on June 30, 2010, our shareholders approved the increase in the number of ordinary shares available for issuance under the 2004 Plan by 3,000,000 ordinary shares annually until December 31, 2014. We granted options under the 2004 Plan with the right to purchase up to 5,688,488 ordinary shares (including 90,000 options to eligible individual consultants and advisors) in 2004, and 627,000 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by several former employees. In 2005, we granted to selected directors, officers, employees, individual consultants and advisors under the 2004 Plan options with the right to purchase up to 5,003,000 ordinary shares, and 899,640 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by several former employees. In July 2006, we granted options to purchase up to 700,000 ordinary shares to selected officers under the 2004 Plan. In 2007, we granted to selected directors, officers, employees, individual consultants and advisors under the 2004 Plan options with the right to purchase up to 3,848,000 ordinary shares, and 172,760 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. In 2008, we granted to selected directors, officers, employees, individual consultants and advisers under the 2004 Plan options with right to purchase up to 2,820,840 ordinary shares, and 970,000 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. In 2009, we granted to selected employees under the 2004 Plan options with a right to purchase up to 10,000 ordinary shares, and 379,200 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. In 2010, we granted to selected employees under the 2004 Plan options with a right to purchase up to 3,562,000 ordinary shares, and 655,340 unvested options were forfeited and returned to the option pool as a result of resignation from employment by a few former employees. As of December 31, 2010, options to purchase 3,760,100 ordinary shares were available for future grant under the 2004 Plan.



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**Table of Contents**

The options we granted in July 2006 have an exercise price of \$1.07 per share and will expire on July 4, 2016. The options we granted in January 2007 under the 2004 Plan have an exercise price of \$0.96 per share and will expire on January 17, 2017. The options we granted in April and May, 2007 have exercise prices of \$1.25 and \$1.318 per share, respectively, and will expire on April 4, 2017 and May 9, 2017, respectively. The options we granted in August and September 2007 have exercise prices of \$2.03 and 2.188 per share, respectively, and will expire on August 26, 2017 and September 3, 2017, respectively. The options we granted in January and March, 2008, respectively, have exercise prices of \$2.44 and \$2.70 per share, respectively, and will expire on January 21, 2018 and March 18, 2018, respectively. The options we granted in June and December, 2008 have exercise prices of \$3.134 and \$1.26 per share, respectively, and will expire on June 26, 2018 and November 30, 2018, respectively. The options we granted on December 1, 2009 have exercise prices of \$1.65, and will expire on November 30, 2019. The options we granted on February 22, 2010 and October 8, 2010 have exercise prices of \$1.426 and \$1.43 per share, respectively, and will expire on February 21, 2020 and October 7, 2020, respectively.

Options granted under the 2004 Plan generally do not vest unless the grantee remains under our employment or in service with us on the given vesting date. However, in circumstances where there is a death or disability of the grantee, or a change in the control of our company, the vesting of options will be accelerated to permit immediate exercise of all options granted to a grantee. Generally, to the extent an outstanding option granted under the 2004 Plan has not vested by the date the grantee's employment or service with us terminates, the option will terminate and become unexercisable. Our board of directors may amend, alter, suspend or terminate the 2004 Plan at any time; provided, however, that our board of directors must first seek the approval of our shareholders and, if such amendment, alteration, suspension or termination would adversely affect the rights of an optionee under any option granted prior to that date, the approval of such optionee. Under the 2004 Plan, as of December 31, 2010, we have a total number of 8,221,838 options that are currently vested and exercisable for ordinary shares.

We also granted share options to purchase up to 6,829,500 ordinary shares in January 2004, under option agreements that were independent of the 2004 Plan, to other consultants and business advisors of the company, of which 5,734,500 ordinary shares have been exercised as of December 31, 2010.

On July 2, 2007, we granted restricted stock awards covering 10,558,493 of our ordinary shares under the 2007 Plan to our employees who are eligible for the 2007 Plan. The vesting of the restrictive stock is subject to us achieving certain financial performance targets stated in the 2007 Plan. In order to bind the employees together in achieving the common goal, the ordinary shares are held by C&F International Holdings Limited for the benefit of the whole group of eligible employees. Pursuant to the 2007 Plan and the restricted stock issuance and allocation agreement effective as of July 2, 2007, we issued 10,558,493 ordinary shares to C&F International Holdings Limited, a company incorporated in British Virgin Islands, which holds the ordinary shares on behalf of and exclusively for the benefit of the group of employees eligible to participate in the 2007 Plan. C&F International Holdings Limited is 100% owned by C&F Global Limited, a British Virgin Islands Company, which is in turn owned by the grantees. As of December 31, 2009, 10,558,493 ordinary shares have been issued and allotted to selected employees pursuant to the 2007 Plan. Based on our operating performance during 2008, 8,658,048 shares were activated as of December 31, 2008. Based on our operating performance during 2009, no granted share was activated in 2009. As of December 31, 2009, 7,215,040 shares were vested. In 2009, in light of the significant global economic downturn and its impact on our performance, our board amended the Grant Agreement to extend the Performance Period and the Vesting Term for another three years ending on December 31, 2012. Under the amended agreement any granted shares that are not activated as of December 31, 2010 shall become activated and be eligible to vest based on the Company's achievement of certain performance targets for 2010, 2011 and 2012. As of December 31, 2010, the total 8,658,048 shares that were activated based on our operating performance during 2008 were vested.

## **Table of Contents**

On November 1, 2010, Daily Growth Holdings granted restricted stock awards representing 15% of its ordinary shares pursuant to the 2010 Equity Incentive Plan of Daily Growth Holdings to awardees who are eligible to participate in the plan. In connection with such awards, we transferred 15% of the ordinary shares of Daily Growth Holdings to an entity representing the eligible awardees. In order to bind those awardees together to promote the common interests of the awardees, Daily Growth Holdings and the Company, the ordinary shares were transferred to, and are held by, Hopewin Asia Limited, which was incorporated in BVI, on behalf of and exclusively for the benefit of the whole group of awardees eligible to participate in the plan. We believe such incentive plan will attract, maintain and motivate our team, and we believe the plan is in our best interests and the best interests of our stockholders.

### **Critical accounting policies**

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our financial statements as their application places the most significant demands on our management's judgment.

*Revenue recognition.* We charge our subscribers a subscription fee for the right to use our service packages for, in general, a one-year period. For subscription services provided to individual investors, our subscription fee is paid in full prior to the delivery of our service packages. Therefore, we do not take any credit risk with respect to our individual subscribers. Upon receipt of payment in full, we activate our subscriber's account, marking the start of the subscription period, and promptly provide the subscriber with an account access code. We begin to recognize subscription fees as revenue upon activation of the subscriber's account and then ratably over the service period. Subscription fees that have been paid but not yet recognized are accounted for as deferred revenue on our balance sheets. Deferred revenue is reduced proportionately as revenue is recognized ratably over the service period.

We derive advertising fees from advertising sales on our website principally for fixed periods of time, which are generally less than one year. We recognize advertising fees ratably over the periods during which the advertisements are displayed on our website.

We also derive commission from brokerage services provided by Daily Growth Securities and Daily Growth Futures, which buy or sell securities on their customers' behalf. The commission income is recognized on a trade date basis as securities transactions occur.

*Income taxes.* Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net operating loss carry forwards and credits by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

## **Table of Contents**

*Stock-based compensation.* Stock-based compensation with employees is measured based on the grant date fair value of the equity instrument, we recognize the compensation costs net of a forfeiture rate on a straight-line basis over the requisite service period of the award, which is generally the vesting period of the award. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change. The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of the Company and comparable listed companies. The Company chooses the comparable companies by considering synthesis effect of the characteristics including industry, stage of life cycle, size and financial leverage.

For stock-based compensation awards issued to non-employees, we use the Black-Scholes Option Pricing Model to measure the value of options granted to non-employees at the earlier of the commitment date or the date at which the non-employee's performance is complete. Prior to the measurement date, non-employee stock-based compensation is remeasured at its fair value at each financial reporting date with any changes in the fair value recorded in the consolidated statements of operations.

For the nonvested shares granted with performance condition, stock-based compensation expense is recognized based on the probable outcome of the performance condition. A performance condition is not taken into consideration in determining fair value of the nonvested shares granted. For the nonvested shares granted under the 2007 Plan, the Company does not expect the performance target will be met.

*Cost method investment.* For investments in an investee over which we do not have significant influence, we carry the investment at cost and recognize income as any dividends declared from distribution of investee's earnings. We review the cost method investments for impairment whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. An impairment loss is recognized in earnings equal to the difference between the investment's cost and its fair value at the balance sheet date of the reporting period for which the assessment is made.

*Goodwill.* The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheet as goodwill.

We complete a two-step goodwill impairment test. The first step is to compare the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step is to compare the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. We perform goodwill impairment tests annually on December 31 by comparing the carrying value to the fair value of each reporting unit. Based on the company's assessment, there was no impairment of goodwill for the years ended December 31, 2008, 2009 and 2010.

## **Table of Contents**

The total carrying amount of goodwill is \$12,949,587 as of December 31, 2010; this amount is allocated to four reporting units, which are Southern China, Eastern China, Northern China and Hong Kong. For 2010, we performed the impairment assessment for goodwill for these four reporting units. The fair value of each reporting unit is substantially higher than their carrying value, respectively. Therefore, we recognized no impairment loss of goodwill in 2010.

In applying the income approach to the valuation of product sales unit, the discounted cash flow methodology was used. The following are critical assumptions in determining the fair value of the reporting unit:

The revenue growth is projected at a compound annual growth rate, or CAGR. For the years 2011-2015, the CAGR of the four reporting units are approximately 7% for each of 2011 through 2014 and 10% for 2015 for Southern China; 5%, 5%, 7%, 8%, 10% for Eastern China; 7%, 2%, 8%, 9%, 9% for Northern China and 24%, 19%, 12%, 7%, 7% for Hong Kong, which is within the range of comparable companies at the time of valuation.

In the projection period, the cost of revenues as a percentage of revenues is expected to remain stable.

Operating expenses, including selling expenses, R&D expenses and general and administrative expenses, as a percentage of sales is expected to remain stable.

To maintain normal operations, capital expenditures are estimated to be around 8%, 2%, 3%, and 3% of revenue for the four reporting units, respectively.

The working capital requirement is estimated based on main accounts turnover days.

A perpetual growth rate after 2015 is assumed to be at 3% per year for each of the four reporting units.

The weighted average cost of capital, or WACC, used in the calculation is 15%, 22%, 23% and 17% for the four reporting units, respectively.

Estimates of fair value result from a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions at a point in time. The judgments made in determining an estimate of fair value can materially impact our results of operations. The valuations are based on information available as of the impairment review date and are based on expectations and assumptions that have been deemed reasonable by management. Any changes in key assumptions, including unanticipated events and circumstances, may affect the accuracy or validity of such estimates and could potentially result in an impairment charge.

*Impairment of long-lived assets. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, we compare the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and our eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, we would recognize an impairment loss based on the fair value of the assets. There were no impairment losses in the years ended December 31, 2009 and 2010.*

**Table of Contents****Results of operations**

The following table sets forth certain information relating to our results of operations, and our consolidated statements of operations as a percentage of net revenues, for the periods indicated:

(in thousands of U.S. dollars, except as % of net revenues)	For the year ended December 31,					
	2008		2009		2010	
<b>Consolidated statement of operations and comprehensive income (loss) data:</b>						
Gross revenues	\$ 57,146	101.6%	\$ 55,108	102.8%	\$ 61,408	102.8%
Business tax	(903)	(1.6)	(1,502)	(2.8)	(1,692)	(2.8)
Net revenues	56,243	100%	53,606	100%	59,716	100%
Cost of revenues	(9,367)	(16.7)	(8,147)	(15.2)	(8,497)	(14.2)
Gross profit	46,876	83.3	45,459	84.8	51,219	85.8
Operating expenses:						
General and administrative	(15,371)	(27.3)	(16,982)	(31.7)	(13,208)	(22.1)
Product development	(5,635)	(10.0)	(10,754)	(20.1)	(13,028)	(21.8)
Sales and marketing	(13,521)	(24.0)	(26,095)	(48.7)	(26,991)	(45.2)
Total operating expenses	(34,527)	(61.4)	(53,831)	(100.4)	(53,227)	(89.1)
Government subsidies	437	0.8	567	1.1	514	0.9
Income (loss) from operations	12,786	22.7	(7,805)	(14.6)	(1,494)	(2.5)
Interest income	1,609	2.9	1,352	2.5	1,590	2.7
Interest expense					(142)	(0.2)
Exchange gain, net	1,489	2.6	2		813	1.4
Gain from trading securities			41	0.1	1,138	1.9
Other expense, net	(169)	(0.3)	(258)	(0.5)	(7)	
Income (loss) before income taxes benefit (provision)	15,715	27.9	(6,668)	(12.4)	1,898	3.2
Purchased pre-acquisition earning	227	0.4				
Income tax benefit (provision)	3,047	5.4	446	0.8	(264)	(0.4)
Net income (loss)	18,989	33.8	(6,222)	(11.6)	1,634	2.7
Less: net loss attributable to noncontrolling interests	31	0.1	2		326	0.5
Net income (loss) attributable to China Finance Online Co. Limited	\$ 19,020	33.8%	\$ (6,220)	(11.6%)	1,960	3.3%

**Year ended December 31, 2010 compared to year ended December 31, 2009****Revenues**

Our gross revenues increased by 11.4% from \$55.1 million in 2009 to \$61.4 million in 2010. For our subscription business, individual customers pay the entire subscription fee upfront in cash for services to be received over a specified period of time, typically 12 months. Such subscription fees are recognized as net revenues ratably over the service period, and those that have not been rendered at the end of a reporting period are recorded as deferred revenue in the balance sheet. Deferred revenue at the end of 2010 was \$46.0 million, compared to \$45.2 million at the end of 2009. Such increase in deferred revenue will be recorded as net revenues over the next several quarters.

Our net revenues derived from online advertising sales, which were not a sizable portion of our business in 2010, increased to \$7.0 million in 2010 from \$4.0 million in 2009.

## **Table of Contents**

Our net revenues derived from brokerage income were \$3.0 million in 2010, representing 5.0% of total net revenues for the year.

Our business taxes attributable to our gross revenues increased from \$1.5 million in 2009 to \$1.7 million in 2010, primarily due to the increase in volume of our advertising businesses. After taking into account business taxes attributable to our gross revenues, our net revenues increased by 11.4% to \$59.7 million in 2010 from \$53.6 million in 2009.

### ***Cost of revenues***

Our cost of revenues in 2010 increased by 4.9% to \$8.5 million from \$8.1 million in 2009, primarily due to the incurrence of Level-2 quote expenses associated with the Shenzhen Stock Exchange, which began in 2010 but did not exist in 2009, and the increase in payroll costs.

### ***Gross profit***

As a result of the foregoing, our gross profit increased by 12.7% to \$51.2 million in 2010 from \$45.4 million in 2009.

### ***Operating expenses***

Our operating expenses slightly decreased by 1.1% to \$53.2 million in 2010 from \$53.8 million in 2009. Operating expenses as a percentage of net revenues decreased to 89.1% in 2010 from 100.4% in 2009.

*General and administrative.* Our general and administrative expenses decreased by 22.2% to \$13.2 million in 2010 from \$17.0 million in 2009. The decrease in general and administrative expenses excluding stock-based compensation expenses primarily due to a decrease in payroll costs as we continue to streamline operations through efficiency enhancements. In addition, based on the Company's operating performance during 2008 and 2009, 4,329,024, 2,886,016 and 1,443,008 shares were vested in 2008, 2009 and 2010. Our general and administrative expenses as a percentage of net revenues decreased to 22.1% in 2010 from 31.7% in 2009.

*Product development.* Our product development expenses increased by 21.1% to \$13.0 million in 2010 from \$10.7 million in 2009, as the company continues to invest in data, product and technical capability to build solid foundation. Our product development expenses increased as a percentage of net revenues to 21.8% in 2010 from 20.1% in 2009.

*Sales and marketing.* Our sales and marketing expenses increased by 3.4% to \$27.0 million in 2010 from \$26.1 million in 2009. This was primarily due to an increase in marketing promotion expense. Our sales and marketing expenses as a percentage of net revenues decreased to 45.2% in 2010 from 48.7% in 2009.

### ***Income (loss) from operations***

Our loss from operations was \$1.5 million compared to operating loss of \$7.8 million in 2009, and our operating margin increased to negative 2.5% in 2010 from negative 14.6% in 2009.

### ***Interest income***

Our interest income increased by 17.6% to \$1.59 million in 2010 from \$1.35 million in 2009.

### ***Interest expense***

Our interest expense was \$142,000 and nil in 2010 and 2009, respectively.

**Table of Contents**

***Gain from trading securities*** Our gain from trading securities increased to \$1.1 million in 2010 from \$41,000 in 2009.

***Income tax benefit (provision)***

Our wholly owned subsidiaries and variable interest entities, CFO Success, CFO Zhengning, CFO Qicheng and CFO Shenzhen Shangtong, are classified as Software Enterprises. CFO Success enjoyed exemption from enterprise income tax for 2008 and 2009, and a preferential enterprise income tax rate of 12.5% from 2010 to 2012. CFO Shenzheng Shangtong and CFO Qicheng enjoy exemption from enterprise income tax for 2010 and 2011, and a preferential enterprise income tax rate of 12.5% from 2012 to 2014. In March 2009, the local tax authority published a guideline on EIT law. According to the new implementation details, CFO Zhengning, designated as Software Enterprises, obtained from the relevant local tax authority a 50% reduction of its transitional tax rate, which would be subject to income tax at the rate of 12.5% before the guideline came in force. CFO Zhengning enjoys a reduced tax rate of 10%, 11% and 12% for 2009, 2010 and 2011, respectively, and an eventual transition to the standard 25% in 2012.

On April 14, 2008, the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation jointly issued the Administrative Measures on the Recognition of High and New Technology Enterprises, or the Recognition Rules, effective on January 1, 2008. According to the Recognition Rules, the provincial counterparts of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation shall jointly determine whether an enterprise is qualified as a high and new technology enterprise under the EIT Law. In making such determination, these government agencies shall consider, among other factors, ownership of core technology, whether the products or services fall within the scope of high and new technology strongly supported by the state as specified in the Recognition Rules, the ratios of technical personnel and research and development (R&D) personnel to total personnel, the ratio of R&D expenditures to annual sales revenues, the ratio of revenues attributed to high and new technology products or services to total revenues, and other measures set forth in relevant guidance. In 2008, CFO Software, CFO Genius and CFO Meining were designated by relevant government authorities as High and New Technology Enterprises under the EIT Law. therefore, CFO Software, CFO Genius and CFO Meining are entitled to enjoy a preferential tax treatment as long as they maintain their qualification as High and New Technology Enterprises under the EIT Law. CFO Software enjoys a preferential tax rate of 7.5% from 2008 to 2010. CFO Genius and CFO Meining enjoy preferential tax treatment and a preferential enterprise income tax rate of 15% from 2008 to 2010. The High and New Technology Enterprises qualification is valid for three years from the date of award, and Enterprises should submit the application for renewal. There is no assurance that CFO Software, CFO Genius and CFO Meining will continue to qualify as the High and New Technology Enterprises when they are subject to reevaluation and enjoy the preferential tax treatment in the future. In the event that the preferential tax treatment for them is discontinued, these entities will become subject to the standard tax rate at 25%, which materially increase our tax obligations.

Furthermore, CFO Stockstar, CFO Jujin and CFO Newrand enjoy a reduced tax rate of 18%, 20%, 22% and 24% for 2008, 2009, 2010 and 2011, respectively, and an eventual transition to the standard 25% in 2012.

In addition, deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and tax credit carryforwards. Accordingly, we recognized an income tax provision of \$264,000 for 2010 compared to an income tax benefit of \$446,000 for 2009.

## **Table of Contents**

### ***Net income / (loss) attributable to the Company***

Our net income attributable to the Company was \$2.0 million in 2010 compared to a net loss attributable to the Company of \$6.2 million in 2009, and our net income margin increased to 3.3% in 2010 from negative 11.6% in 2009.

### **Year ended December 31, 2009 compared to year ended December 31, 2008**

#### ***Revenues***

Our gross revenues decreased by 3.6% from \$57.1 million in 2008 to \$55.1 million in 2009. The global financial crisis continued to impact real economy worldwide in the year 2009, and the overall investors' confidence and conviction remained tentative due to the uncertain domestic and global economy. For our subscription business, individual customers pay the entire subscription fee upfront in cash for services to be received over a specified period of time, typically 12 months. Such subscription fees are recognized as net revenues ratably over the service period, and those that have not been rendered at the end of a reporting period are recorded as deferred revenue in the balance sheet. Deferred revenue at the end of 2009 is \$45.2 million, compared to \$37.0 million at the end of 2008. Such increase in deferred revenue will be recorded as net revenues over the next several quarters.

Our net revenues derived from online advertising sales, which were not a sizable portion of our business in 2009, increased to \$4.0 million in 2009 from \$2.9 million in 2008.

Our net revenues derived from brokerage income were \$2.2 million in 2009, representing 4.2% of total net revenues for the year.

Our business taxes attributable to our gross revenues increased from \$903,000 in 2008 to \$1.5 million in 2009, primarily due to the increase in volume of our advertising businesses. After taking into account business taxes attributable to our gross revenues, our net revenues decreased by 4.7% to \$53.6 million in 2009 from \$56.2 million in 2008.

#### ***Cost of revenues***

Our cost of revenues in 2009 decreased by 13% to \$8.1 million from \$9.4 million in 2008, primarily due to the termination of TopView products to our customers, which was effective on January 1, 2009.

#### ***Gross profit***

As a result of the foregoing, our gross profit decreased by 3% to \$45.4 million in 2009 from \$46.9 million in 2008.

#### ***Operating expenses***

Our operating expenses increased by 56% to \$53.8 million in 2009 from \$34.5 million in 2008. The increase in our operating expenses was primarily due to increased headcount in sales and marketing, product development and web portal operations as well as additional marketing expenses associated with partnership expansion. Operating expenses as a percentage of net revenues increased to 100.4% in 2009 from 61.4% in 2008.

*General and administrative.* Our general and administrative expenses increased by 10% to \$17.0 million in 2009 from \$15.4 million in 2008 due primarily to an increase in our employee headcount. Our general and administrative expenses as a percentage of net revenues increased to 31.7% in 2009 from 27.3% in 2008.



## **Table of Contents**

*Product development.* Our product development expenses increased by 91% to \$10.7 million in 2009 from \$5.6 million in 2008, primarily due to increased headcount in product development. Our product development expenses increased as a percentage of net revenues to 20.1% in 2009 from 10.0% in 2008.

*Sales and marketing.* Our sales and marketing expenses increased by 93% to \$26.1 million in 2009 from \$13.5 million in 2008. This was primarily due to an increase in compensation expenses, particularly commissions and bonus, to our sales and marketing personnel of 6.4 million, and an increase in advertising fees and marketing promotion expense of 3.2 million. Our sales and marketing expenses as a percentage of net revenues increased to 48.7% in 2009 from 24.0% in 2008.

### ***Income (loss) from operations***

Our loss from operations was \$7.8 million compared to operating income of \$12.8 million in 2008, and our operating margin decreased to -14.6% in 2009 from 22.7% in 2008.

### ***Interest income***

Our interest income decreased by 16% to \$1.4 million in 2009 from \$1.6 million in 2008.

### ***Loss from impairment of cost method investment***

In December 2005, we purchased 9,800,000 Series B preferred shares in Moloon for \$15,000,000, which represents a 25% interest in Moloon on an if-converted basis. We do not exert significant influence over the operating and financial activities of Moloon, and, accordingly, the investment has been recorded as a cost method investment.

Moloon is a Chinese wireless technology and service provider. During the second half of 2006, China Mobile Communication Corporation announced policy changes which, among others, required mobile value-added service, or MVAS, providers to extend free trial periods for customers prior to subscriptions and to send reminders to customers confirming new and existing subscriptions. These policy changes had a substantial negative impact on Moloon's MVAS business. Consequently, following an independent valuation prepared by American Appraisal China Limited, we determined that our investment in Moloon was impaired and recorded an impairment loss of approximately \$1.3 million in our consolidated statements of operations for 2006.

Since late 2006 Moloon has taken measures to become a leading provider of mobile gaming services in China. However, despite the new strategies, Moloon's financial conditions deteriorated. Following an independent valuation of our cost method investment in Moloon prepared by American Appraisal China Limited, we recorded a non-cash investment impairment of approximately \$11.1 million in the accompanying consolidated statements of operations for 2007, reducing the carrying balance of such investment from \$12.6 million to \$1.5 million, 88% off the book value. We fully relied on the valuation prepared by American Appraisal China Limited of the company's cost method investment in Moloon and there was no impairment presented for 2008 and 2009.

We do not expect the impairment charge against our investment in Moloon, or disposal of this investment in the future if possible, to have any adverse impact on our core business.

In August 2010, Moloon was wholly acquired by Ocean Butterflies Holdings in the Share Swap Transaction. See Critical Accounting policies—Cost method investment for a further description).

**Table of Contents*****Income tax benefit***

Our wholly owned subsidiaries, CFO Zhengning and CFO Success, enjoy preferential tax treatments in China. CFO Success enjoys exemption from enterprise income tax for 2008 and 2009, and a preferential enterprise income tax rate of 12.5% from 2010 to 2012. CFO Zhengning enjoys exemption from enterprise income tax for 2008, and a preferential enterprise income tax rate of 12.5% from 2009 to 2011. In addition, CFO Software, CFO Genius and CFO Meining classified as High and New Technology Enterprises. CFO Software enjoys a preferential tax rate of 7.5% from 2008 to 2010. CFO Genius and CFO Meining enjoy preferential tax treatment and a preferential enterprise income tax rate of 15%. Furthermore, CFO Stockstar, CFO Jujin, CFO Newrand and CFO Newrand Training are entitled to enjoy a reduced tax rate of 18%, 20%, 22% and 24% for 2008, 2009, 2010 and 2011, respectively, and eventually transition to the standard 25% in 2012. In addition, deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and tax credit carryforwards. Accordingly, we recognized an income tax benefit of \$446,000 for 2009.

***Net income / (loss) attributable to the Company***

Our net loss attributable to the Company was \$6.2 million in 2009 compared to a net income attributable to the Company of \$19.0 million in 2008, and our net margin decreased to -11.6% in 2009 from 33.8% in 2008.

**B. Liquidity and capital resources.****Cash flows and working capital**

As of December 31, 2010, we had approximately \$106.8 million in cash and cash equivalents. As of the same date, we recorded a \$6.4 million short-term loan in our consolidation balance sheet. Our cash and cash equivalents primarily consist of cash on hand. We generally deposit our excess cash in interest-bearing bank accounts.

The following table shows our cash flows with respect to operating activities, investing activities and financing activities in 2008, 2009 and 2010:

(in thousands of U.S. dollars)	For the year ended December 31		
	2008	2009	2010
Net cash provided by operating activities	\$ 27,849	\$ 16,231	\$ 4,585
Net cash used in investing activities	(7,410)	(6,472)	(14,376)
Net cash provided by financing activities	573	189	7,153
Net increase (decrease) in cash and cash equivalents	22,815	9,847	(618)
Cash and cash equivalents at beginning of year	74,729	97,544	107,391
Cash and cash equivalents at end of year	\$ 97,544	\$ 107,391	\$ 106,773

Net cash provided by operating activities for 2010 decreased US\$11.6 million to US\$4.6 million from US\$16.2 million in 2009. The decrease primarily attributable to the following factors: (i) an decrease in cash receipts from the sale of services of US\$2.0 million; (ii) an increase in payment for advertising and marketing expenses of US\$4.3 million, due to marketing activities associated with registered user acquisition and product promotion; (iii) an increase in salary, sales bonus and social insurance charges paid to employees in amount of US\$1.6 million, due to an increase in wage rate; and (iv) an increase of margin loan provided to the margin clients in our brokerage service in amount of US\$3.6 million, due to higher customer demand for margin financing.

Net cash used in investing activities was \$14.4 million in 2010, compared to net cash used in investing activities of \$6.5 million in 2009.

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## **Table of Contents**

Net cash provided by financing activities was \$7.2 million in 2010, due primarily to the proceeds from a bank loan. Net cash provided by financing activities in 2009 was \$189,000. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends on our ordinary shares, or indirectly on our ADSs, for the foreseeable future.

### **Capital resources**

Our principal capital expenditures for 2008, 2009 and 2010 consisted primarily of purchases of servers, workstations, computers, computer software and other items related to our network infrastructure for a total of approximately \$5.0 million, \$4.5 million and \$906,000, respectively.

Effective June 29, 2010, China Merchants Bank Company Limited Shenzhen Branch issued a standby letter of credit in favor of Hong Kong Wing Lung Bank guaranteeing any credit that Hong Kong Wing Lung Bank grants to Hong Kong Genius Information Technology Co., Ltd., or CFO HK Genius, one of our wholly owned subsidiaries in Hong Kong. Based on the aforementioned standby letter of credit, Hong Kong Wing Lung Bank has granted CFO HK Genius a credit of a term loan facility up to HKD 20,000,000 (approximately US\$2,570,000) and a revolving loan facility of HKD 79,000,000 (approximately US\$10,150,000). Prior to the issuance of the aforementioned standby letter of credit, CFO Genius deposited RMB 96,250,000 (approximately US\$14,533,000) with China Merchants Bank Company Limited Shenzhen Branch to support CFO HK Genius credit application with Hong Kong Wing Lung Bank. As of December 31, 2010, the outstanding loan amount drawn down by CFO HK Genius is HKD 50,000,000 (approximately US\$6,424,000).

Capital expenditures in 2009 and 2010 have been, and our 2011 capital expenditures are expected to continue to be, funded through operating cash flows and through our existing capital resources. We believe that our current cash and cash equivalents, and cash flow from operations will be sufficient to meet our anticipated cash needs, including for our working capital and capital expenditure needs, for the foreseeable future. We may, however, require additional cash resources due to changes in business conditions or other future developments. If these sources are insufficient to satisfy our cash requirements, we may seek to sell debt securities or additional equity securities or obtain a credit facility. The sale of convertible debt securities or additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in debt service obligations and could result in operating and financial covenants that would restrict our operations. We cannot assure investors that financing will be available in amounts or on terms acceptable to us, if at all.

From time to time, we also evaluate possible investments, acquisitions or divestments and may, if a suitable opportunity arises, make an investment or acquisition or conduct a divestment.

### **Restricted net assets**

The PRC Enterprise Income Tax Law, or the EIT Law, provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are non-resident enterprises, to the extent such dividends are derived from sources within the PRC, and the State Council of the PRC has reduced such rate to 10% through the implementation regulations.

We are a Hong Kong holding company and the majority of our income is derived from dividends we receive from our PRC subsidiaries. Thus, dividends paid to us by our PRC subsidiaries may be subject to the 10% income tax if we are considered to be a non-resident enterprise under the EIT Law. If we are considered a PRC resident enterprise, it is unclear whether dividends we pay with respect to our ordinary shares, or the gain our shareholders may realize from the transfer of our ordinary shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. In the event that we are required under the EIT Law to withhold PRC income tax on dividends payable to our non-PRC investors that are non-resident enterprises, or that a shareholder is required to pay PRC income tax on the transfer of our ordinary shares, the value of such shareholder's investment in our ordinary shares may be materially and adversely affected.

## **Table of Contents**

In addition, prior to payment of dividends, pursuant to the laws applicable to the PRC Domestic Enterprises and PRC Foreign Investment Enterprises, the PRC entities must make appropriations from after-tax profit to non-distributable statutory reserve funds, including general reserve, enterprise expansion fund, and staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires annual appropriations of not less than 10% of after-tax profit (as determined under accounting principles and financial regulations applicable to PRC enterprises at each year-end); the other two funds are to be made at the discretion of the board of directors. These reserve funds can only be used for specific purposes and are not distributable as cash dividends.

As a result of the above and other restrictions under PRC laws and regulations, our PRC subsidiaries and affiliates are restricted in their ability to transfer a portion of their net assets to us either in the form of dividends, loans or advances. The restricted portion amounted to approximately \$74.9 million, or 70.7%, of our total consolidated net assets, as of December 31, 2010.

Even though we currently do not require any such dividends, loans or advances from our PRC subsidiaries and affiliates, we may in the future require additional cash resources from our PRC subsidiaries and affiliates due to changes in business conditions, to fund future acquisitions or developments, or merely to declare and pay dividends or distributions to our shareholders, although we currently have no intention to do so.

### **Restrictions on Renminbi conversion**

The majority of our revenues and operating expenses are denominated in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Pursuant to the Foreign Currency Administration Rules promulgated on January 29, 1996 and amended on January 14, 1997 and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from the SAFE or its local branch for conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy its foreign currency-denominated obligations. Currently, each of our PRC subsidiaries and affiliates may purchase foreign exchange for settlement of current account transactions, including payment of dividends to us and payment of license fees and service fees to foreign licensors and service providers, without the approval of SAFE. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

Each of our PRC subsidiaries and affiliates may also retain foreign exchange in their current accounts to satisfy foreign exchange liabilities or to pay dividends. However, we cannot assure investors that the relevant PRC governmental authorities will not limit or eliminate our ability to purchase and retain foreign currencies in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. Since a significant amount of our future revenues will be in the form of Renminbi, the existing and any future restrictions on currency exchange may limit our ability to utilize revenues generated in Renminbi to fund our business activities outside China, if any, or expenditures denominated in foreign currencies.

**Table of Contents****C. Research and development.**

Our research and development efforts consist of continuing to:

increase the breadth of our service offerings through the addition of new features and functions to our service packages;

enhance our subscribers' experience by improving the quality of our research tools and website; and

develop additional research tools, features and content specifically targeting the high-end subscribers.

**D. Trend information.**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2010 to December 31, 2010 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

**E. Off-balance sheet arrangements.**

We do not have any outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency forward contracts. We do not engage in trading activities involving non-exchange traded contracts.

**F. Tabular disclosure of contractual obligations.**

We have entered into arrangements relating to office premises leasing and data purchase agreement. The following sets forth our known contractual obligations as of December 31, 2010 and as of the types that are specified below:

	Office Premises	Data Purchase <i>(in U.S. dollars)</i>	Total
Less than 1 year	2,566,811	1,414,299	3,981,040
1 - 3 years	1,620,586	79,239	1,699,825
3 - 5 years			

Apart from such premises, as of December 31, 2010, we did not have any long-term debt obligations, capital (finance) lease obligations, purchase obligations or any other long-term liabilities reflected on our balance sheets with durations to maturity as are set forth in the chart directly above.

**G. Quantitative and qualitative disclosures about market risk.****Interest rate risk**

Our exposure to market rate risk for changes in interest rates relates primarily to the interest income generated by excess cash invested in short term money market accounts and certificates of deposit, as well as the interest rate exposure related to the loan facility. We have not used derivative financial instruments in our investment portfolio.

**Table of Contents**

Our future interest income may fall short of expectations due to adverse changes in interest rates. In addition, effective June 29, 2010, Hong Kong Wing Lung Bank has granted CFO HK Genius a credit of a term loan facility up to HKD 20,000,000 (approximately US\$2,570,000) and a revolving loan facility of HKD 79,000,000 (approximately US\$10,150,000). Prior to the issuance of the aforementioned standby letter of credit, CFO Genius deposited RMB 96,250,000 (approximately US\$14,533,000) with China Merchants Bank Company Limited Shenzhen Branch to support CFO HK Genius credit application with Hong Kong Wing Lung Bank. As of December 31, 2010, the outstanding loan amount drawn down by CFO HK Genius is HKD 50,000,000 (approximately US\$6,424,000). The interest rate under the credit facility is equal to interest margin plus HIBOR (Hong Kong Interbank Offered Rate) for the relevant interest period. The credit facility exposes us to market risk primarily from adverse changes in interest rate. If HIBOR increases, we may be required to pay higher rates of interest on borrowings under its credit facility.

**Foreign currency risk**

Substantially all our revenues and expenses are denominated in Renminbi and HK Dollar, and a substantial portion of our cash is kept in Renminbi and HK Dollar, but as noted above, a portion of our cash is also kept in U.S. dollars. Although we believe that, in general, our exposure to foreign exchange risks should be limited, the value of our ADSs, will be affected by the foreign exchange rate between U.S. dollars and Renminbi. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operational needs and the Renminbi appreciates against the U.S. dollar at that time, our financial position and the price of our ADSs may be adversely affected. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of declaring dividends on our ADSs or otherwise and the U.S. dollar appreciates against the Renminbi, the U.S. dollar equivalent of our earnings from our subsidiaries and controlled entities in China would be reduced.

We have recorded foreign exchange gains of \$813,000 in net income in 2010, due to the recent revaluation of RMB against the U.S. dollar by Chinese government. On July 21, 2005, the Chinese government changed its policy of pegging the value of the Renminbi to that of U.S. dollar. Under the new policy, the Renminbi has fluctuated within a narrow and managed band against a basket of certain foreign currencies. As a result, the Renminbi appreciated approximately 1% and 3% against the U.S. dollar in 2009 and 2010, respectively, and may appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long term. Since we have not engaged in any hedging activities, we may experience economic loss as a result of any foreign currency exchange rate fluctuations. As of December 31, 2010, we had cash and cash equivalents of US\$92.9 million (approximately RMB 637.7 million) which were denominated in RMB at the exchange of \$1.00 for RMB6.6227, and US\$13.4 million which were denominated in foreign currencies. Assuming a 1.0% depreciation of the RMB against the U.S. dollar, cash and cash equivalents denominated in RMB would have decreased to \$92.0 million as of December 31, 2010.

**H. Recently issued accounting pronouncements not yet adopted.**

In January, 2010, the FASB issued authoritative guidance to improve disclosures about fair value measurements. This guidance amends previous guidance on fair value measurements to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurement on a gross basis rather than as a net basis as currently required. This guidance also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This guidance is effective for annual and interim periods beginning after December 15, 2009, except for the requirement to provide the Level 3 activities of purchases, sales, issuances, and settlements on a gross basis, which will be effective for annual and interim periods beginning after December 15, 2010. Early application is permitted and in the period of initial adoption, entities are not required to provide the amended disclosures for any previous periods presented for comparative purposes. We do not expect the adoption of this pronouncement will have a significant effect on our consolidated financial position or result of operations.

**Table of Contents**

In April 2010, the FASB issued an authoritative pronouncement regarding the milestone method of revenue recognition. The scope of this pronouncement is limited to arrangements that include milestones relating to research or development deliverables. The pronouncement specifies criteria that must be met for a vendor to recognize consideration that is contingent upon achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. The criteria apply to milestones in arrangements within the scope of this pronouncement regardless of whether the arrangement is determined to have single or multiple deliverables or units of accounting. The pronouncement will be effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early application is permitted. Affected entities can apply this guidance prospectively to milestones achieved after adoption. However, retrospective application to all prior periods is also permitted. We do not expect the adoption of this pronouncement will have a significant impact on our consolidated financial position or results of operations.

In December 2010, the FASB issued an authoritative pronouncement on when to perform step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The amendments in this update modify step 1 so that for those reporting units, an entity is required to perform step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the guidance is effective for impairment tests performed during entities' fiscal years (and interim periods within those years) that begin after December 15, 2010. Early adoption will not be permitted. For nonpublic entities, the guidance is effective for impairment tests performed during entities' fiscal years (and interim periods within those years) that begin after December 15, 2011. Early application for nonpublic entities is permitted; nonpublic entities that elect early application will use the same effective date as that for public entities. We do not expect the adoption of this pronouncement to have a significant impact on our consolidated financial position or results of operations. In December 2010, the FASB issued an authoritative pronouncement on disclosure of supplementary pro forma information for business combinations. The objective of this guidance is to address diversity in practice regarding the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments affect any public entity as defined by Topic 805 that enters into business combinations that are material on an individual or aggregate basis. The amendments will be effective for business combinations consummated in periods beginning after December 15, 2010, and should be applied prospectively as of the date of adoption. Early adoption is permitted. We do not expect the adoption of this pronouncement to have a significant impact on our consolidated financial position or results of operations.

**Table of Contents****ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. Directors and senior management.**

The following table sets forth the name, age and position of each director and executive officer of the date of this report.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Zhiwei Zhao	47	Chief Executive Officer and a member of the Board of Directors
Hugo Shong	54	Chairman of the Board of Directors
Kheng Nam Lee(1)	63	Director
Ling Wang(1)(2)(3)	48	Director
Fansheng Guo(1)(2)(3)	55	Director
Jun (Jeff) Wang	40	Chief Financial Officer
Caogang Li	45	Chief Operating Officer
Kiang Dalaroy	54	Chief Strategy Officer

- (1) Member, audit committee
- (2) Member, compensation committee
- (3) Member, nominations committee

The address of each of our executive officers and directors is 9th Floor of Tower C, Corporate Square, No. 35 Financial Street, Xicheng District, Beijing, China 100033.

**Biographical Information**

**Hugo Shong** has served as our director since May 2004. He was elected as the Chairman of our Board of Directors as of July 25, 2005 and has been in that position since then. Mr. Shong has been an executive vice president of International Data Group, Inc., or IDG, since 2001, the president of IDG Asia since 1995, a director of IDG Technology Venture Investment, Inc., since 1994, and a member of IDG Technology Venture Investments, LLC, the general partner of IDG Technology Venture Investments, LP, since 2000. Mr. Shong has headed a number of operations for IDG including in information technology, publishing, market research and tradeshows in the Asia Pacific region. Mr. Shong graduated from Hunan University with a Bachelor of Arts degree in English, followed by a Master of Science degree from the Boston University College of Communications.

**Zhiwei Zhao** has served as our Chief Executive Officer since June 21, 2005 and our director since July 25, 2005. Mr. Zhao was the Chairman of the Board of Directors of Abitcool Inc before joining us. Abitcool is a company that provides broadband internet services in China. It boasts the largest private Internet Data Center in China. From 1998 to 2005, he served as the General Manager of Huatong International Development Limited in Hong Kong. Mr. Zhao graduated with a Bachelor of Science degree from Huazhong University of Science and Technology.

**Kheng Nam Lee** has served as our director since May 2004. Mr. Lee is presently a Venture Partner of GGV Capital. At the same time he is Chairman of Advantec Pte Ltd, an investment holding company. Mr. Lee is also the non-executive Chairman of Vertex Management (II) Pte Ltd and Vertex Venture Holdings Ltd ( VVH ), both of which are wholly-owned subsidiaries of Temasek Holdings (Private) Limited, engaged in the venture capital direct investment and fund management business. For more than 23 years, Mr. Lee has been in leading positions in several capital investment companies that invest in many international companies in various industries. Besides the Company, Mr. Lee serves as a director of public companies, Creative Technology Ltd ( Creative ) and BCD Semiconductor Manufacturing Ltd ( BCD ). He is a member of the Audit and Compensation Committees of Creative where he had served as Chairman of the Audit Committee since 1992. Since August 2010, Mr. Lee also sits on the Audit Committee and Compensation Committees of BCD, a company listed on NASDAQ from January 2011. Mr. Lee holds a Bachelor of Science degree in mechanical engineering, with first class honors, from Queen's University, Canada and a Master of Science degree in operations research and systems analysis from the U.S. Naval Postgraduate School. Mr. Lee also got a diploma in Business Administration, University of Singapore.



## **Table of Contents**

**Ling Wang** has served as our director since May 2004. Mr. Wang is the chairman and chief executive officer of GCTech Company Limited, a company that provides systems integration and software development services to the telecommunications industry, which he founded in 1994. Since 2003, he has been a director of Tiantian Online Co. Limited, a provider of broadband Internet audio-visual programs (or Internet TV) in the PRC. Mr. Wang graduated with a Bachelor of Science degree in Mathematics from the University of Science and Technology of China, and also has a Master of Science degree in automation control from the Beijing Institute of Information Control.

**Fansheng Guo** has served as our director since May 2004. Mr. Guo is the chairman of the board of HC International, Inc., a Hong Kong listed company that provides business information services in the PRC, which he founded in 1990. Mr. Guo obtained a Bachelor of Arts degree in Industrial Economics from Renmin University of China.

**Jun (Jeff) Wang** has served as our Chief Financial Officer since August 15, 2006, and joined our company as Vice President of Finance in May 2006. Mr. Wang was a Senior Manager in the Tax and Business Advisory Services at Deloitte Beijing Office before joining us. From 2002 to 2005 Jun Wang was founder and president of Miracle Professional Services Inc., a company that provided training and financial consulting services to finance professionals. Prior to that Mr. Wang worked in Deloitte's Beijing, London and New York offices, providing tax and business advisory and management consulting services. Mr. Wang obtained his Master of Business Administration from New York University's Leonard N. Stern School of Business, his Master of Economics in accounting from Beijing Technology and Business University and his B.A. degree from Shandong University. Mr. Wang is a member of the U.S. Certified Management Accountants (CMA) and has a professional designation of Chartered Financial Analyst (CFA).

**Dr. Caogang Li** has served as our Chief Operating Officer since March 3, 2008, and joined our company as Vice President of Sales and Marketing in August 2005. Before joining us, Dr. Li was the corporate vice president of China Asset Management Co., Ltd., the largest mutual fund management firm in China in terms of asset under management. Prior to that, Dr. Li was in charge of the brokerage business at China Securities Ltd., which, now merged with CITIC Securities, was one of the leading securities firms in China. Dr. Li holds an MBA from University of Missouri, a Ph. D. in Management and a Master's degree in Economics from Nanjing University.

**Kiang Dalaroy** has served as our Chief Strategy Officer during the first quarter of 2011. Before joining us, Mr. Dalaroy was a Deputy General Manager and Chief Information Officer at the Shanghai Stock Exchange Infonet Ltd., where he pioneered Level-2 market data, XBRL financial reporting products and associated commercial models in China. Previously, Mr. Dalaroy held managerial, business development and technical positions in Reuters Group companies for fifteen years in Asia and North America. Mr. Dalaroy possesses a degree in Electrical Engineering from Taiwan's Taipei Institution of Technology, and obtained EMBA certificates from top business schools in executive development programs.

## **B. Compensation of directors and executive officers.**

In 2010, we paid aggregate cash compensation of approximately \$739,111 to our directors and executive officers as a group. We have no service contracts with any of our directors or executive officers that provide benefits to them upon termination, except for change in control agreements we entered into with each of our chief executive officer and chief financial officer. The change in control agreements provide that if after a change-of-control of our company has occurred, the chief executive officer or chief financial officer is terminated without cause or resigns for good reason, we are obligated to provide severance benefits to the chief executive or chief financial officer.

## **Table of Contents**

All of our current directors and executive officers have entered into indemnification agreements in which we agree to indemnify, to the fullest extent allowed by Hong Kong law, our charter documents or other applicable law, our directors and executive officers from any liability or expenses, unless the liability or expense arises from the director or executive officer's own willful negligence, intentional malfeasance, bad faith act, or other transactions from which the director or executive officer may not be relieved of liability under applicable law. The indemnification agreements also specify the procedures to be followed with respect to indemnification.

### **Directors and officers liability insurance**

We have renewed directors and officers liability insurance on behalf of our directors and officers that will expire in January 2012.

### **Employee's stock option plan**

We adopted the 2004 Plan in January 2004. The 2004 Plan is intended to promote our success and to increase shareholder value by providing an additional means to attract, motivate, retain and reward selected directors, officers, employees and other eligible persons. We amended the 2004 Plan in September 2004, August 2006, June 2009 and June 2010, respectively. Subsequent to these amendments, the total number of ordinary shares issuable under the 2004 Plan as of December 31, 2010 is 21,688,488, including the newly increased 3,000,000 ordinary shares available for issuance under the 2004 Plan approved by our shareholders at the annual general meeting held on June 30, 2010. At the 2010 annual general meeting, our shareholders approved the increase in the number of ordinary shares available for issuance under the 2004 Plan by 3,000,000 ordinary shares annually until December 31, 2014. In 2004, we granted to selected directors, officers, employees, individual consultants and advisors under the 2004 Plan options with the right to purchase up to 5,688,488 ordinary shares, and 627,000 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. In 2005, we granted to selected directors, officers, employees, individual consultants and advisors under the 2004 Plan options with the right to purchase up to 5,003,000 ordinary shares, and 899,640 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. In 2006, we granted options to purchase up to 700,000 ordinary shares to selected officers under the 2004 Plan. In 2007, we granted to selected directors, officers, employees, individual consultants and advisors under the 2004 Plan options with the right to purchase up to 3,848,000 ordinary shares, and 172,760 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. In 2008, we granted to selected directors, officers, employees, individual consultants and advisers under the 2004 Plan options with a right to purchase up to 2,820,840 ordinary shares, and 970,000 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by several former employees. In 2009, we granted to selected employees under the 2004 Plan options with a right to purchase up to 10,000 ordinary shares, and 379,200 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. In 2010, we granted to selected employees under the 2004 Plan options with a right to purchase up to 3,562,000 ordinary shares, and 655,340 unvested options were forfeited and returned to the option pool as a result of resignation from employment by a few former employees. As of December 31, 2010, options to purchase 3,760,100 ordinary shares were available for future grant.

**Table of Contents**

The options we granted in January and February of 2004 have an exercise price of \$0.16 per share and will expire on January 4, 2014 (This expiration date was extended from January 4, 2009, which was approved by the compensation committee). The options we granted in June 2004 have an exercise price of \$1.04 per share and will expire on June 14, 2014 (This expiration date was extended from June 14, 2009, which was approved by the compensation committee). The options we granted in February 2005 have an exercise price of \$1.31 per share and will expire on February 18, 2015. The exercise price for the 400,000 and 200,000 options we granted in November 2005 were \$1.12 and \$1.16 per share, respectively. The options we granted in July 2006 have an exercise price of \$1.07 per share and will expire on July 4, 2016. The options we granted in January 2007 under the 2004 Plan have an exercise price of \$0.96 per share and will expire on January 17, 2017. The options we granted in April and May, 2007 have exercise prices of \$1.25 and \$1.318 per share, respectively, and will expire on April 4, 2017 and May 9, 2017, respectively. The options we granted in August and September 2007 have exercise prices of \$2.03 and 2.188 per share, respectively, and will expire on August 26, 2017 and September 3, 2017, respectively. The options we granted in January and March, 2008, respectively, have exercise prices of \$2.44 and \$2.70 per share, respectively, and will expire on January 21, 2018 and March 18, 2018, respectively. The options we granted in June and December 2008 have exercise prices of \$3.134 and \$1.26 per share, respectively, and will expire on June 26, 2018 and November 30, 2018, respectively. The options we granted on December 1, 2009 have exercise prices of \$1.65, and will expire on November 30, 2019. The options we granted in February and October 2010 have exercise prices of \$1.426 and \$1.43 per share, respectively, and will expire on February 21, 2020 and October 7, 2020, respectively.

Options granted under the 2004 Plan generally do not vest unless the grantee remains under our employment or in service with us on the given vesting date. However, in circumstances where there is a death or disability of the grantee, or a change in the control of our company, the vesting of options will be accelerated to permit immediate exercise of all options granted to a grantee. Generally, to the extent an outstanding option granted under the 2004 Plan has not vested by the date the grantee's employment or service with us terminates, the option will terminate and become unexercisable. Our board of directors may amend, alter, suspend or terminate the 2004 Plan at any time, provided, however, that our board of directors must first seek the approval of our shareholders and, if such amendment, alteration, suspension or termination would adversely affect the rights of an optionee under any option granted prior to that date, the approval of such optionee. Under the 2004 Plan, as of December 31, 2010, we have a total number of 8,221,838 options that are currently vested and exercisable for ordinary shares. Under option agreements that were independent of the 2004 Plan, 1,095,000 options that are currently vested and exercisable for ordinary shares as of December 31, 2010.

The table below sets forth the option grants made to our directors and executive officers pursuant to the 2004 Plan:

	Number of ordinary Shares to be issued upon exercise of options	Exercise price per ordinary share	Date of grant	Date of expiration
Zhiwei Zhao	400,000	\$ 1.120	November 15, 2005	November 15, 2015
	400,000	\$ 1.070	July 5, 2006	July 5, 2016
	800,000	\$ 0.960	January 18, 2007	January 17, 2017
	750,000	\$ 1.426	February 22, 2010	February 21, 2020
Hugo Shong	*	\$ 0.160	January 5, 2004	January 4, 2014
	*	\$ 1.040	June 15, 2004	June 14, 2014
	*	\$ 1.314	February 18, 2005	February 18, 2015
	*	\$ 0.960	January 18, 2007	January 17, 2017
	*	\$ 1.426	February 22, 2010	February 21, 2020

**Table of Contents**

Kheng Nam Lee	*	\$ 0.160	January 5, 2004	January 4, 2014
	*	\$ 1.040	June 15, 2004	June 14, 2014
	*	\$ 1.314	February 18, 2005	February 18, 2015
	*	\$ 0.960	January 18, 2007	January 17, 2017
	*	\$ 1.426	February 22, 2010	February 21, 2020
Fansheng Guo	*	\$ 0.160	January 5, 2004	January 4, 2014
	*	\$ 1.040	June 15, 2004	June 14, 2014
	*	\$ 1.314	February 18, 2005	February 18, 2015
	*	\$ 0.960	January 18, 2007	January 17, 2017
	*	\$ 1.426	February 22, 2010	February 21, 2020
Ling Wang	*	\$ 0.160	January 5, 2004	January 4, 2014
	*	\$ 1.040	June 15, 2004	June 14, 2014
	*	\$ 1.314	February 18, 2005	February 18, 2015
	*	\$ 0.960	January 18, 2007	January 17, 2017
	*	\$ 1.426	February 22, 2010	February 21, 2020
Jun (Jeff) Wang	*	\$ 1.070	July 5, 2006	July 5, 2016
	*	\$ 0.960	January 18, 2007	January 17, 2017
	*	\$ 1.426	February 22, 2010	February 21, 2020
Caogang Li	*	\$ 1.158	November 30, 2005	November 30, 2015
	*	\$ 0.96	January 18, 2007	January 17, 2017
	*	\$ 1.426	February 22, 2010	February 21, 2020

\* Upon exercise of all options granted, would beneficially own less than 1% of our outstanding ordinary shares.

**Equity Incentive Plan**

On July 2, 2007, we granted restricted stock awards covering 10,558,493 of our ordinary shares under the 2007 Plan to our employees who are eligible for the 2007 Plan. The vesting of the restrictive stock are subject to us achieving certain financial performance targets stated in the 2007 Plan. In order to bind the employees together in achieving the common goal, the ordinary shares are held by C&F International Holdings Limited for the benefit of the whole group of eligible employees. Pursuant to the 2007 Plan and the restricted stock issuance and allocation agreement effective as of July, 2, 2007, we issued 10,558,493 ordinary shares to C&F International Holdings Limited, a company incorporated in British Virgin Islands, which holds the ordinary shares on behalf of and exclusively for the benefit of the group of employees eligible for the 2007 Plan. C&F International Holdings Limited is 100% owned by C&F Global Limited, a British Virgin Islands Company, which is in turn owned by the grantees. As of December 31, 2010, 10,558,493 ordinary shares have been issued and allotted to selected employees pursuant to the 2007 Plan.

The table below sets forth the shares issued and allotted to selected employees pursuant to the Plan:

Name	Number	Percent
<b>Selected Employees</b>		
Zhiwei Zhao	8,958,493	8.16%
Jun (Jeff) Wang	*	*
Caogang Li	*	*
All executive officers as a group (3 persons)	10,558,493	9.62%

## **Table of Contents**

Based on our operating performance for 2008, 8,658,048 shares were activated as of December 31, 2008. Based on our operating performance for 2009, no granted shares were activated in 2009. As of December 31, 2009, 7,215,040 shares were vested.

In 2009, in light of the significant global economic downturn and its impact on our performance, our board amended the Grant Agreement to extend the Performance Period and the Vesting Term for an additional three years ending on December 31, 2012. Under the amended agreement any granted shares that are not activated as of December 31, 2009 shall become activated and be eligible to vest based on the Company's achievement of certain performance targets for 2010, 2011 and 2012. Any granted shares that are activated but not yet vested as of December 31, 2009, shall continue to be eligible to vest during the remainder of the Vesting Term in accordance with the terms of the Grant Agreement.

Based on our operating performance for 2010, no more granted shares were activated in 2010. The total 8,658,048 shares that were activated based on our operating performance for 2008 were fully vested as December 31, 2010.

### **2010 Equity Incentive Plan of Daily Growth Holdings**

On November 1, 2010, Daily Growth Holdings granted restricted stock awards representing 15% of its ordinary shares pursuant to the 2010 Equity Incentive Plan of Daily Growth Holdings to awardees who are eligible to participate in the plan. In connection with such awards, we transferred 15% of the ordinary shares of Daily Growth Holdings to an entity representing the eligible awardees. In order to bind those awardees together to promote the common interests of the awardees, Daily Growth Holdings and the Company, the ordinary shares were transferred to, and are held by, Hopewin Asia Limited, which was incorporated in BVI, on behalf of and exclusively for the benefit of the whole group of awardees eligible to participate in the plan. We believe such incentive plan will attract, maintain and motivate our team, and we believe the plan is in our best interests and the best interests of our stockholders.

### **C. Board practices.**

In 2010, our directors met in person or passed resolutions by unanimous written consent six times. No director attended fewer than 75% of all the meetings of our board and its committees on which he served after becoming a member of our board. No director is entitled to any severance benefits upon termination of his directorship with us. Our board of directors has also concluded that Mr. Kheng Nam Lee meets the criteria for an audit committee financial expert as established by the SEC.

### **Board committees**

Our board of directors has established an audit committee, a compensation committee and a nominations committee.

*Audit committee.* Our audit committee currently consists of Kheng Nam Lee, Ling Wang and Fansheng Guo. Our board of directors has determined that all of our audit committee members are independent directors within the meaning of Nasdaq Listing Rule 5605(a)(2) and meet the criteria for independence set forth in Section 10A(m)(3) of the U.S. Securities Exchange Act of 1934, or the Exchange Act. Our audit committee is responsible for, among other things:

**Table of Contents**

recommending to our shareholders, if appropriate, the annual re-appointment of our independent registered public accounting firm and pre-approving all auditing and non-auditing service fees permitted to be performed by the independent registered public accounting firm;

annually reviewing an independent registered public accounting firm's report describing the independent registered public accounting firm's internal quality-control procedures, any material issues raised by the most recent internal quality control review, or peer review, of the independent registered public accounting firm and all relationships between the independent registered public accounting firm and our company;

setting clear hiring policies for employees or former employees of the independent registered public accounting firm;

reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;

reviewing and approving all proposed related-party transactions, as defined in Item 404 of Regulation S-K under the U.S. securities laws;

discussing the annual audited financial statements with management and the independent registered public accounting firm;

discussing with management and the independent registered public accounting firm major issues regarding accounting principles and financial statement presentations; reviewing reports prepared by management or the independent auditors relating to significant financial reporting issues and judgments;

reviewing reports prepared by management or the independent registered public accounting firm relating to significant financial reporting issues and judgments;

discussing earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;

reviewing with management and the independent registered public accounting firm the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on our financial statements;

discussing policies with respect to risk assessment and risk management;

reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;

timely reviewing annual reports from the independent registered public accounting firm regarding all critical accounting policies and practices to be adopted by our company, all alternative treatments of financial information within U.S. GAAP that have been discussed with management and all other material written communications between the independent registered public accounting firm and management;

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establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;

## **Table of Contents**

annually reviewing and reassessing the adequacy of our audit committee charter;

such other matters that are specifically delegated to our audit committee by our board of directors from time to time;

meeting separately, periodically, with management and the independent registered public accounting firm; and

reporting regularly to the full board of directors.

*Compensation committee.* Our current compensation committee consists of Ling Wang and Fansheng Guo. Our board of directors has determined that all of our compensation committee members are independent directors within the meaning of Nasdaq Listing Rule 5605(a)(2). Our compensation committee is responsible for:

determining and recommending the compensation of our senior management;

reviewing and making recommendations to our board of directors regarding our compensation policies and forms of compensation provided to our directors and officers;

reviewing and determining bonuses for our officers and other employees;

reviewing and determining stock-based compensation for our directors, officers, employees and consultants;

administering our equity incentive plans in accordance with the terms thereof; and

such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

*Nominations committee.* Our current nominations committee consists of Ling Wang and Fansheng Guo. Our board of directors has determined that all of our nominations committee members are independent directors within the meaning of Nasdaq Listing Rule 5605(a)(2). Our nominations committee is responsible for, among other things, selecting and recommending the appointment of new directors to our board of directors.

## **Corporate governance**

Our board of directors has adopted a code of ethics, which is applicable to our senior executive and financial officers. In addition, our board of directors has adopted a code of conduct, which is applicable to all of our directors, officers and employees. Our code of ethics and our code of conduct are publicly available on our website.

In addition, our board of directors has adopted a set of corporate governance guidelines. The guidelines reflect certain guiding principles with respect to our board's structure, procedures and committees. The guidelines are not intended to change or interpret any law, or our memorandum and articles of association.

## **Duties of directors**

Under Hong Kong law, our directors have a duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the care, diligence and skills that a reasonable person with that director's qualifications and experience would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of



association.

## **Table of Contents**

The functions and powers of our board of directors include, among others:

convening shareholders' meetings and reporting its work to shareholders at such meetings;

implementing shareholders' resolutions;

determining our business plans and investment proposals;

formulating our profit distribution plans and loss recovery plans;

determining our debt and finance policies and recommending proposals for the increase or decrease in our share capital and the issuance of debentures;

formulating our major acquisition and disposition plans, and plans for consolidation, division or dissolution;

proposing amendments to our articles of association; and

exercising any other powers conferred at shareholders' meetings or under our memorandum and articles of association.

### **Terms of directors and executive officers**

We have a staggered board, which means our directors, excluding our chief executive officer, are divided into two classes, with half of our board, excluding our chief executive officer, standing for election every two years. Our chief executive officer will at all times be a director, and will not retire as a director, so long as he remains our chief executive officer. Accordingly, our directors, excluding our chief executive officer, hold office until the second annual meeting of shareholders following their election, or until their successors have been duly elected and qualified. Our board has adopted a policy providing that no director may be nominated for re-election or re-appointment to our board after reaching 70 years of age, unless our board concludes that such person's continued service as our director is in our best interest. Officers are elected by and serve at the discretion of the board of directors.

### **D. Employees.**

Most of our full-time employees are located in Beijing, Shanghai, Shenzhen and Hong Kong with the remainder in miscellaneous locations. 760 are located in Beijing; 530 are located in Shanghai; 280 are located in Shenzhen; and 30 are located in Hong Kong as of December 31, 2010.

We believe we maintain a good working relationship with our employees.

China enacted a new Labor Contract Law, which became effective on January 1, 2008. We have updated our employment contracts and employee handbook and are in compliance with the new law. We work with the employees to insure that the employees obtain the full benefit of the new Labor Contract Law and its implementary rules. See Item 3.D. Key Information Risk Factors Risks related to our business PRC's new labor law restricts our ability to reduce our workforce in the PRC in the event of an economic downturn and may increase our labor costs.

**Table of Contents****E. Share ownership.**

As of December 31, 2010, 110,887,883 of our ordinary shares were outstanding, excluding shares issuable upon exercise of outstanding options. On that date, a total of 20,507,051 of our ADSs were outstanding.

The following table sets forth information with respect to the beneficial ownership, within the meaning of Section 13(d)(3) of the Exchange Act of our ordinary shares by:

each person known to us to own beneficially more than 5% of our ordinary shares; and

each of our directors and executive officers who beneficially own any of our ordinary shares.

Beneficial ownership includes voting or investment power with respect to the securities. Except as indicated below, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them. Percentage of beneficial ownership is based on 110,887,883 ordinary shares outstanding.

\* Unless otherwise noted, the address of each shareholder is China Finance Online (Beijing) Co., Ltd., 9th Floor of Tower C, Corporate Square, No.35 Financial Street, Xicheng District, Beijing, China 100033.

Name	Number of Shares Beneficially Owned	
	Number	Percent
<b>5% Shareholder</b>		
IDG Technology Venture Investment, Inc.(1)	15,670,507	14.13%
IDG Technology Venture Investments, LP (2)	6,723,115	6.06%
Vertex Technology Fund (III) Ltd. (3)	7,580,494	6.84%
Jianping Lu (4)	7,156,121	6.45%
Ling Zhang (5)	8,746,370	7.89%
C&F International Holdings Limited (6)	10,558,493	9.52%
FMR LLC (7)	14,332,020	12.92%
<b>Directors and executive officers</b>		
Hugo Shong	*	*
Kheng Nam Lee	*	*
Ling Wang	*	*
Fansheng Guo	*	*
Zhiwei Zhao	9,275,964	8.37%
Jun (Jeff) Wang	*	*
Caogang Li	*	*
All current directors and executive officers as a group (7 persons)	13,295,164	11.99%

\* Upon exercise of all options currently exercisable or vesting within 60 days of the date of this annual report, would beneficially own less than 1% of our ordinary shares.

- (1) Includes 15,670,507 ordinary shares held by IDG Technology Venture Investment, Inc. IDG Technology Venture Investment, Inc. is the limited partner of IDG Technology Venture Investments, LP and does not control IDG Technology Venture Investments, LP. IDG Technology Venture Investment, Inc., a Massachusetts corporation, is wholly owned by International Data Group Inc., a Massachusetts corporation, which is controlled by Patrick McGovern, the majority shareholder, founder and chairman of International Data Group Inc. IDG Technology Venture Investment, Inc. disclaims beneficial ownership of all of the ordinary shares owned by IDG Technology Venture Investments, LP. The registered address of IDG Technology Venture Investment, Inc. is 5 Speen Street, Framingham, MA 01701, U.S.A.

**Table of Contents**

- (2) Includes 6,723,115 ordinary shares held by IDG Technology Venture Investments, LP. The general partner of IDG Technology Venture Investments, LP is IDG Technology Venture Investments, LLC. Messrs. Patrick McGovern and Quan Zhou are managing members of IDG Technology Venture Investments, LLC, both of whom disclaim beneficial ownership of our shares held by IDG Technology Venture Investments, LLC. IDG Technology Venture Investment, Inc. is a limited partner of IDG Technology Venture Investments, LP, and does not control IDG Technology Venture Investments, LP. IDG Technology Venture Investments, LP disclaims beneficial ownership of all of the ordinary shares owned by IDG Technology Venture Investment, Inc. The registered address of IDG Technology Venture Investments, LP is Corporation Service Company, 1013 Centre Road, Wilmington, County of New Castle, Delaware 19805-1297, U.S.A.
- (3) Includes 7,580,494 ordinary shares held by Vertex Technology Fund (III) Ltd as of December 31, 2010 in the form of 1,516,098 ADS and 4 ordinary shares. Vertex Management (II) Pte Ltd is the fund manager of Vertex Technology Fund (III) Ltd, and may be deemed to have power to vote and dispose of the shares held of record by Vertex Technology Fund (III) Ltd. Vertex Venture Holdings Ltd, as the sole shareholder of Vertex Technology Fund (III) Ltd, and as the sole shareholder of Vickers Capital Limited, which is the sole shareholder of Vertex Management (II) Pte Ltd, may also be deemed to have the power to vote and dispose of these shares. The address of Vertex Technology Fund (III) Ltd is 250 North Bridge Road, #05-01 Raffles City Tower, Singapore 179101.
- (4) Includes (i) 4,028,156 ordinary shares held by Cast Technology, Inc.; and (ii) 3,127,965 ordinary shares held by Fanasia Capital Limited. Both Cast Technology, Inc. and Fanasia Capital Limited are held 45% and 55% by Jianping Lu and Ling Zhang, respectively.
- (5) Includes (i) 4,923,302 ordinary shares held by Cast Technology, Inc.; and (ii) 3,823,068 ordinary shares held by Fanasia Capital Limited. Both Cast Technology, Inc. and Fanasia Capital Limited are held 45% and 55% by Jianping Lu and Ling Zhang, respectively.
- (6) Includes 10,558,493 ordinary shares held by C&F International Holdings Limited, a company incorporated in British Virgin Islands. C&F International Holdings Limited holds the ordinary shares on behalf of and exclusively for the benefit of the group of employees eligible for the 2007 Equity Incentive Plan. C&F International Holdings Limited is 100% owned by C&F Global Limited, a British Virgin Islands Company, which is in turn owned by the selected employees.

**Table of Contents**

(7) \*Fidelity Management & Research Company ( Fidelity ), a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 14,307,020 shares of the common stock outstanding of China Finance Online Co. Limited as a result of acting as investment adviser to various investment companies. The registered address is 82 Devonshire Street, Boston, Massachusetts 02109. Edward C. Johnson 3d, Chairman of FMR LLC, and FMR LLC, through its control of Fidelity, and the funds each has sole power to dispose of the 14,307,020 shares owned by the Funds. Members of the family of Edward C. Johnson 3d, are the predominant owners, directly or through trusts, of series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other series B shareholders have entered into a shareholders' voting agreement under which all series B voting common shares will be voted in accordance with the majority vote of series B voting common shares. Accordingly, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the funds' boards of trustees.

\* Pyramis Global Advisors Trust Company ( PGATC ), an indirect wholly-owned subsidiary of FMR LLC and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 25,000 shares of the outstanding common stock of the China Finance Online Co. Limited as a result of its serving as investment manager of institutional accounts owning such shares. The registered address is 900 Salem Street, Smithfield, Rhode Island, 02917. Edward C. Johnson 3d and FMR LLC, through its control of Pyramis Global Advisors Trust Company, each has sole dispositive power over 25,000 shares and sole power to vote or to direct the voting of 0 shares of common stock owned by the institutional accounts managed by PGATC as reported above.

\* As of March 31, 2011, FMR LLC holds 8,005,180 shares or 7.22% of the common stock outstanding of China Finance Online Co. Limited according to the 13G filed with the SEC on April 8, 2011, including 7,980,180 shares held by Fidelity and 25,000 shares held by PGATC.

None of our existing shareholders has voting rights that differ from the voting rights of other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in our change in control.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A. Major shareholders.**

Please refer to Item 6. Directors, Senior Management and Employees' Share Ownership

**B. Related party transactions.****Contractual arrangements with CFO Fuhua and its shareholders.**

PRC law currently limits foreign equity ownership of companies that provide internet content business. To comply with these foreign ownership restrictions, we operate our online business in China through CFO Fuhua. We entered into a series of contractual arrangements with CFO Fuhua and its shareholders in 2004, including contracts relating to the leasing of equipment, the licensing of our domain name, the provision of technical support services and strategic consulting and certain shareholder rights and corporate government matters. Upon the transfer of Jun Ning and Wu Chen's holdings in CFO Fuhua to Zhiwei Zhao and Jun Wang in November 2006 and October 2007, respectively, Zhiwei Zhao and Jun Wang replaced Jun Ning and Wu Chen, respectively, as a party to each of the contractual arrangements that we had entered into with Jun Ning and Wu Chen with respect to their holdings in CFO Fuhua and the operation of CFO Fuhua.

**Loan Agreements.** We entered into a loan agreement with Zhiwei Zhao effective November 20, 2006 to extend to Mr. Zhao a loan in the amount of \$163,000, for the sole purpose of financing his acquisition of the equity interests of CFO Fuhua from Jun Ning. The initial term of these loans is 10 years which may be extended upon the parties' agreement. Zhiwei Zhao can only repay the loans by transferring all of his interest in CFO Fuhua to us or a third party designated by us. When Zhiwei Zhao transfers his interest in CFO Fuhua to us or our designee, if the actual transfer price is higher than the principal amount of the loans, the amount exceeding the principal amount will be deemed as interest accrued on such loans and repaid by Zhiwei Zhao to us. While Hong Kong law limits the maximum interest payment chargeable under a loan to 60% of the outstanding principal amount per annum, this limitation would only be relevant if, at the time of a future transfer to us of the interest in CFO Fuhua held by Zhiwei Zhao, the actual value of CFO Fuhua were to have increased at an average annual rate greater than 60%. CFO Fuhua's assets currently consist primarily of registered capital and licenses to provide Internet content and advertising related services, and its operations are primarily limited to operating our free website and providing advertising related services on behalf of CFO Beijing. In addition, we do not expect CFO Fuhua to continue to provide the aforesaid Internet content and advertising related services once CFO Beijing is qualified to do so. Accordingly, we do not believe this limitation will have a material effect on our business and operations, or will result in a material amount

being paid to the shareholders of CFO Fuhua if and when they are permitted to transfer their interest in CFO Fuhua to us.

## **Table of Contents**

We entered into a loan agreement with Jun Wang in October 2007 to extend to Mr. Wang a loan in the amount of \$199,000 for the sole purpose of financing his acquisition of the equity interests of CFO Fuhua from Wu Chen subject to the same terms and conditions as the loan agreement we entered into with Zhiwei Zhao as discussed above.

***Purchase Option Agreement.*** Pursuant to a purchase option and cooperation agreement, or the purchase option agreement, entered into among us, CFO Beijing, Jun Ning, Wu Chen and CFO Fuhua on May 27, 2004, its subsequent amendments on November 20, 2006 upon the transfer of shares by Jun Ning to Zhiwei Zhao, and a purchase option and cooperation agreement entered into among us, CFO Beijing, Zhiwei Zhao, Jun Wang and CFO Fuhua on October 18, 2007 upon the transfer of shares by Wu Chen to Jun Wang, Zhiwei Zhao and Jun Wang jointly granted us an exclusive option to purchase all or any portion of their equity interest in CFO Fuhua, and CFO Fuhua granted us an exclusive option to purchase all of its assets if and when (1) such purchase is permitted under applicable PRC law, and (2) to the extent permitted by law, when Zhiwei Zhao and/or Jun Wang ceases to be a director or employee of CFO Fuhua, or either Zhiwei Zhao or Jun Wang desires to transfer his equity interest in CFO Fuhua to a party other than the existing shareholders of CFO Fuhua. We may purchase such interest or assets ourselves or designate another party to purchase such interest or assets.

The exercise price of the option will equal the total principal amount of the loan lent by us to Zhiwei Zhao and Jun Wang under their loan agreements to purchase their respective equity interest in CFO Fuhua, or the price required by relevant PRC law or government approval authority if such required price is higher than the total principal amount of the loans lent by us to Zhiwei Zhao and Jun Wang. We may choose to pay the purchase price payable to Zhiwei Zhao and Jun Wang by canceling our loans to Zhiwei Zhao and Jun Wang.

Following any exercise of the option, the parties will enter into a definitive share or asset purchase agreement and other related transfer documents within 30 days after written notice of exercise is delivered by us. Pursuant to the purchase option agreement, at all times before we or any party designated by us acquire 100% of CFO Fuhua's shares or assets, CFO Fuhua may not (1) sell, transfer, assign, dispose of in any manner or create any encumbrance in any form on any of its assets unless such sale, transfer, assignment, disposal or encumbrance is related to the daily operation of CFO Fuhua or has been disclosed to and consented to in writing by us; (2) enter into any transaction which may have a material effect on CFO Fuhua's assets, liabilities, operations, equity or other legal interest unless such transaction relates to the daily operation of CFO Fuhua or has been disclosed to and consented to in writing by us; or (3) distribute any dividends to its shareholders in any manner, and Zhiwei Zhao and Jun Wang may not cause CFO Fuhua to amend its articles of association to the extent such amendment may have a material effect on CFO Fuhua's assets, liabilities, operations, equity or other legal interest except for pro rata increases of registered capital required by law.

***Voting arrangement.*** Upon Zhiwei Zhao's receipt of Jun Ning's holdings in CFO Fuhua on November 20, 2006, and Jun Wang's receipt of Wu Chen's holdings in CFO Fuhua on October 18, 2007, each of Zhiwei Zhao and Jun Wang delivered an executed proxy substantially identical to the proxy executed by Jun Ning and Wu Chen respectively, with respect to their voting rights as shareholders of CFO Fuhua.

## **Table of Contents**

**Share Pledge Agreement.** Pursuant to a share pledge agreement, dated May 27, 2004, Jun Ning and Wu Chen have pledged all of their equity interest in CFO Fuhua to CFO Beijing to secure the payment obligations of CFO Fuhua under the equipment leasing agreement, the technical support agreement and the amended and restated strategic consulting agreement between CFO Beijing and CFO Fuhua. Upon Zhiwei Zhao's receipt of Jun Ning's holdings in CFO Fuhua on November 20, 2006, and Jun Wang's receipt of Wu Chen's holdings in CFO Fuhua on October 18, 2007, Zhiwei Zhao and Jun Wang replaced Jun Ning and Wu Chen, respectively, as a party to the share pledge agreement. Under this agreement entered into by and among Zhiwei Zhao, Jun Wang and CFO Beijing, each of Zhiwei Zhao and Jun Wang have agreed not to transfer, assign, pledge or in any other manner dispose of his interest in CFO Fuhua or create any other encumbrance on his interest in CFO Fuhua which may have a material effect on CFO Beijing's interest without the written consent of CFO Beijing, except the transfer of his interest in CFO Fuhua to us or the third-party assignee designated by us according to the purchase option agreement.

**Financing support.** Pursuant to the purchase option agreement, we have agreed to provide or designate one of our affiliates to provide financing to CFO Fuhua in a way permitted by relevant laws in the event CFO Fuhua requires such financing. If CFO Fuhua is unable to repay the financing due to its losses, we agree to waive or cause other relevant parties to waive all recourse against CFO Fuhua with respect to the financing.

**Indemnifications.** Pursuant to the purchase option agreement, CFO Beijing has agreed to provide necessary support to and to indemnify Zhiwei Zhao and Jun Wang to the extent that they are subject to any legal or economic liabilities as a result of performing their obligations pursuant to their agreements with us or CFO Beijing.

### **Contractual Arrangements with CFO Chongzhi and Its Individual Shareholders**

In June, 2008, we entered into a series of contractual arrangements with CFO Chongzhi and its individual shareholders, Xun Zhao and Zhenfei Fan. CFO Chongzhi is primarily engaged in an internet operation business in China. The terms of these contractual arrangements are similar to the terms of our contractual arrangements with CFO Fuhua. Our contractual arrangements with CFO Chongzhi include:

a strategic consulting service agreement between CFO Software and CFO Chongzhi;

a technical support agreement between CFO Software and CFO Chongzhi;

an operation agreement between CFO Software and CFO Chongzhi;

a loan agreement with Xun Zhao and Zhenfei Fan. We entered into a loan agreement with Xun Zhao and Zhenfei Fan to extend to them a loan in the amount of \$65,958 and \$80,615, respectively, for the sole purpose of financing their acquisition of equity interests in CFO Chongzhi;

a purchase option agreement among CFO Software, CFO Chongzhi, Xun Zhao and Zhenfei Fan;

voting arrangements with each of Xun Zhao and Zhenfei Fan regarding their voting rights in CFO Shangtong; and

a share pledge agreement among CFO Software, Xun Zhao and Zhenfei Fan.



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## **Table of Contents**

In January 2010, CFO Software exercised its share purchase option under the above purchase option agreement with Zhenfei Fan, Xun Zhao and CFO Chongzhi by designating Zhengyan Wu to acquire the 55% equity interests in CFO Chongzhi held by Zhengfei Fan. To finance Zhengyan Wu for the acquisition, CFO Software extended Zhengyan Wu a loan in the amount of \$80,553. Zhenfei Fan then repaid the loan extended by CFO Software to him under the above loan agreement by using the consideration he received from the acquisition. Following the acquisition, CFO Software entered into a purchase option agreement and a share pledge agreement with Zhengyan Wu, Xun Zhao and CFO Chongzhi, the terms of which are similar to those of the above purchase option agreement and share pledge agreement with Zhenfei Fan, Xun Zhao and CFO Chongzhi. Each of Zhengyan Wu and Xun Zhao also executed and delivered to CFO Software a proxy granting CFO Software the power to exercise all their voting rights as shareholders of CFO Chongzhi.

### **Contractual Arrangements with CFO Newrand and Its Individual Shareholders**

***Loans to Lin Yang and Linghai Ma.*** On October 17, 2008, CFO Software entered into a loan agreement with Lin Yang, to extend to Lin Yang a loan in the amount of \$620,587 for the sole purpose of financing his acquisition of 17.5% of the equity interests in CFO Newrand. The terms of the agreement is similar to the one we entered into with Zhiwei Zhao and Jun Wang with respect to financing their investment in CFO Fuhua. On October 17, 2008, CFO Success and CFO Software entered into a loan agreement with Linghai Ma. Under the loan agreement, each of CFO Success and CFO Software agreed to extend to Linghai Ma a loan in the amount of \$2,080,474 and \$845,151, respectively, for the sole purpose of financing his acquisition of 82.5% of the equity interests in CFO Newrand. The terms of the agreement is similar to the one we entered into with Zhiwei Zhao and Jun Wang with respect to financing their investment in CFO Premium.

***Purchase option agreement.*** CFO Software entered into a purchase option agreement with Lin Yang on October 17, 2008. In addition, on the same date, Linghai Ma entered into a purchase option agreement with CFO Software and CFO Success. The terms of these two agreements are similar to the purchase option agreement entered into among CFO Software, Zhiwei Zhao and Jun Wang in respect of their equity interests in CFO Fuhua. Furthermore, under the purchase option agreements, each of Lin Yang and Linghai Ma is required to issue a proxy to the satisfaction of CFO Software (and CFO Success in case of Linghai Ma). The proxy shall grant CFO Software or CFO Success or its designee, who shall be a PRC citizen, the power to exercise Lin Yang's or Linghai Ma's voting rights as a shareholder of CFO Newrand, including the right to appoint directors, the general manager and other senior managers of CFO Newrand.

### **Contractual Arrangements with CFO Chuangying and Its Individual Shareholders**

In January 2009, we entered into a series of contractual arrangements with CFO Chuangying and its individual shareholders, Yang Yang and Zhenfei Fan. The terms of these contractual arrangements are similar to the terms of our contractual arrangements with CFO Fuhua and its individual shareholders. Our contractual arrangements with CFO Chuangying and its individual shareholders include:

a strategic consulting and service agreement between CFO Software and CFO Chuangying;

a technical support agreement between CFO Software and CFO Chuangying;

an operation agreement between CFO Software and CFO Chuangying;

a loan agreement with Yang Yang and Zhenfei Fan. We entered into a loan agreement with Yang Yang and Zhenfei Fan to extend to each of them a loan in the amount of \$322,100 and \$263,500, respectively, for the sole purpose of financing their acquisition of equity interests in CFO Chuangying;

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**Table of Contents**

a purchase option agreement among CFO Software, CFO Chuangying, Yang Yang and Zhenfei Fan; and

voting arrangements with each of Yang Yang and Zhenfei Fan regarding their voting rights in CFO Chuangying.

In October 2009, CFO Software exercised its share purchase option under the above purchase option agreement with Yang Yang, Zhenfei Fan and CFO Chuangying by designating Zhiwei Zhao and Jun Wang to acquire the 100% equity interests in CFO Chuangying held by Yang Yang and Zhenfei Fan respectively. To finance Zhiwei Zhao and Jun Wang for the acquisition, CFO Software extended each of Zhiwei Zhao and Jun Wang a loan in the amount of \$322,100 and \$263,500, respectively. Yang Yang and Zhenfei Fan then repaid the loans extended by CFO Software to them under the above loan agreement by using the consideration they each received from the acquisition. Following the acquisition, CFO Software entered into a purchase option agreement with Zhiwei Zhao, Jun Wang and CFO Chuangying, the terms of which are similar to those of the above purchase option agreement with Yang Yang, Zhenfei Fan and CFO Chuangying. Each of Zhiwei Zhao and Jun Wang also executed and delivered to CFO Software a proxy granting CFO Software the power to exercise all their voting rights as shareholders of CFO Chuangying.

**Contractual Arrangements with CFO Shenzhen Shangtong and Its Individual Shareholders**

In August 2009, we entered into a series of contractual arrangements with CFO Shenzhen Shangtong and its individual shareholders, Lin Yang and Shaoming Shi. The terms of these contractual arrangements are similar to the terms of our contractual arrangements with CFO Fuhua and its individual shareholders. Our contractual arrangements with CFO Shenzheng Shantong and its individual shareholders include:

a strategic consulting service agreement between CFO Success and CFO Shenzhen Shangtong;

a technical support agreement between CFO Success and CFO Shenzhen Shangtong;

an operation agreement between CFO Success and CFO Shenzhen Shangtong;

a loan agreement with Lin Yang and Shaoming Shi. We entered into a loan agreement with Lin Yang and Shaoming Shi to extend to each of them a loan in the amount of \$80,500 and \$65,900, respectively, for the sole purpose of financing their acquisition of equity interests in CFO Shenzhen Shangtong;

a purchase option agreement among CFO Success, CFO Shenzhen Shangtong, Lin Yang and Shaoming Shi;

voting arrangements with each of Lin Yang and Shaoming Shi regarding their voting rights in CFO Shenzhen Shangtong; and

a share pledge agreement among CFO Success, Lin Yang and Shaoming Shi.

**Contractual Arrangements with CFO Qicheng and Its Individual Shareholders**

In November 2009, we entered into a series of contractual arrangements with CFO Qicheng and its individual shareholders, Lin Yang and Yang Yang. The terms of these contractual arrangements are similar to the terms of our contractual arrangements with CFO Premium and its individual shareholders. Our contractual arrangements with CFO Qicheng and its individual shareholders include:

## **Table of Contents**

a strategic consulting service agreement between CFO Chuangying and CFO Qicheng;

a technical support agreement between CFO Chuangying and CFO Qicheng;

an operation agreement between CFO Chuangying and CFO Qicheng;

a loan agreement with Lin Yang and Yang Yang. We entered into a loan agreement with Lin Yang and Yang Yang to extend to each of them a loan in the amount of \$80,500 and \$65,900, respectively, for the sole purpose of financing their acquisition of equity interests in CFO Qicheng;

a purchase option agreement among CFO Chuangying, CFO Qicheng, Lin Yang and Yang Yang;

voting arrangements with each of Lin Yang and Yang Yang regarding their voting rights in CFO Qicheng; and

a share pledge agreement among CFO Chuangying, Lin Yang and Yang Yang.

### **Contractual Arrangements with other entities and their shareholders**

Besides CFO Fuhua, CFO Chongzhi, CFO Qicheng, CFO Newrand and CFO Chuangying, we also entered into a series of contractual arrangements with other entities and their shareholders. The terms of these contractual arrangements are similar to the terms of our contractual arrangements with CFO Chongzhi and its individual shareholders.

### **Contractual Arrangements in connection with Information and Technology Support**

***Information and Technology Support Agreement with CFO Newrand.*** In October 2008 and October 2009, our significant entities CFO Zhengning, CFO Meining, CFO Fuhua, CFO Beijing, CFO Software, CFO Success, CFO Genius, CFO Jujin and CFO Shenzhen Shangtong entered into an information and technology support agreement with CFO Newrand. According to the agreement, CFO Newrand is the exclusive provider of the following services for us: (i) providing analysis, making forecasts and recommendations to us regarding the trend of securities market and the feasibility of securities investment through oral and written communications, computer network or other methods permitted by the CSRC; (ii) upon our request, organizing seminars, symposium, salon or other meetings and conventions in relation to securities investment advisory activities; (iii) preparing articles, comments and reports relating to securities and futures investment consultancy; (iv) providing securities and futures investment consulting services for us through telephone, facsimile, computer network and other telecommunication methods; (v) providing securities and futures investment consulting services according to our operation needs through radio, TV and other public media; (vi) providing other securities and futures investment consulting services entrusted by us and (vii) providing other services agreed to by the parties. In consideration for the provision of the above services, we will pay CFO Newrand certain service fees, the amount of which will be determined by the operating costs and other reasonable expenses incurred by CFO Newrand for providing the services. The service fees will be paid within three months after the accounting date. CFO Newrand dissolved the above agreements with CFO Zhengning, CFO Meining, CFO Fuhua, CFO Beijing, CFO Software and CFO Success, respectively in January 2010. CFO Newrand currently maintains the above agreements with CFO Genius, CFO Jujin and CFO Shenzhen Shangtong.

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**Table of Contents**

***Information and Technology Support Agreement with CFO Securities Consulting.*** In January 2010, our significant entities CFO Zhengning, CFO Meining and CFO Stockstar entered into an information and technology support agreement with CFO Securities Consulting. The terms of these agreements are similar to the information and technology support agreements we entered into with CFO Newrand.

***Information and Technology Support Agreement with CFO Chuangying.*** In January 2010, our significant entities CFO Fuhua, CFO Beijing, CFO Software and CFO Success entered into an information and technology support agreement with CFO Chuangying. The terms of these agreements are similar to the information and technology support agreements we entered into with CFO Newrand.

**2004 Stock Incentive Plan**

We adopted the 2004 Plan in January 2004. The 2004 Plan is intended to promote our success and to increase shareholder value by providing an additional means to attract, motivate, retain and reward selected directors, officers, employees and other eligible persons. We amended the 2004 Plan in September 2004, August 2006, June 2009 and June 2010, respectively. Subsequent to these amendments, the total number of ordinary shares issuable under the 2004 Plan as of December 31, 2010 is 21,688,488, including the newly increased 3,000,000 ordinary shares available for issuance under the 2004 Plan approved by our shareholders at the annual general meeting held on June 30, 2010. At the 2010 annual general meeting, our shareholders approved the increase in the number of ordinary shares available for issuance under the 2004 Plan by 3,000,000 ordinary shares annually until December 31, 2014. In 2004, we granted to selected directors, officers, employees, individual consultants and advisors under the 2004 Plan options with the right to purchase up to 5,688,488 ordinary shares, and 627,000 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. In 2005, we granted to selected directors, officers, employees, individual consultants and advisors under the 2004 Plan options with the right to purchase up to 5,003,000 ordinary shares, and 899,640 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. In 2006, we granted options to purchase up to 700,000 ordinary shares to selected officers under the 2004 Plan. In 2007, we granted to selected directors, officers, employees, individual consultants and advisors under the 2004 Plan options with the right to purchase up to 3,848,000 ordinary shares, and 172,760 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. In 2008, we granted to selected directors, officers, employees, individual consultants and advisers under the 2004 Plan options with a right to purchase up to 2,820,840 ordinary shares, and 970,000 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by several former employees. In 2009, we granted to selected employees under the 2004 Plan options with a right to purchase up to 10,000 ordinary shares, and 379,200 unvested options were forfeited and returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. In 2010, we granted to selected employees under the 2004 Plan options with a right to purchase up to 3,562,000 ordinary shares, and 655,340 unvested options were forfeited and returned to the option pool as a result of resignation from employment by a few former employees.

**2007 Equity Incentive Plan**

On July 2, 2007, we granted restricted stock awards covering 10,558,493 of our ordinary shares under the 2007 Plan to our employees who are eligible to participate in the 2007 Plan. The vesting of the restrictive stock is subject to us achieving certain financial performance targets stated in the 2007 Plan. In order to bind the employees together in achieving the common goal, the ordinary shares are held by C&F International Holdings Limited for the benefit of the whole group of selected employees. Pursuant to the 2007 Plan and the restricted stock issuance and allocation agreement effective as of July 2, 2007, we issued 10,558,493 ordinary shares to C&F International Holdings Limited, a company incorporated in British Virgin Islands, which holds the ordinary shares on behalf of and exclusively for the benefit of the group of employees eligible for the 2007 Plan. C&F International Holdings Limited is 100% owned by C&F Global Limited, a British Virgin Islands Company, which is in turn owned by the selected employees. As of December 31, 2009, 10,558,493 ordinary shares have been issued and allotted to selected employees pursuant to the 2007 Plan. Based on our operating performance during 2008, 8,658,048 shares were activated as of December 31, 2008. Based on our operating performance during 2009, no granted shares were activated in 2009. As of December 31, 2009, 7,215,040 shares were vested.

## **Table of Contents**

In 2009, in light of the significant global economic downturn and its impact on our performance, our board amended the Grand Agreement to extend the Performance Period and the Vesting Term for an additional three years ending on December 31, 2012. Under the amended agreement any granted shares that are not activated as of December 31, 2009 shall become activated and be eligible to vest based on the Company's achievement of certain performance targets for 2010, 2011 and 2012. Any granted shares that are activated but not yet vested as of December 31, 2009 shall continue to be eligible to vest during the remainder of the Vesting Term in accordance with the terms of the Grant Agreement.

Based on our operating performance for 2010, no more granted shares were activated in 2010. The total 8,658,048 shares that were activated based on our operating performance for 2008 were fully vested as December 31, 2010.

### **2010 Equity Incentive Plan of Daily Growth Holdings**

On November 1, 2010, Daily Growth Holdings granted restricted stock awards representing 15% of its ordinary shares pursuant to the 2010 Equity Incentive Plan of Daily Growth Holdings to awardees who are eligible to participate in the plan. In connection with such awards, we transferred 15% of the ordinary shares of Daily Growth Holdings to an entity representing the eligible awardees. In order to bind those awardees together to promote the common interests of the awardees, Daily Growth Holdings and the Company, the ordinary shares were transferred to, and are held by, Hopewin Asia Limited, which was incorporated in BVI, on behalf of and exclusively for the benefit of the whole group of awardees eligible to participate in the plan. We believe such incentive plan will attract, maintain and incentivize our team, and we believe the plan is in our best interests and the best interests of our stockholders.

### **Other related party transactions**

#### *Shareholders Agreement*

Our investors under the shareholders agreement were IDG Technology Venture Investment, Inc. and Vertex Technology Fund (III) Ltd. Pursuant to the shareholders agreement, investors to the shareholders agreement or their permitted assignees that hold at least 15% of our registrable securities were entitled to certain registration rights with respect to their registrable securities, subject to certain termination conditions as stated below. In October 2004, Vertex Technology Fund (III) Ltd. ceased to hold at least 15% of our registrable securities. In addition, as described below in further detail, on October 24, 2009, one of the termination conditions was satisfied and all registration rights with respect to registrable securities under the shareholders agreement were automatically terminated.

Prior to October 24, 2009, IDG Technology Venture Investment, Inc. and Vertex Technology Fund (III) Ltd. were entitled to effect a registration statement on Form F-3 (or any successor form or any comparable form for a registration in a jurisdiction other than the United States) for a public offering of registrable securities so long as the reasonably anticipated aggregate price to the public (net of selling expenses) would be at least \$1 million and we were entitled to use Form F-3 (or a comparable form) for such offering.

## **Table of Contents**

Holders of registrable securities were permitted to demand a registration on Form F-3 on unlimited occasions, although we were not obligated to affect more than two such registrations in any twelve-month period. Holders of registrable securities were also entitled to piggyback registration rights, which could have required us to register all or any part of the registrable securities then held by such holders when we registered any of our ordinary shares.

Registrable securities are ordinary shares not previously sold to the public and issued or issuable to IDG Technology Venture Investment, Inc. and Vertex Technology Fund (III) Ltd., including (1) ordinary shares issued upon conversion of our preferred shares, (2) ordinary shares issued or issuable upon exercise of their options or warrants to purchase ordinary shares and (3) ordinary shares issued pursuant to stock splits, stock dividends and similar distributions to holders of our preference shares. Under certain circumstances, such demand registration may have also included ordinary shares other than registrable securities.

If any of the offerings involved an underwriting, the managing underwriter of any such offering would have certain rights to limit the number of shares included in such registration. However, the number of registrable securities included in an underwritten public offering subsequent to our initial public offering pursuant to piggyback registration rights could not be reduced to less than 10% of the aggregate securities included in such offering without the consent of a majority of the holders of registrable securities who had requested their shares to be included in the registration and underwriting. We were generally required to bear all of the registration expenses incurred in connection with one demand registration on a form other than Form F-3, and unlimited Form F-3 and piggyback registrations.

Pursuant to the shareholder agreement, the foregoing demand, Form F-3 and piggyback registration rights were subject to termination, with respect to any holder of registrable securities, on the earliest of:

the fifth anniversary of the consummation of our initial public offering, or October 24, 2009;

upon such holder holding less than 1% of our outstanding ordinary shares after our initial public offering; and

upon such holder becoming eligible to sell all of such holder's registrable securities pursuant to Rule 144 under the Securities Act within any three-month period without volume limitations, under Rule 144(k), or under any comparable securities law of a jurisdiction other than the United States for sale of registrable securities in such jurisdiction.

Pursuant to the shareholder agreement, all of the demand, Form F-3 and piggyback registration rights under the shareholders agreement terminated, with respect to any holder of registrable securities, on October 24, 2009, the fifth anniversary of the consummation of our initial public offering.

### **C. Interests of experts and counsel.**

Not applicable

**Table of Contents****ITEM 8. FINANCIAL INFORMATION****A. Consolidated financial statements and other financial information.**

We have appended consolidated financial statements filed as part of this annual report.

**Legal Proceedings**

None.

**Dividend Policy**

We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends on our ordinary shares, or indirectly on our ADSs, for the foreseeable future. Investors seeking cash dividends should not purchase our ADSs. Future cash dividends, if any, will be at the discretion of our board of directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors as our board of directors may deem relevant. In addition, we can pay dividends only out of our profit or other distributable reserves. Any dividend we declare will be paid to the holders of ADSs, subject to the terms of the deposit agreement, to the same extent as holders of our ordinary shares, less the fees and expenses payable under the deposit agreement. Other distributions, if any, will be paid by the depositary to holders of our ADSs in any means it deems legal, fair and practical. Any dividend will be distributed by the depositary, in the form of cash or additional ADSs, to the holders of our ADSs. Cash dividends on our ADSs, if any, will be paid in U.S. dollars.

**B. Significant changes since December 31, 2010.**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

**ITEM 9. THE OFFER AND LISTING****A. Offering and listing details.**

Our ADSs, each representing five of our ordinary shares, have been listed on the NASDAQ Global Market (known as the Nasdaq National Market prior to July 1, 2006) since October 15, 2004. Effective January 3, 2011, our ADSs have been elevated to trade on the NASDAQ Global Select Market. Our ADSs trade under the symbol JRJC.

The following table provides the high and low trading prices for our ADSs on Nasdaq for (1) the years 2006, 2007, 2008, 2009 and 2010, (2) each of the quarters since the first quarter in 2009 and (3) each of the six months since November 2010.

	Sales Price	
	High	Low
<b>Yearly highs and lows</b>		
Year 2006	9.68	3.95
Year 2007	47.68	4.53
Year 2008	26.15	4.72
Year 2009	13.54	6.97
Year 2010	9.10	6.20
<b>Quarterly highs and lows</b>		
First Quarter 2009	11.44	6.97
Second Quarter 2009	13.54	9.17

**Table of Contents**

Third Quarter 2009	13.28	8.64
Fourth Quarter 2009	9.25	7.28
First Quarter 2010	9.01	6.86
Second Quarter 2010	8.19	6.20
Third Quarter 2010	8.28	6.90
Fourth Quarter 2010	8.59	6.53
First Quarter 2011	7.27	4.32
<b>Monthly highs and lows</b>		
November 2010	8.59	7.32
December 2010	7.77	6.53
January 2011	7.27	5.65
February 2011	5.94	5.07
March 2011	5.50	4.32
April 2011	6.39	4.22

**B. Plan of distribution.**

Not applicable

**C. Markets.**

See Item 9.A. above.

**D. Selling shareholders.**

Not applicable

**E. Dilution.**

Not applicable

**F. Expenses of the issue.**

Not applicable

**ITEM 10. ADDITIONAL INFORMATION****A. Share capital.**

Not applicable.

**B. Memorandum and articles of association.**

We incorporate by reference into this annual report on Form 20-F the description of our amended and restated memorandum of association contained in our registration statement on Form F-1 (File No. 333-119166) filed with the Commission on October 14, 2004. Our shareholders adopted our amended and restated memorandum and articles of association at an extraordinary shareholder meeting on October 14, 2004.

**C. Material contracts.**

We have not entered into any material contracts other than in the ordinary course of business and other than those described in Item 4, Information on the Company or elsewhere in this annual report on Form 20-F.





## **Table of Contents**

### **D. Exchange controls.**

China's government imposes control over the convertibility of RMB into foreign currencies. Under the current unified floating exchange rate system, the People's Bank of China publishes a daily exchange rate for RMB, based on the previous day's dealings in the inter-bank foreign exchange market. Financial institutions authorized to deal in foreign currency may enter into foreign exchange transactions at exchange rates within an authorized range above or below the daily exchange rate according to market conditions.

Pursuant to the Foreign Exchange Control Regulations issued by the State Council on January 29, 1996 and effective as of April 1, 1996 (and amended on January 14, 1997) and the Administration of Settlement, Sale and Payment of Foreign Exchange Regulations which came into effect on July 1, 1996 regarding foreign exchange control, or the Regulations, conversion of Renminbi into foreign exchange by foreign investment enterprises for current account items, including the distribution of dividends and profits to foreign investors of joint ventures, is permissible upon the proper production of qualified commercial vouchers or legal documents as required by the Regulations. Foreign investment enterprises are permitted to remit foreign exchange from their foreign exchange bank account in China upon the proper production of, inter alia, the board resolutions declaring the distribution of the dividend and payment of profits. Conversion of RMB into foreign currencies and remittance of foreign currencies for capital account items, including direct investment, loans, security investment, is still subject to the approval of the State Administration of Foreign Exchange, or SAFE, in each such transaction. On January 14, 1997, the State Council amended the Foreign Exchange Control Regulations and added, among other things, an important provision, as Article 5 provides that the State shall not impose restrictions on recurring international payments and transfers under current accounts.

Under the Regulations, foreign investment enterprises are required to open and maintain separate foreign exchange accounts for capital account items (but not for other items). In addition, foreign investment enterprises may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business upon the production of valid commercial documents and, in the case of capital account item transactions, document approval from SAFE.

Currently, foreign investment enterprises are required to apply to SAFE for foreign exchange registration certificates for foreign investment enterprises. With such foreign exchange registration certificates (which are granted to foreign investment enterprises, upon fulfilling specified conditions and which are subject to review and renewal by SAFE on an annual basis) or with the foreign exchange sales notices from the SAFE (which are obtained on a transaction-by-transaction basis), foreign-invested enterprises may open foreign exchange bank accounts and enter into foreign exchange transactions at banks authorized to conduct foreign exchange business to obtain foreign exchange for their needs.

### **E. Taxation.**

#### **Hong Kong taxation**

*Profits tax.* No tax is imposed in Hong Kong in respect of capital gains from the sale of property, such as the ordinary shares underlying our ADSs. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profit tax. Liability for Hong Kong profits tax would therefore arise in respect of trading gains from the sale of ADSs or the underlying ordinary shares realized by persons in the course of carrying on a business of trading or dealing in securities in Hong Kong. For the year of assessment 2006/2007, the charging rate for profits tax is 17.5% for corporations and 16% for unincorporated businesses. For the current year of assessment 2009/2010, the profits tax for corporations decreased to 16.5% and 15% for unincorporated businesses.

## **Table of Contents**

In addition, Hong Kong does not impose withholding tax on gains derived from the sale of stock in Hong Kong companies and does not impose withholding tax on dividends paid outside of Hong Kong by Hong Kong companies. Accordingly, investors will not be subject to Hong Kong withholding tax with respect to a disposition of their ADSs or with respect to the receipt of dividends on their ADSs, if any. No income tax treaty relevant to the acquiring, withholding or dealing in the ADSs or the ordinary shares underlying our ADSs exists between Hong Kong and the U.S.

*Stamp duty.* Hong Kong stamp duty is generally payable on the transfer of shares in companies incorporated in Hong Kong. The stamp duty is payable both by the purchaser on every purchase and by the seller on every sale of such shares at the ad valorem rate of HK\$1.00 per HK\$1,000 or part thereof, on the higher of the consideration for or the value of the shares transferred. In addition, a fixed duty, currently of HK\$5, is payable on an instrument of transfer of such shares. Where one party to the sale is a non-resident of Hong Kong and does not pay the required stamp duty, the stamp duty not paid will be assessed on the instrument of transfer of such shares (if any), and the purchaser will be liable for payment of such stamp duty. A withdrawal of ordinary shares upon the surrender of ADSs, and the issuance of ADSs upon the deposit of ordinary shares, will also require payment of Hong Kong stamp duty at the rate described above for sale and purchase transactions, unless such withdrawal or deposit does not result in a change in the beneficial ownership of shares under Hong Kong law. The issuance of the ADSs upon the deposit of ordinary shares issued directly to the depository or for the account of the depository does not require payment of stamp duty. In addition, no Hong Kong stamp duty is payable upon the transfer of ADSs effected outside Hong Kong.

### **U.S. federal income taxation**

This discussion describes the material U.S. federal income tax consequences of the purchase, ownership and disposition of our ADSs. This discussion does not address any aspect of U.S. federal gift or estate tax, or the state, local or foreign tax consequences of an investment in our ADSs. This discussion applies to you only if you hold and beneficially own our ADSs as capital assets for tax purposes. This discussion does not apply to you if you are a member of a class of holders subject to special rules, such as:

dealers in securities or currencies;

traders in securities that elect to use a mark-to-market method of accounting for securities holdings;

banks or other financial institutions;

insurance companies;

tax-exempt organizations;

regulated investment companies or real estate investment trusts;

U.S. expatriates;

partnerships and other entities treated as partnerships for U.S. federal income tax purposes or persons holding ADSs through any such entities;

persons that hold ADSs as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment;



## **Table of Contents**

U.S. Holders (as defined below) whose functional currency for tax purposes is not the U.S. dollar;

persons liable for alternative minimum tax; or

persons who actually or constructively own 10% or more of the total combined voting power of all classes of our shares (including ADSs) entitled to vote.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, which we refer to in this discussion as the Code, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. In addition, this discussion relies on our assumptions regarding the value of our shares and the nature of our business over time. Finally, this discussion is based in part upon the representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. For U.S. federal income tax purposes, as a holder of ADSs, you are treated as the owner of the underlying ordinary shares represented by such ADSs.

U.S. holders are urged to consult their own tax advisor concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of our ADSs, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

For purposes of the U.S. federal income tax discussion below, you are a U.S. Holder if you beneficially own ADSs and are:

a citizen or resident of the United States for U.S. federal income tax purposes;

a corporation, or other entity taxable as a corporation, that was created or organized in or under the laws of the United States or any political subdivision thereof;

an estate the income of which is subject to U.S. federal income tax regardless of its source; or

a trust if (a) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect to be treated as a U.S. person.

If you are not a U.S. person, please refer to the discussion below under **Non-U.S. Holders**.

For U.S. federal income tax purposes, income earned through a foreign or domestic partnership or other flow-through entity is attributed to its owners. Accordingly, if a partnership or other flow-through entity holds ADSs, the tax treatment of the holder will generally depend on the status of the partner or other owner and the activities of the partnership or other flow-through entity.

### ***U.S. Holders***

#### ***Dividends on ADSs***

We do not anticipate paying dividends on our ordinary shares or indirectly on our ADSs, in the foreseeable future. See **Dividend policy**.

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## **Table of Contents**

Subject to the *Passive Foreign Investment Company* discussion below, if we do make distributions and you are a U.S. Holder, the gross amount of any distributions you receive on your ADSs will generally be treated as dividend income if the distributions are made from our current or accumulated earnings and profits, calculated according to U.S. federal income tax principles. Dividends will generally be subject to U.S. federal income tax as ordinary income on the day you actually or constructively receive such income. However, if you are an individual and have held your ADSs for a sufficient period of time, dividend distributions on our ADSs will generally constitute qualified dividend income taxed at a preferential rate (generally 15% for dividend distributions before January 1, 2009) as long as our ADSs continue to be readily tradable on Nasdaq and certain other conditions apply. You should consult your own tax adviser as to the rate of tax that will apply to you with respect to dividend distributions, if any, you receive from us.

We do not intend to calculate our earnings and profits according to U.S. tax accounting principles. Accordingly, distributions on our ADSs, if any, will generally be taxed to you as dividend distributions for U.S. tax purposes. Even if you are a corporation, you will not be entitled to claim a dividends-received deduction with respect to distributions you receive from us. Dividends generally will constitute foreign source passive income for U.S. foreign tax credit limitation purposes.

### *Sales and other dispositions of ADSs*

Subject to the *Passive Foreign Investment Company* discussion below, when you sell or otherwise dispose of ADSs, you will generally recognize capital gain or loss in an amount equal to the difference between the amounts realized on the sale or other disposition and your adjusted tax basis in the ADSs, both as determined in U.S. dollars. Your adjusted tax basis will generally equal the amount you paid for the ADSs. Any gain or loss you recognize will be long-term capital gain or loss if your holding period in our ADSs is more than one year at the time of disposition. If you are an individual, any such long-term capital gain will be taxed at preferential rates. Your ability to deduct capital losses will be subject to various limitations.

### *Passive Foreign Investment Company*

Based on the market value of our ADSs and ordinary shares, the composition of our assets and income and our operations, we believe that for our taxable year ended December 31, 2010, we were not a passive foreign investment company ( PFIC ) for United States federal income tax purposes. However, our PFIC status for the current taxable year ending December 31, 2011 will not be determinable until its close, and, accordingly, there is no guarantee that we will not be a PFIC for the current taxable year (or any future taxable year). A non-U.S. corporation is considered a PFIC for any taxable year if either:

at least 75% of its gross income is passive income (the *income test* ), or

at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the *asset test* ).

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the shares.

We must make a separate determination each year as to whether we are a PFIC. As a result, our PFIC status may change. In particular, because the total value of our assets for purposes of the asset test will generally be calculated using the market price of our ADSs and ordinary shares, our PFIC status will depend in large part on the market price of our ADSs and ordinary shares which may fluctuate considerably. Accordingly, fluctuations in the market price of the ADSs and ordinary shares may result in our being a PFIC for any year. If we are a PFIC for any year during which you hold ADS or ordinary shares, we will generally continue to be treated as a PFIC for all succeeding years during which you hold ADS or ordinary shares. However, if we cease to be a PFIC, provided that you have not made a mark-to-market election, as described below, you may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the ADSs or ordinary shares, as applicable.

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**Table of Contents**

If we are a PFIC for any taxable year during which you hold ADSs or ordinary shares, you will be subject to special tax rules with respect to any excess distribution that you receive and any gain you realize from a sale or other disposition (including a pledge) of the ADSs or ordinary shares, unless you make a mark-to-market election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these special tax rules:

the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares,

the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we became a PFIC, will be treated as ordinary income, and

the amount allocated to each other taxable year will be subject to the highest tax rate in effect for that taxable year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such taxable year. The tax liability for amounts allocated to years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

Alternatively, a U.S. Holder of marketable stock (as defined below) in a PFIC may make a mark-to-market election for such stock of a PFIC to elect out of the tax treatment discussed in the two preceding paragraphs. If you make a valid mark-to-market election for the ADSs or ordinary shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. Such deductions, however, are allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or ordinary shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss realized on the actual sale or disposition of the ADSs or ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or ordinary shares. Your basis in the ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts. If you make such a mark-to-market election, tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us (except that the lower applicable capital gains rate would not apply).

The mark-to-market election is available only for marketable stock which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (regularly traded) on a qualified exchange or other market, as defined in applicable Treasury regulations. We expect that the ADSs will continue to be listed on the Nasdaq National Market, which is a qualified exchange for these purposes, and, consequently, assuming that the ADSs are regularly traded, if you are a holder of ADSs, it is expected that the mark-to-market election would be available to you were we to become a PFIC.

## **Table of Contents**

Alternatively, if a non-U.S. corporation is a PFIC, a U.S. Holder may avoid the PFIC tax consequences described above in respect to its ADSs and ordinary shares by making a timely qualified electing fund, or QEF, election. In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from us. We, however, currently do not intend to prepare or provide such information.

If you hold ADSs or ordinary shares in any year in which we are a PFIC, you will be required to file Internal Revenue Service Form 8621 regarding distributions received on the ADSs or ordinary shares and any gain realized on the disposition of the ADSs or ordinary shares.

You are urged to consult your tax advisor regarding the application of the PFIC rules to your investment in ADSs or ordinary shares.

### ***Non-U.S. Holders***

If you beneficially own ADSs and are not a U.S. Holder for U.S. federal income tax purposes (a Non-U.S. Holder), you generally will not be subject to U.S. federal income tax or withholding on dividends received from us with respect to ADSs unless that income is considered effectively connected with your conduct of a U.S. trade or business and, if an applicable income tax treaty so requires as a condition for you to be subject to U.S. federal income tax with respect to income from your ADSs, such dividends are attributable to a permanent establishment that you maintain in the United States. You generally will not be subject to U.S. federal income tax, including withholding tax, on any gain realized upon the sale or exchange of ADSs, unless:

that gain is effectively connected with the conduct of a U.S. trade or business and, if an applicable income tax treaty so requires as a condition for you to be subject to U.S. federal income tax with respect to income from your ADSs, such gain is attributable to a permanent establishment that you maintain in the United States; or

you are a nonresident alien individual and are present in the United States for at least 183 days in the taxable year of the sale or other disposition and either (1) your gain is attributable to an office or other fixed place of business that you maintain in the United States or (2) you have a tax home in the United States.

If you are engaged in a U.S. trade or business, unless an applicable tax treaty provides otherwise, the income from your ADSs, including dividends and the gain from the disposition of ADSs, that is effectively connected with the conduct of that trade or business will generally be subject to the rules applicable to U.S. Holders discussed above. In addition, if you are a corporation, you may be subject to an additional branch profits tax at a rate of 30% or any lower rate under an applicable tax treaty.

### ***U.S. information reporting and backup withholding rules***

In general, dividend payments with respect to the ADSs and the proceeds received on the sale or other disposition of those ADSs may be subject to information reporting to the IRS and to backup withholding (currently imposed at a rate of 28%). Backup withholding will not apply, however, if you (1) are a corporation or come within certain other exempt categories and, when required, can demonstrate that fact or (2) provide a taxpayer identification number, certify as to no loss of exemption from backup withholding and otherwise comply with the applicable backup withholding rules. To establish your status as an exempt person, you will generally be required to provide certification on IRS Form W-9, W-8BEN or W-8ECL, as applicable. Any amounts withheld from payments to you under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provide that you furnish the required information to the IRS.



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## **Table of Contents**

### ***Additional Reporting Requirements***

Effective for taxable years beginning after March 18, 2010, individuals and, to the extent provided by the U.S. Secretary of Treasury in regulations or other guidance, certain domestic entities that hold an interest in a specified foreign financial asset will be required to attach certain information regarding such assets to their income tax return for any year in which the aggregate value of all such assets exceeds US\$50,000. A specified foreign financial asset includes any depository or custodial accounts at foreign financial institutions, non-publicly traded debt or equity interests in a foreign financial institution, and to the extent not held in an account at a financial institution, (i) stocks or securities issued by non-U.S. persons; (ii) any financial instrument or contract held for investment that has an issuer or counterparty which is non-U.S. person; and (iii) any interest in a non-U.S. entity. Penalties may be imposed for the failure to disclosure such information regarding specified foreign financial assets. You are urged to consult your tax advisors regarding the potential reporting requirements that may be imposed by this new legislation with respect to ownership of ADSs or ordinary shares.

### ***New Legislation Regarding Medicare Tax***

For taxable years beginning after December 31, 2012, certain U.S. Holders that are individuals, estates or trusts will be subject to a 3.8% tax on all or a portion of their net investment income, which may include all or a portion of their dividends and net gains from the sale or other disposition of ordinary shares. If you are a U.S. Holder that is an individual, estate or trust, you should consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in our ordinary shares.

HOLDERS OF OUR ADSs SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES RESULTING FROM PURCHASING, HOLDING OR DISPOSING OF THE ADSs, INCLUDING THE APPLICABILITY AND EFFECT OF THE TAX LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION AND INCLUDING ESTATE, GIFT AND INHERITANCE LAWS.

### **F. Dividends and paying agents.**

Not applicable.

### **G. Statement by experts.**

Not applicable.

### **H. Documents on display.**

We have previously filed with the Commission our registration statement on Form F-1, as amended, and our prospectus under the Securities Act, with respect to our ordinary shares.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the Securities and Exchange Commission, or the SEC. Specifically, we are required to file annually a Form 20-F no later than six months after the close of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a Web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

**Table of Contents**

Our financial statements have been prepared in accordance with U.S. GAAP.

In accordance with NASDAQ Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at <http://ir.chinafinanceonline.com>. In addition, we will provide hardcopies of our annual report on Form 20-F free of charge to shareholders and ADS holders upon request.

**I. Subsidiaries information.**

Not Applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Please refer to Item 5, Operating and Financial Review and Prospects; Quantitative and Qualitative Disclosures About Market Risk.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. Debt Securities**

Not Applicable.

**B. Warrants and Rights**

Not Applicable.

**C. Other Securities**

Not Applicable.

**D. American Depository Shares**

**Fees and Charges Payable by ADS Holders**

According to the deposit agreement between us and the depository, JPMorgan Chase Bank N.A., our ADR holders may have to pay the following fees and charges to JPMorgan Chase Bank N.A. in connection with ownership of the ADR:

Category	Depository actions	Associated fee
(a) Depositing or substituting the underlying shares	Each person to whom ADSs are issued against deposits of shares, including deposits and issuances in respect of:	US\$5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs issued
	Share distributions, stock dividend, stock split, merger	

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Exchange of securities or any other  
transaction or event affecting the ADSs or the  
deposited securities

(b) Receiving or distributing dividends

Distribution of cash dividends

US\$0.02 or less per ADS

**Table of Contents**

<b>Category</b>	<b>Depository actions</b>	<b>Associated fee</b>
(c) Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	Up to US\$5.00 for each 100 ADSs (or portion thereof)
(d) Withdrawing an underlying security	Acceptance of ADRs surrendered for withdrawal of deposited securities	US\$5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs surrendered
(e) Transferring, splitting or grouping receipts	Transfers of depository receipts	US\$1.50 per ADS
(f) General depository services, particularly those charged on an annual basis	Services performed by the depository in administering the ADRs	US\$0.02 per ADS (or portion thereof) not more than once each calendar year and payable at the sole discretion of the depository by billing ADR Holders or by deducting such charge from one or more cash dividends or other cash distributions
(g) Expenses of the Depository	Expenses incurred on behalf of ADR Holders in connection with: <p style="margin-left: 40px;">Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment</p> <p style="margin-left: 40px;">The depository's or its custodian's compliance with applicable law, rule or regulation</p> <p style="margin-left: 40px;">Stock transfer or other taxes and other governmental charges</p> <p style="margin-left: 40px;">Cable, telex and facsimile transmission and delivery charges</p> <p style="margin-left: 40px;">fees for the transfer or registration of deposited securities in connection with the deposit or withdrawal of deposited securities</p> <p style="margin-left: 40px;">Expenses of the depository in connection with the conversion of foreign currency into U.S. dollars (which are paid out of such</p>	Expenses payable at the sole discretion of the depository by billing ADR Holders or by deducting such charges from one or more cash dividends or other cash distributions

foreign currency)

Any other charge payable by depositary or its agents in connection with the servicing of the shares or the deposited securities

## **Table of Contents**

We will pay all other charges and expenses of the depository and any agent of the depository (except the custodian) pursuant to agreements from time to time between us and the depository. The fees described above may be amended from time to time.

### **Fees and Payments from the Depository to US**

The depository has agreed to reimburse us annually for our expenses incurred in connection with the administration and maintenance of our ADS facility including, but not limited to, investor relations expenses, exchange listing fees or any other program related expenses. The depository has also agreed to provide additional payments to us based on the applicable performance indicators relating to our ADS facility. There are limits on the amount of expenses for which the depository will reimburse us. We were entitled to receive the maximum annual amount as US\$ 250,000 for the year between October 1, 2008 and September 30, 2009, US\$ 290,000 for the year between October 1, 2009 and September 30, 2010, and US\$ 295,000 for the year between October 1, 2010 and September 30, 2011 (after withholding tax) from the depository as reimbursement for our expenses incurred in connection with, among other things, investor relationship programs related to the ADS facility.

## **PART II**

### **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not Applicable.

### **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

The rights of securities holders have not been materially modified.

### **ITEM 15. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

Our management, with the participation of Zhiwei Zhao, our CEO, and Jun Wang, our CFO, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13(a)-15(e) as of the end of the period covered by this Annual Report on Form 20-F, and have concluded that such disclosure controls and procedures were effective.

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal year covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Management's Annual Report on Internal Control over Financial Reporting**

The management of China Finance Online Co. Limited, or the Company, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, with the participation of the Company's principal executive and principal financial officers, assessed the effectiveness of the Company's internal control over financial reporting as of end of the most recent fiscal year, December 31, 2010. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.



## **Table of Contents**

Based on its assessment, management concluded that, as of the end of the Company's most recent fiscal year, December 31, 2010, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm, who audited the financial statements included in Form 20-F, has issued an attestation report on the Company's internal control over financial reporting. The attestation report appears below.

### **Report of the Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of China Finance Online Co. Limited.

We have audited the internal control over financial reporting of China Finance Online Co. Limited, its subsidiaries and its variable interest entities (collectively, the Group) as of December 31, 2010, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.



## **Table of Contents**

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2010 of the Group and our report dated May 31, 2011, expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/Deloitte Touche Tohmatsu CPA Ltd.

Beijing, the People's Republic of China

May 31, 2011

### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

See Item 6.C. of this annual report, Directors, Senior Management and Employees Board Practices.

Our board of directors has concluded that Mr. Kheng Nam Lee, a member of our audit committee, meets the criteria for an audit committee financial expert as established by the U.S. SEC.

Mr. Kheng Nam Lee will not be deemed an expert for any purpose, including, without limitation, for purposes of section 11 of the Securities Act as a result of being designated or identified as an audit committee financial expert. The designation or identification of Mr. Kheng Nam Lee as an audit committee financial expert does not impose on him any duties, obligations or liability that are greater than the duties, obligations and liability imposed on him as a member of the audit committee and board of directors in the absence of such designation or identification. The designation or identification of Mr. Kheng Nam Lee as an audit committee financial expert does not affect the duties, obligations or liability of any other member of the audit committee or board of directors.

### **ITEM 16B. CODE OF ETHICS**

See Item 6.C. of this annual report, Directors, Senior Management and Employees Board Practices.

Our board of directors has adopted a code of ethics, which is applicable to our senior executive and financial officers and any other persons who perform similar functions for us. We have posted the text of our code of ethics on our Internet website at [http://www.chinafinanceonline.com/list/en\\_CorporateGovernance.shtml](http://www.chinafinanceonline.com/list/en_CorporateGovernance.shtml).

### **ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the aggregate fees by category specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu CPA Ltd., our independent registered public accounting firm, for the periods indicated. We did not pay any other fees to our independent registered public accounting firm during the periods indicated below.

**Table of Contents**

	For the Year Ended December 31,		
	2010	2009	2008
Audit Fees <sup>(1)</sup>	US\$ 735,000	US\$ 735,000	US\$ 735,000
Tax Fees <sup>(2)</sup>			119,737

<sup>(1)</sup> Audit Fees means the aggregate fees in each of the fiscal years listed for professional services rendered by Deloitte Touche Tohmatsu CPA Ltd. for the audit of our annual financial statements, review of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

<sup>(2)</sup> Tax Fees means the aggregate fees billed in each of the fiscal years listed for professional tax services rendered by Deloitte Touche Tohmatsu CPA Ltd.

**ITEM 16D. EXEMPTION FROM THE LISTING STANDARD FOR AUDIT COMMITTEES**

Not Applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

None.

**ITEM 16G. CORPORATE GOVERNANCE**

We have followed and intend to continue to follow the applicable corporate governance standards of Nasdaq.

**PART III****ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

**ITEM 18. FINANCIAL STATEMENTS**

The consolidated financial statements for China Finance Online Co. Limited and its subsidiaries are included at the end of this annual report.

**ITEM 19. EXHIBITS**

**Index to exhibits**

**Exhibit**

<b>Number</b>	<b>Description</b>
1.1	Amended and Restated Memorandum and Articles of Association of China Finance Online Co. Limited (incorporated by reference to Exhibit 3.1 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on October 4, 2004)
2.1	Specimen ordinary share certificate (incorporated by reference to Exhibit 4.1 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)

**Table of Contents**

- 2.2 Specimen American depositary receipt of China Finance Online Co. Limited (Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-119530) filed with the Securities and Exchange Commission with respect to American depositary shares representing ordinary shares on October 5, 2004
- 2.3 Shareholders Agreement of China Finance Online Co. Limited dated June 2000 among China Finance Online Co. Limited and certain of its shareholders (incorporated by reference to Exhibit 4.2 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
- 4.1 2004 Incentive Stock Option Plan and form of option agreement (incorporated by reference to Exhibit 4.1 from our 2006 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 29, 2007)
- 4.2 \* Results of 2006 Annual General Meeting
- 4.3 \* Results of 2009 Annual General Meeting
- 4.4 \* Results of 2010 Annual General Meeting
- 4.5 Restricted Stock Issuance and Allocation Agreement-2007 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 on Form 6-K (File No. 000-50975) filed with the Securities and Exchange Commission on August 24, 2007)
- 4.6 Amended Restricted Stock Issuance and Allocation Agreement 2007 Equity Incentive Plan dated May 20, 2009 (incorporated by reference to Exhibit 4.3 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.7 Form of Option Agreement with outside consultants and strategic advisors (incorporated by reference to Exhibit 10.2 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
- 4.8 Purchase Option and Cooperation Agreement dated May 27, 2004 among China Finance Online Co. Limited, Jun Ning, Wu Chen and CFO Fuhua Innovation Technology Development Co., Ltd. (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
- 4.9 Share Pledge Agreement dated May 27, 2004 among Jun Ning, Wu Chen and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 10.4 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
- 4.10 Proxy from Wu Chen to Jian Feng dated May 27, 2004 (incorporated by reference to Exhibit 10.6 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
- 4.11 Framework Agreement on Exercising Purchase Option dated November 20, 2006 by and among Jun Ning, Wu Chen, Zhiwei Zhao, CFO Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.7 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
- 4.12 Purchase Option and Cooperation Agreement dated November 20, 2006 among China Finance Online Co. Limited, Zhiwei Zhao, Wu Chen, Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.10 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)

**Table of Contents**

- 4.13 Share Pledge Agreement dated November 20, 2006 among Zhiwei Zhao, Wu Chen, Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.11 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
- 4.14 Equipment Lease Agreement between China Finance Online (Beijing) Co., Ltd. and Fuhua Innovative Technology Development Co., Ltd. dated May 27, 2004 (incorporated by reference to Exhibit 10.7 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
- 4.15 Technical Support Agreement between China Finance Online (Beijing) Co., Ltd. and Fuhua Innovative Technology Development Co., Ltd. dated May 27, 2004 (incorporated by reference to Exhibit 10.8 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
- 4.16 Amended and Restated Strategic Consulting Agreement between China Finance Online (Beijing) Co., Ltd. and Fuhua Innovative Technology Development Co., Ltd. dated May 27, 2004 (incorporated by reference to Exhibit 10.9 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
- 4.17 Framework Agreement on Exercising Purchase Option dated October 18, 2007 by and among China Finance Online Co. Limited, Wu Chen, Zhiwei Zhao, Jun Wang, CFO Fuhua Innovation Technology Development Co., Ltd and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.15 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.18 Loan Agreement between China Finance Online Co. Limited and Jun Wang dated October 18, 2007 (incorporated by reference to Exhibit 4.16 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.19 Share Transfer Contract (related to shares of Beijing Fuhua Innovation Technology Development Co., Ltd.) dated October 18, 2007 by and between Wu Chen and Jun Wang (incorporated by reference to Exhibit 4.17 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.20 Share Pledge Agreement dated October 18, 2007 among Zhiwei Zhao, Jun Wang, Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.18 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.21 Purchase Option and Cooperation Agreement dated October 18, 2007 among China Finance Online Co. Limited, Zhiwei Zhao, Jun Wang and CFO Fuhua Innovation Technology Development Co., Ltd. (incorporated by reference to Exhibit 4.19 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.22 Purchase Option and Cooperation Agreement dated March 3, 2008 among China Finance Online Co. Limited, Zhiwei Zhao, Jun Wang and CFO Fuhua Innovation Technology Development Co., Ltd. (incorporated by reference to Exhibit 4.20 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.23 Capital Increase Agreement relating to CFO Fuhua Innovation Technology Development Co., Ltd. dated March 3, 2008 among CFO Fuhua Innovation Technology Development Co., Ltd. , Jun Wang and Zhiwei Zhao (incorporated by reference to Exhibit 4.21 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

**Table of Contents**

- 4.24 Loan Agreement dated March 3, 2008 among China Finance Online (Beijing) Co., Ltd., Jun Wang and Zhiwei Zhao (incorporated by reference to Exhibit 4.22 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.25 Share Pledge Agreement dated March 3,2008 among Zhiwei Zhao, Jun Wang, Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.23 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.26 Loan Agreement dated August 21, 2007 among Fortune Software (Beijing) Co., Ltd., Wei Xiong and Zhenfei Fan (incorporated by reference to Exhibit 4.24 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.27 Operation Agreement among dated August 21, 2007 by and between Fortune Software (Beijing) Co., Ltd. and Beijing CFO Premium Technology Co., Ltd.(incorporated by reference to Exhibit 4.25 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.28 Technical Support Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing CFO Premium Technology Co., Ltd. dated August 21, 2007 (incorporated by reference to Exhibit 4.26 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.29 Strategic Consulting and Service Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing Premium Technology Co., Ltd. dated August 21, 2007 (incorporated by reference to Exhibit 4.27 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.30 Purchase Option Agreement dated August 21, 2007 among Fortune Software Limited, Wei Xiong, Zhenfei Fan and Beijing Premium Technology Co., Ltd. (incorporated by reference to Exhibit 4.28 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.31 Framework Agreement among Fortune Software (Beijing) Co., Ltd., Wu Chen, Jun Wang and Beijing Glory Co., Ltd. dated September 10, 2007 (incorporated by reference to Exhibit 4.29 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.32 Loan Agreement dated September 1, 2007 among Fortune Software (Beijing) Co., Ltd., Wu Chen and Zhiwei Zhao (incorporated by reference to Exhibit 4.30 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.33 Share Transfer Contract (related to shares of Beijing Glory Co., Ltd.) dated September 10, 2007 by and between Wu Chen and Jun Wang (incorporated by reference to Exhibit 4.31 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.34 Operation Agreement dated September 10, 2007 by and between Fortune Software (Beijing) Co.,Ltd. and Beijing Glory Co., Ltd. (incorporated by reference to Exhibit 4.32 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.35 Technical Support Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing CFO Glory Co., Ltd. dated September 10, 2007 (incorporated by reference to Exhibit 4.33 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

**Table of Contents**

- 4.36 Strategic Consulting and Service Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing Glory Co., Ltd. dated September 10, 2007 (incorporated by reference to Exhibit 4.34 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.37 Purchase Option Agreement dated September 10, 2007 among China Finance Online Co. Limited, Jun Wang, Zhiwei Zhao and Beijing Glory Co., Ltd. (incorporated by reference to Exhibit 4.3 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.38 Framework Agreement for Exercise of Purchase Option dated June 2, 2009 among Wei Xiong, Zhenfei Fan, Zhiwei Zhao, Jun Wang, CFO Software and CFO Premium (incorporated by reference to Exhibit 4.35 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.39 Purchase Option Agreement dated June 2, 2009 among CFO Software, CFO Premium, Zhiwei Zhao and Jun Wang (incorporated by reference to Exhibit 4.36 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.40 Share Pledge Agreement dated June 2, 2009 among CFO Software, Zhiwei Zhao and Jun Wang (incorporated by reference to Exhibit 4.37 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.41 Loan Agreement dated January 21, 2009 among CFO Software, Yang Yang and Zhenfei Fan (incorporated by reference to Exhibit 4.92 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.42 Purchase Option Agreement dated January 21, 2009 among CFO Software, CFO Chuangying (formerly known as Guangzhou Boxin Investment Advisory Co., Ltd.), Yang Yang and Zhenfei Fan (incorporated by reference to Exhibit 4.93 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.43 Operation Agreement dated February 12, 2009 between CFO Software and CFO Chuangying (incorporated by reference to Exhibit 4.40 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.44 Technical Support Agreement dated February 12, 2009 between CFO Software and CFO Chuangying (incorporated by reference to Exhibit 4.41 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.45 Strategic Consulting and Service Agreement dated February 12, 2009 between CFO Software and CFO Chuangying (incorporated by reference to Exhibit 4.42 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.46 Framework Agreement for Exercise of Purchase Option dated October 15, 2009 among Yang Yang, Zhenfei Fan, Zhiwei Zhao, Jun Wang, CFO Chuangying and CFO Software (incorporated by reference to Exhibit 4.43 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.47 Purchase Option Agreement dated October 15, 2009 among CFO Software, CFO Chuangying, Zhiwei Zhao and Jun Wang (incorporated by reference to Exhibit 4.44 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

**Table of Contents**

- 4.48 Loan Agreement dated August 3, 2009 among CFO Success, Lin Yang and Shaoming Shi (incorporated by reference to Exhibit 4.45 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.49 Share Pledge Agreement dated August 3, 2009 among CFO Success, Lin Yang and Shaoming Shi (incorporated by reference to Exhibit 4.46 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.50 Purchase Option Agreement dated August 3, 2009 among CFO Success, CFO Shenzhen Shangtong, Lin Yang and Shaoming Shi (incorporated by reference to Exhibit 4.47 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.51 Operation Agreement dated August 3, 2009 between CFO Success and CFO Shenzhen Shangtong (incorporated by reference to Exhibit 4.48 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.52 Technical Support Agreement dated August 3, 2009 between CFO Success and CFO Shenzhen Shangtong (incorporated by reference to Exhibit 4.49 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.53 Strategic Consulting and Service Agreement dated August 3, 2009 between CFO Success and CFO Shenzhen Shangtong (incorporated by reference to Exhibit 4.50 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.54 Loan Agreement dated November 20, 2009 among CFO Chuangying, Yang Yang and Lin Yang (incorporated by reference to Exhibit 4.51 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.55 Share Pledge Agreement dated November 20, 2009 among CFO Chuangying, Yang Yang and Lin Yang (incorporated by reference to Exhibit 4.52 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.56 Purchase Option Agreement dated November 20, 2009 among CFO Chuangying, CFO Qicheng, Yang Yang and Lin Yang (incorporated by reference to Exhibit 4.53 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.57 Operation Agreement dated November 20, 2009 between CFO Chuangying and CFO Qicheng (incorporated by reference to Exhibit 4.54 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.58 Technical Support Agreement dated November 20, 2009 between CFO Chuangying and CFO Qicheng (incorporated by reference to Exhibit 4.55 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)



**Table of Contents**

- 4.59 Strategic Consulting and Service Agreement dated November 20, 2009 between CFO Chuangying and CFO Qicheng (incorporated by reference to Exhibit 4.56 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.60 Loan Agreement dated November 25, 2009 among CFO Chuangying, Yang Yang and Lin Yang (incorporated by reference to Exhibit 4.57 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.61 Share Pledge Agreement dated November 25, 2009 among CFO Chuangying, Yang Yang and Lin Yang (incorporated by reference to Exhibit 4.58 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.62 Purchase Option Agreement dated November 25, 2009 among CFO Chuangying, CFO Yingchuang, Yang Yang and Lin Yang (incorporated by reference to Exhibit 4.59 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.63 Operation Agreement dated November 25, 2009 between CFO Chuangying and CFO Yingchuang (incorporated by reference to Exhibit 4.60 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.64 Technical Support Agreement dated November 25, 2009 between CFO Chuangying and CFO Yingchuang (incorporated by reference to Exhibit 4.61 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.65 Strategic Consulting and Service Agreement dated November 25, 2009 between CFO Chuangying and CFO Yingchuang (incorporated by reference to Exhibit 4.62 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.66 Loan agreement dated November 30, 2009 among CFO Chuangying, Ran Yuan and Zhihong Wang (incorporated by reference to Exhibit 4.63 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.67 Share Pledge Agreement dated November 25, 2009 among CFO Chongzhi, Ran Yuan and Zhihong Wang (incorporated by reference to Exhibit 4.64 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.68 Purchase Option Agreement dated November 30, 2009 among CFO Chongzhi, CFO Decheng, Ran Yuan and Zhihong Wang (incorporated by reference to Exhibit 4.65 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.69 Operation Agreement dated November 30, 2009 between CFO Chongzhi and CFO Decheng (incorporated by reference to Exhibit 4.66 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.70 Technical Support Agreement dated November 30, 2009 between CFO Chongzhi and CFO Decheng (incorporated by reference to Exhibit 4.67 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

**Table of Contents**

- 4.71 Strategic Consulting and Service Agreement dated November 30, 2009 between CFO Chongzhi and CFO Decheng (incorporated by reference to Exhibit 4.68 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.72 Shanghai Stock Exchange Level-II Quotations License Agreement dated July 30, 2009 between SSE Infonet Ltd. and Fortune Software (Beijing) Co., Ltd. (certain portions of the agreement have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 4.69 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.73 License Agreement relating to the distribution of TopView between Fortune Software (Beijing) Co., Ltd. and Shanghai Stock Exchange Information Network Co., Ltd. dated December 26, 2007 (incorporated by reference to Exhibit 4.37 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.74 \* Shenzhen Stock Exchange Proprietary Information License Agreement dated April 15, 2010 between Fortune Software (Beijing) Co., Ltd. and Shenzhen Securities Information Co., Ltd. (certain portions of the agreement have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 4.71 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010); Appendix I to the Shenzhen Stock Exchange Proprietary Information License Agreement, dated March 7, 2011 (certain portions of Appendix I have been omitted and filed separately with the Securities and Exchange Commission on May 31, 2011 pursuant to a request for confidential treatment, which request is pending).
- 4.75 \* Securities Information License Contract dated January 28, 2010 between SSE Infonet Ltd. and CFO Software (certain portions of the agreement have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 4.72 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010); Appendices II and III to the Securities Information License Contract, dated January 5, 2011 (certain portions of Appendices II and III have been omitted and filed separately with the Securities and Exchange Commission on May 31, 2011 pursuant to a request for confidential treatment, which request is pending).
- 4.76 \* Shenzhen Stock Exchange Quotations (Web Based Plus Version) License Agreement dated October 21, 2009 between Shenzhen Securities Information Co., Ltd. and Fortune Software (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.73 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010); Renewal of Shenzhen Stock Exchange Quotations (Web Based Plus Version) License Agreement dated March 18, 2011.

**Table of Contents**

- 4.77 Basic Market Prices Agreement dated September 28, 2009 between HKEx Information Services Limited and China Finance Online Co. Limited (certain portions of the agreement have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 4.74 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.78 \* China Financial Futures Exchange Futures Information License Agreement dated April 8, 2009 between CFO Software and China Financial Futures Exchange (certain portions of the agreement have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 4.75 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010); Supplemental Agreement dated April 16, 2011 (certain portions of the Supplemental Agreement have been omitted and filed separately with the Securities and Exchange Commission on May 31, 2011 pursuant to a request for confidential treatment, which request is pending).
- 4.79 Lease Contract for Housing Unit of Corporate Square dated August 9, 2007 between Fortune Software (Beijing) Co. Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.46 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.80 Lease Contract for Housing Unit of Corporate Square dated August 9, 2007 between Beijing Fuhua Innovation Technology Development Co., Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.47 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.81 Lease Contract for Housing Unit of Corporate Square dated August 1, 2007 between China Finance Online (Beijing) Co., Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.48 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.82 Lease Contract for Housing Unit of Corporate Square dated August 1, 2007 between Beijing Fuhua Innovation Technology Development Co., Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.49 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.83 Lease Contract for Housing Unit of Corporate Square dated August 1, 2007 between Fortune Software (Beijing) Co. Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.50 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.84 Lease Contract dated June 26, 2009 between China National Precision Machinery I&E Corp. Beijing Aerospace CPMIEC Building and CFO Wisdom (Unit 619) (incorporated by reference to Exhibit 4.81 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.85 Lease Contract dated June 26, 2009 between China National Precision Machinery I&E Corp. Beijing Aerospace CPMIEC Building and CFO Wisdom (Unit 621) (incorporated by reference to Exhibit 4.82 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.86 Lease Contract dated June 26,2009 between China National Precision Machinery I&E Corp. Beijing Aerospace CPMIEC Building and CFO Wisdom (Unit 622) (incorporated by reference to Exhibit 4.83 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

**Table of Contents**

- 4.87 Lease Contract dated June 26, 2009 between China National Precision Machinery I&E Corp. Beijing Aerospace CPMIEC Building and CFO Success (Unit 623) (incorporated by reference to Exhibit 4.84 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.88 Lease Contract dated June 26,2009 between China National Precision Machinery I&E Corp. Beijing Aerospace CPMIEC Building and CFO Software (Unit 626) (incorporated by reference to Exhibit 4.85 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.89 Lease Contract dated March 30, 2009 between Beijing Jintai Hengye Co., Ltd. House Lease Branch and CFO Wisdom (Unit 1106) (incorporated by reference to Exhibit 4.86 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.90 Suntrans Office Building Lease Contract dated April 30, 2009 between Beijing Suntrans Real Estate Development Co. Ltd. and CFO Chuangying (Unit 1125-1136) (incorporated by reference to Exhibit 4.87 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.91 Suntrans Office Building Lease Contract dated April 30, 2009 between Beijing Suntrans Real Estate Development Co. Ltd. CFO Yingchuang (Unit 1137-1140) (incorporated by reference to Exhibit 4.88 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.92 Suntrans Office Building Lease Contract dated April 30, 2009 between Beijing Suntrans Real Estate Development Co. Ltd. and CFO Qicheng (Unit 1141-1144) (incorporated by reference to Exhibit 4.89 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.93 Suntrans Office Building Lease Contract dated April 30, 2009 between Beijing Suntrans Real Estate Development Co. Ltd. and CFO Wisdom (Unit 1145-1148) (incorporated by reference to Exhibit 4.90 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.94 Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among William Wang, FNG International Holdings Limited and China Finance Online Co. Limited (incorporated by reference to Exhibit 4.51 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.95 Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Tsang Kin-Woo, FNG International Holdings Limited and China Finance Online Co., Limited (incorporated by reference to Exhibit 4.52 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.96 Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Wong Chan Miu-Wan Stella, FNG International Holdings Limited and China Finance Online Co. Limited (incorporated by reference to Exhibit 4.53 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

**Table of Contents**

- 4.97 Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Shun Kin Enterprises Limited, FNG International Holdings Limited and China Finance Online Co. Limited (incorporated by reference to Exhibit 4.54 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.98 Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Midopa Enterprises Limited, FNG International Holdings Limited and China Finance Online Co. Limited (incorporated by reference to Exhibit 4.55 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.99 Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Hung Yung, FNG International Holdings Limited and China Finance Online Co. Limited (incorporated by reference to Exhibit 4.56 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.100 Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Chu Ping-Im, FNG International Holdings Limited and China Finance Online Co. Limited (incorporated by reference to Exhibit 4.57 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.101 Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Eternal Growth Investment Limited, FNG International Holdings Limited and China Finance Online Co. Limited (incorporated by reference to Exhibit 4.58 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.102 Form of indemnification agreement for directors and officers (incorporated by reference to Exhibit 10.18 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
- 4.103 Labor Contract of Zhao Zhiwei dated June 21, 2010
- 4.104 Labor Contract of Jeff Wang dated May 24, 2011
- 4.105 Form of Amended Change in Control Agreement dated October 15, 2008 (incorporated by reference to Exhibit 4.55 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.106 Engagement Letter between China Finance Online Co. Limited and Deloitte Touche Tohmatsu CPA. Ltd dated February 26, 2008 (incorporated by reference to Exhibit 4.67 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)
- 4.107 Loan Agreement dated May 8, 2008 among Fortune Software (Beijing) Co., Ltd., Lin Yang and Shaoming Shi (incorporated by reference to Exhibit 4.57 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.108 Operation Agreement dated June 8, 2008 between Fortune Software (Beijing) Co., Ltd. and Shanghai Shangtong Information Technology Co., Ltd. (incorporated by reference to Exhibit 4.58 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.109 Technical Support Agreement dated June 8, 2008 between Fortune Software (Beijing) Co., Ltd. and Shanghai Shangtong Information Technology Co., Ltd. (incorporated by reference to Exhibit 4.59 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)

**Table of Contents**

- 4.110 Strategic Consulting Service Agreement dated June 8, 2008 between Fortune Software (Beijing) Co., Ltd. and Shanghai Shangtong Information Technology Co., Ltd. (incorporated by reference to Exhibit 4.60 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.111 Purchase Option and Cooperation Agreement dated June 8, 2008 among Fortune Software(Beijing) Co., Ltd., Lin Yang, Shaoming Shi and Shanghai Shangtong Information Technology Co., Ltd. (incorporated by reference to Exhibit 4.61 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.112 Share Pledge Agreement dated June 8, 2008 among Lin Yang, Shaoming Shi and Fortune Software(Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.62 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.113 Framework Agreement on Exercising Purchase Option dated January 5, 2010 by and among Shaoming Shi, Lin Yang, Juanjuan Wang, Minghua Wang, Shanghai Shangtong Co., Ltd. and Fortune Software (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.110 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.114 Purchase Option and Cooperation Agreement dated January 5, 2010 among Fortune Software(Beijing) Co., Ltd., Juanjuan Wang, Minghua Wang and Shanghai Shangtong Co., Ltd. (incorporated by reference to Exhibit 4.111 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.115 Share Pledge Agreement dated January 5, 2010 among Juanjuan Wang, Minghua Wang and Fortune Software(Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.112 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.116 Loan Agreement dated May 8, 2008 among Fortune Software (Beijing) Co., Ltd., Zhenfei Fan and Xun Zhao (incorporated by reference to Exhibit 4.63 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.117 Operation Agreement dated June 8, 2008 between Fortune Software (Beijing) Co., Ltd. and Shanghai Chongzhi Information Technology Co., Ltd. (also known as Shanghai Chongzhi Co., Ltd.) (incorporated by reference to Exhibit 4.64 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.118 Technical Support Agreement dated June 8, 2008 between Fortune Software (Beijing) Co., Ltd. and Shanghai Chongzhi Co., Ltd. (incorporated by reference to Exhibit 4.65 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.119 Strategic Consulting Service Agreement dated June 8, 2008 between Fortune Software (Beijing) Co., Ltd. and Shanghai Chongzhi Co., Ltd. (incorporated by reference to Exhibit 4.66 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.120 Purchase Option and Cooperation Agreement dated June 8, 2008 among Fortune Software(Beijing) Co., Ltd., Zhenfei Fan, Xun Zhao and Shanghai Chongzhi Co., Ltd. (incorporated by reference to Exhibit 4.67 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)

**Table of Contents**

- 4.121 Share Pledge Agreement dated June 8, 2008 among Zhenfei Fan, Xun Zhao and Fortune Software(Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.68 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.122 Framework Agreement on Exercising Purchase Option dated January 8, 2010 by and among Zhenfei Fan, Xun Zhao, Zhengyan Wu, Shanghai Chongzhi Co., Ltd., and Fortune Software (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.119 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.123 Purchase Option and Cooperation Agreement dated January 8, 2010 among Fortune Software(Beijing) Co., Ltd., Zhengyan Wu, Xun Zhao and Shanghai Chongzhi Co., Ltd. (incorporated by reference to Exhibit 4.120 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.124 Share Pledge Agreement dated January 8, 2010 among Zhengyan Wu, Xun Zhao and Fortune Software(Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.121 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.125 Loan Agreement dated August 21, 2008 among Fortune Software (Beijing) Co., Ltd., Shaoming Shi and Lin Yang (incorporated by reference to Exhibit 4.69 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.126 Operation Agreement dated October 15, 2008 by and between Fortune Software (Beijing) Co., Ltd. and Zhongcheng Futong Co., Ltd. (formerly known as Beijing Tongxinshengshi Environment Engineering Co., Ltd.)(incorporated by reference to Exhibit 4.70 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.127 Technical Support Agreement dated October 15, 2008 between Fortune Software (Beijing) Co., Ltd. and Zhongcheng Futong Co., Ltd. (incorporated by reference to Exhibit 4.71 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.128 Strategic Consulting Service Agreement dated October 15, 2008 between Fortune Software (Beijing) Co., Ltd. and Zhongcheng Futong Co., Ltd. (incorporated by reference to Exhibit 4.72 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.129 Purchase Option Agreement dated October 15, 2008 among Fortune Software(Beijing) Co., Ltd., Shaoming Shi, Lin Yang and Zhongcheng Futong Co., Ltd. (incorporated by reference to Exhibit 4.73 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.130 Framework Agreement on Exercising Purchase Option dated January 5, 2010 by and among Shaoming Shi, Lin Yang, Dongmei Wang, Wei Cui, Zhongcheng Futong Co., Ltd. and Fortune Software (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.127 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.131 Purchase Option and Cooperation Agreement dated January 5, 2010 among Fortune Software(Beijing) Co., Ltd., Dongmei Wang, Wei Cui and Zhongcheng Futong Co., Ltd. (incorporated by reference to Exhibit 4.128 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

**Table of Contents**

- 4.132 Share Pledge Agreement dated January 5, 2010 among Dongmei Wang, Wei Cui and Fortune Software(Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.129 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.133 Share Transfer Agreement dated August 19, 2008 among Lin Yang, Shaoming Shi, Xin Wang and Zhihua Yang (incorporated by reference to Exhibit 4.74 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.134 Loan Agreement dated August 21, 2008 among Fortune Software (Beijing) Co., Ltd., Shaoming Shi and Lin Yang (incorporated by reference to Exhibit 4.75 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.135 Operation Agreement dated October 15, 2008 by and between Fortune Software (Beijing) Co., Ltd. and Huifu Jinyuan Co., Ltd., (formerly known as Wisdom Door (Beijing) International Culture Spread Co., Ltd.) (incorporated by reference to Exhibit 4.76 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.136 Technical Support Agreement dated October 15, 2008 by and between Fortune Software (Beijing) Co., Ltd. and Huifu Jinyuan Co., Ltd., (incorporated by reference to Exhibit 4.77 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.137 Strategic Consulting Service Agreement dated October 15, 2008 between Fortune Software (Beijing) Co., Ltd. and Huifu Jinyuan Co., Ltd., (incorporated by reference to Exhibit 4.78 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.138 Purchase Option Agreement dated October 15, 2008 among Fortune Software(Beijing) Co., Ltd., Shaoming Shi, Lin Yang and Huifu Jinyuan Co., Ltd., (incorporated by reference to Exhibit 4.79 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.139 Share Transfer Agreement dated September 25, 2008 among Lin Yang, Shaoming Shi, Yiming Li and Xu Wang (incorporated by reference to Exhibit 4.80 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.140 Loan Agreement dated October 17, 2008 between Fortune Software (Beijing) Co., Ltd.and Lin Yang (incorporated by reference to Exhibit 4.81 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.141 Loan Agreement dated October 17, 2008 among Fortune Software (Beijing) Co., Ltd., Fortune (Beijing) Success Technology Co., Ltd. and Linghaima (incorporated by reference to Exhibit 4.82 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.142 Purchase Option Agreement dated October 17, 2008 among Fortune Software (Beijing) Co., Ltd., Shenzhen Newrand Securities Investment and Advisory Co., Ltd. and Lin Yang (incorporated by reference to Exhibit 4.83 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.143 Purchase Option Agreement dated October 17, 2008 among Fortune Software (Beijing) Co., Ltd., Fortune (Beijing) Success Technology Co., Ltd., Shenzhen Newrand Securities Investment and Advisory Co., Ltd. and Linghai Ma (incorporated by reference to Exhibit 4.84 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)



**Table of Contents**

- 4.144 Share Transfer Agreement dated September 16, 2008 among Linhai Ma, Lin Yang, Shenzhen Guoxuan Capital Holding Co., Ltd., Labor Union Committee of Shenzhen Newrand Securities Investment Advisory Co., Ltd., Zhaowen Li and Shiqin Wang (incorporated by reference to Exhibit 4.85 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.145 Securities Investment and Consultancy Information and Technical Support Agreement dated October 17, 2009 between Shenzhen Newrand Securities Investment and Advisory Co., Ltd. and Shenzhen Genius Information Technology Co., Ltd. (incorporated by reference to Exhibit 4.142 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.146 Securities Investment and Consultancy Information and Technical Support Agreement dated January 27, 2010 between Shanghai Securities Consulting Co.,Ltd. and Shanghai Meining Computer Software Co., Ltd. (incorporated by reference to Exhibit 4.143 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.147 Securities Investment and Consultancy Information and Technical Support Agreement dated January 27, 2010 between Beijing Chuangying Securities Advisory and Investment Co., Ltd. and Beijing Fuhua Innovation Technology Development Co., Ltd. (incorporated by reference to Exhibit 4.144 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.148 Loan Agreement dated January 21, 2009 among Fortune Software (Beijing) Co., Ltd., Yang Yang and Zhenfei Fan (incorporated by reference to Exhibit 4.92 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.149 Lease Contract dated January 10, 2008 between Shanghai Lushi Food Co., Ltd. and Shanghai Meining Computer Software Co., Ltd. (incorporated by reference to Exhibit 4.96 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.150 Lease Contract dated April 10, 2008 between Shenzhen Zhiguangda Industrial Development Co., Ltd. and Shenzhen Genius Information Technology Co., Ltd. (incorporated by reference to Exhibit 4.99 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.151 \* Renewal of Lease Contract dated May 1, 2011 between Shenzhen Zhiguangda Industrial Development Co., Ltd. and Shenzhen Genius Information Technology Co., Ltd.
- 4.152 \* Lease Contract dated June 1, 2010 between Shanghai Zhangjiang Micro-electronics Port Co. Ltd. and Zhengning Information & Technology (Shanghai) Co., Ltd. (certain portions of Appendices II and III have been omitted and filed separately with the Securities and Exchange Commission on May 31, 2011 pursuant to a request for confidential treatment, which request is pending).
- 4.153 Entrusted Loan Contract dated May 7, 2008 among Fortune (Beijing) Success Technology Co., Ltd., Beijing Glory Co., Ltd. and China Bohai Bank Co., Ltd. Beijing Branch (incorporated by reference to Exhibit 4.100 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.154 Entrusted Loan Contract dated December 11, 2007 among Beijing Glory Co., Ltd., Fortune Software (Beijing) Co., Ltd. and China Construction Bank (incorporated by reference to Exhibit 4.101 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)

**Table of Contents**

- 4.155 Entrusted Loan Contract dated April 11, 2008 between Beijing Premium Technology Co., Ltd., Zhengning Information Technology (Shanghai) Co., Ltd. and China Construction Bank Corporation (incorporated by reference to Exhibit 4.102 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 4.156 Entrusted Loan Contract dated January 12, 2009 among CFO Success, CFO Glory and Hua Xia Bank Co, Ltd. Beijing Zizhuqiao Branch (incorporated by reference to Exhibit 4.151 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
- 4.157 Issuer Information Feed Service Agreement dated February 13, 2009 between HKEx Information Service Limited and Fortune Software (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.103 from our 2008 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 22, 2009)
- 8.1 \* List of principle subsidiaries and significant PRC-incorporated affiliates
- 12.1 \* CEO Certification Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-1(a) (17 CFR 240.15d-14(a))
- 12.2 \* CFO Certification Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-1(a) (17 CFR 240.15d-14(a))
- 13.1 \* CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 13.2 \* CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 15.1 \* Consent of Deloitte Touche Tohmatsu CPA Ltd.
- 15.2 \* Written Consent of American Appraisal China Limited

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CHINA FINANCE ONLINE CO. LIMITED

Date: March 30, 2012

/s/ Jeff Wang  
Name: Jeff Wang  
Title: Chief Financial Officer

131

**Table of Contents**

CHINA FINANCE ONLINE CO. LIMITED

Report of Independent Registered Public Accounting Firm

and Consolidated Financial Statements

For the years ended December 31, 2008, 2009 and 2010

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

CONTENTS	PAGE
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	F -1
<u>CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2010</u>	F -2
<u>CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010</u>	F -4
<u>CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010</u>	F -5
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010</u>	F -6
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	F -7
<u>FINANCIAL STATEMENT SCHEDULE 1 FINANCIAL INFORMATION OF PARENT COMPANY</u>	F -48

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

TO THE BOARD OF DIRECTORS AND

SHAREHOLDERS OF CHINA FINANCE ONLINE CO. LIMITED

We have audited the accompanying consolidated balance sheets of China Finance Online Co. Limited and its subsidiaries and variable interest entities (the Group) as of December 31, 2009 and 2010, and the related consolidated statements of operations, equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010, and the related financial statement schedule included in Schedule I. These consolidated financial statements and financial statement schedule are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of China Finance Online Co. Limited and its subsidiaries and variable interest entities as of December 31, 2009 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to such consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, such statements have been adjusted for the retrospective application of the authoritative pronouncement issued by Financial Accounting Standards Board regarding the noncontrolling interest, which was adopted by the Group on January 1, 2009.

As discussed in Note 23 to the consolidated financial statements, the Company has revised and enhanced the disclosures in relation to contractual arrangements for variable interest entities, stock options and income taxes.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 31, 2011 expressed an unqualified opinion on the Group's internal control over financial reporting.

Deloitte Touche Tohmatsu CPA Ltd.

Beijing, the People's Republic of China

May 31, 2011 (March 30, 2012 as to Note 23)

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****CONSOLIDATED BALANCE SHEETS****(In U.S. dollars, except share-related data)**

	December 31,	
	2009	2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 107,391,084	\$ 106,773,478
Restricted cash		14,533,347
Prepaid expenses and other current assets	4,281,137	4,077,398
Trust bank balances held on behalf of customers	13,310,238	9,625,461
Accounts receivable - margin clients, net of allowance for doubtful accounts of nil and nil in 2009 and 2010, respectively	2,724,456	8,095,396
Accounts receivable - others, net of allowance for doubtful accounts of \$31,440 and \$36,039 in 2009 and 2010, respectively	2,644,696	3,634,653
Trading securities	67,588	31,272
Deferred tax assets, current	3,236,810	3,634,120
<b>Total current assets</b>	<b>133,656,009</b>	<b>150,405,125</b>
Property and equipment, net	10,268,480	8,276,275
Acquired intangible assets, net	4,779,101	4,349,181
Cost method investment	1,479,571	1,479,571
Rental deposits	725,261	718,800
Goodwill	12,602,699	12,949,587
Other assets	219,473	231,107
Deferred tax assets, non-current	1,878,843	1,680,936
<b>Total assets</b>	<b>\$ 165,609,437</b>	<b>\$ 180,090,582</b>
<b>Liabilities and shareholders equity</b>		
Current liabilities:		
Deferred revenue, current (including deferred revenue, current of the consolidated variable interest entities without recourse to China Finance Online Co. Limited \$9,089,776 and \$13,340,978 as of December 31, 2009 and December 31, 2010, respectively)	\$ 30,620,060	\$ 32,994,717
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated variable interest entities without recourse to China Finance Online Co. Limited \$1,272,280 and \$2,659,121 as of December 31, 2009 and December 31, 2010, respectively)	8,244,867	10,838,363
Amounts due to customers for the trust bank balances held on their behalf	13,310,238	9,625,461
Short-term loan		6,424,093
Accounts payable (including accounts payable of the consolidated variable interest entities without recourse to China Finance Online Co. Limited \$12,046 and \$31,498 as of December 31, 2009 and December 31, 2010, respectively)	101,646	221,084
Income taxes payable (including income taxes payable of the consolidated variable interest entities without recourse to China Finance Online Co. Limited \$122,783 and \$93,956 as of December 31, 2009 and December 31, 2010, respectively)	123,880	155,394
<b>Total current liabilities</b>	<b>52,400,691</b>	<b>60,259,112</b>
	14,547,248	13,021,678

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Deferred revenue, non-current (including deferred revenue, non-current of the consolidated variable interest entities without recourse to China Finance Online Co. Limited \$4,852,430 and \$4,961,948 as of December 31, 2009 and December 31, 2010, respectively)		
Deferred tax liabilities, non-current (including deferred tax liabilities, non-current of the consolidated variable interest entities without recourse to China Finance Online Co. Limited \$983,934 and \$947,758 as of December 31, 2009 and December 31, 2010, respectively)	994,573	966,689
Total liabilities	67,942,512	74,247,479

F-2



**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****F-1 CONSOLIDATED BALANCE SHEETS continued****(In U.S. dollars, except share-related data)**

	December 31,	
	2009	2010
Commitments (Note 20)		
Equity:		
China Finance Online Co. Limited shareholder s equity:		
Ordinary shares (\$0.00013 par value; 500,000,000 shares authorized as of December 31, 2009 and 2010, respectively; 110,250,163 and 110,887,883 shares issued and outstanding as of December 31, 2009 and 2010, respectively)	14,237	14,319
Additional paid-in capital	74,130,609	78,974,697
Accumulated other comprehensive income	6,342,765	8,030,982
Retained earnings	16,919,785	18,879,907
Total China Finance Online Co. Limited shareholders equity	97,407,396	105,899,905
Noncontrolling interest	259,529	(56,802)
Total equity	97,666,925	105,843,103
Total liabilities and equity	\$ 165,609,437	\$ 180,090,582

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****CONSOLIDATED STATEMENTS OF OPERATIONS****(In U.S. dollars, except share-related data)**

	Years ended December 31,		
	2008	2009	2010
Net revenues	\$ 56,242,768	\$ 53,605,877	\$ 59,716,042
Cost of revenues	9,367,143	8,146,724	8,497,145
Gross profit	46,875,625	45,459,153	51,218,897
Operating expenses:			
General and administrative (including share-based compensation of \$7,767,874, \$6,436,536 and \$4,152,437 for 2008, 2009 and 2010, respectively)	15,371,171	16,982,032	13,208,337
Product development (including share-based compensation of \$59,200, \$56,505 and \$151,255 for 2008, 2009 and 2010, respectively)	5,635,173	10,754,380	13,027,879
Sales and marketing (including share-based compensation of \$213,076, \$107,675 and \$215,979 for 2008, 2009 and 2010, respectively)	13,520,295	26,095,233	26,991,093
Total operating expenses	34,526,639	53,831,645	53,227,309
Government subsidies	436,946	567,373	514,113
Income (loss) from operations	12,785,932	(7,805,119)	(1,494,299)
Interest income	1,609,112	1,352,307	1,590,218
Interest expense			(142,169)
Exchange gain, net	1,489,076	1,874	812,969
Gain from trading securities		40,574	1,138,147
Other expense, net	(168,536)	(257,674)	(7,321)
Income (loss) before income tax benefit (expense)	15,715,584	(6,668,038)	1,897,545
Income tax benefit (expense)	3,047,129	446,164	(263,386)
Purchased pre-acquisition earning	226,769		
Net income (loss)	\$ 18,989,482	\$ (6,221,874)	\$ 1,634,159
Less: net loss attributable to the noncontrolling interest	(30,633)	(2,131)	(325,963)
Net income (loss) attributable to China Finance Online Co. Limited	\$ 19,020,115	\$ (6,219,743)	\$ 1,960,122
Net income (loss) per share attributable to China Finance Online Co. Limited			
Basic	\$ 0.19	\$ (0.06)	\$ 0.02
Diluted	\$ 0.17	\$ (0.06)	\$ 0.02
Weighted average shares used in calculating net income (loss) per share			
Basic	98,957,993	105,203,564	108,247,552
Diluted	112,984,532	105,203,564	114,125,022

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The accompanying notes are an integral part of these consolidated financial statements.

F-4

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
**AND COMPREHENSIVE INCOME**

(In U.S. dollars, except share-related data)

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total China Finance Online Co. Limited shareholders equity	Non controlling interest	Total equity	Total comprehensive income (loss)
	Shares	Amount							
Balance as of January 1, 2008	109,754,433	14,172	58,727,378	4,501,432	4,119,413	67,362,395	471,431	67,833,826	
Exercise of share options by employees			531,449			531,449		531,449	
Exercise of share options by non-employees	260,000	34	41,566			41,600		41,600	
Share-based compensation			8,040,150			8,040,150		8,040,150	
Acquisition of noncontrolling interest of Daily Growth Securities							(440,798)	(440,798)	
Foreign currency translation adjustment				1,946,646		1,946,646		1,946,646	1,946,646
Net income (loss)					19,020,115	19,020,115	(30,633)	18,989,482	18,989,482
Balance as of December 31, 2008	110,014,433	14,206	67,340,543	6,448,078	23,139,528	96,942,355		96,942,355	20,936,128
Exercise of share options by employees	185,730	24	181,357			181,381		181,381	
Exercise of share options by non-employees	50,000	7	7,993			8,000		8,000	
Share-based compensation			6,600,716			6,600,716		6,600,716	
Acquisition of CFO Securities Consulting							261,660	261,660	
Foreign currency translation adjustment				(105,313)		(105,313)		(105,313)	(105,313)
Net loss					(6,219,743)	(6,219,743)	(2,131)	(6,221,874)	(6,221,874)
Balance as of December 31, 2009	110,250,163	14,237	74,130,609	6,342,765	16,919,785	97,407,396	259,529	97,666,925	(6,327,187)
	637,720	82	717,175			717,257		717,257	

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Exercise of share options by employees									
Share-based compensation			4,504,806			4,504,806	14,865		4,519,671
Acquisition of noncontrolling interest of CFO									
Securities Consulting			(377,893)			(377,893)	(5,233)		(383,126)
Foreign currency translation adjustment			1,688,217			1,688,217		1,688,217	1,688,217
Net income (loss)				1,960,122		1,960,122	(325,963)	1,634,159	1,634,159
Balance as of December 31, 2010	110,887,883	14,319	78,974,697	8,030,982	18,879,907	105,899,905	(56,802)	105,843,103	3,322,376

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In U.S. dollars)**

	Years ended December 31,		
	2008	2009	2010
<b>Operating activities:</b>			
Net income (loss)	\$ 18,989,482	\$ (6,221,874)	\$ 1,634,159
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Share-based compensation	8,040,150	6,600,716	4,519,671
Depreciation and amortization	2,139,145	2,987,094	3,610,026
Provision of allowance for doubtful accounts			238,077
Gain from trading securities		(40,574)	(1,138,147)
Deferred taxes	(3,200,390)	(917,284)	(99,475)
Loss on disposal of property and equipment	37,659	182,235	53,547
Purchased pre-acquisition earning	(226,769)		
Changes in assets and liabilities:			
Accounts receivable, others	(711,933)	(722,778)	(971,341)
Accounts receivable, margin clients	(580,453)	(1,774,224)	(5,390,473)
Prepaid expenses and other current assets	(5,567,706)	4,648,114	157,930
Advances to employees	1,597,941	160,634	
Trust bank balances held on behalf of customers	854,063	(11,305,861)	3,642,887
Rental deposits	(74,487)	(133,601)	20,021
Deferred revenue	9,943,656	8,206,417	(540,386)
Account payable	(182,528)	(113,289)	108,382
Accrued expenses and other current liabilities	(2,482,122)	3,387,725	2,355,637
Amounts due to customers for the trust bank balance held on their behalf	(854,063)	11,305,861	(3,642,887)
Income taxes payable	126,961	(18,097)	27,067
<b>Net cash provided by operating activities</b>	<b>27,848,606</b>	<b>16,231,214</b>	<b>4,584,695</b>
<b>Investing activities:</b>			
Purchase of property and equipment	(5,006,365)	(4,514,342)	(906,296)
Acquisition of businesses (net of cash acquired of \$1,521,109, \$8,282 and nil for the years ended December 31, 2008, 2009, and 2010, respectively)	(2,403,620)	(1,932,472)	(89,335)
Consideration paid for acquiring noncontrolling interest of CFO Securities Consulting			(383,126)
Purchase of trading securities		(267,782)	(5,616,027)
Proceeds from sales of trading securities		240,775	6,830,374
Restricted cash			(14,216,294)
Proceeds from disposal of fixed assets		1,468	4,936
<b>Net cash used in investing activities</b>	<b>(7,409,985)</b>	<b>(6,472,353)</b>	<b>(14,375,768)</b>
<b>Financing activities:</b>			
Proceeds from stock options exercised by employees	531,449	181,381	717,257
Proceeds from exercise of options granted to non-employee	41,600	8,000	
Proceeds from short-term loan			6,435,586
<b>Net cash provided by financing activities</b>	<b>573,049</b>	<b>189,381</b>	<b>7,152,843</b>
Effect of exchange rate changes	1,803,516	(101,377)	2,020,624

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Net increase (decrease) in cash and cash equivalents	22,815,186	9,846,865	(617,606)
Cash and cash equivalents, beginning of year	74,729,033	97,544,219	107,391,084
Cash and cash equivalents, end of year	97,544,219	107,391,084	106,773,478
Supplemental disclosure of cash flow information Income taxes paid	\$ 169,270	\$ 515,782	\$ 377,970

The accompanying notes are an integral part of these consolidated financial statements.

F-6

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

(In U.S. dollars)

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

China Finance Online Co. Limited ( China Finance Online or the Company ) was incorporated in Hong Kong on November 2, 1998. China Finance Online and its subsidiaries including its variable interest entities (collectively, the Group ) are principally providing vertically integrated financial services including news, data, analytics and brokerage through web portals, software systems, and mobile handsets.

Details of China Finance Online's significant subsidiaries and variable interest entities as of December 31, 2010 were as follows:

Company name	Place of incorporation or establishment	Date of incorporation or acquisition	legal ownership interest	Principal activity
<b>Subsidiaries:</b>				
China Finance Online (Beijing) Co., Ltd. ( CFO Beijing )	Beijing, PRC	Jul. 9, 1998	100%	Subscription service
Fortune Software (Beijing) Co., Ltd. ( CFO Software )	Beijing, PRC	Dec. 7, 2004	100%	Subscription service
Fortune (Beijing) Success Technology Co., Ltd. ( CFO Success )	Beijing, PRC	Oct. 16, 2007	100%	Subscription service
Shenzhen Genius Information Technology Co., Ltd. ( CFO Genius )	Shenzhen, PRC	Sep. 21, 2006	100%	Subscription service
Jujin Software (Shenzhen) Co., Ltd. ( CFO Jujin )	Shenzhen, PRC	Mar. 9, 2007	100%	Subscription service
Stockstar Information Technology (Shanghai) Co., Ltd. ( CFO Stockstar )	Shanghai, PRC	Oct. 1, 2006	100%	Subscription service
Zhengning Information & Technology (Shanghai) Co., Ltd. ( CFO Zhengning )	Shanghai, PRC	Jan. 31, 2007	100%	Subscription service
Daily Growth Financial Holdings Limited ( Daily Growth Holdings )	BVI	Jul. 16, 2007	85%	Investment holdings
Daily Growth Securities Limited ( Daily Growth Securities ) (Note 3)	Hong Kong, PRC	Nov. 23, 2007	85%	Brokerage service
Daily Growth Futures Limited ( Daily Growth Futures )	Hong Kong, PRC	Apr. 16, 2008	85%	Brokerage service
Daily Growth Wealth Management Limited ( Daily Growth Wealth Management )	Hong Kong, PRC	Oct. 8, 2008	85%	Securities advising
Daily Growth Investment Services Limited ( Daily Growth Investment Services )	HongKong, PRC	Jun. 30, 2009	85%	N/A
Hong Kong Genius Information Technology Co., Ltd. ( CFO HK Genius )	HongKong, PRC	May. 18, 2010	100%	N/A
<b>Variable interest entities:</b>				
Beijing Fuhua Innovation Technology Investment Co., Ltd. ( CFO Fuhua )	Beijing, PRC	Dec. 31, 2000	Nil	Web portal and advertising service
Shanghai Chongzhi Co., Ltd., ( CFO Chongzhi )	Shanghai, PRC	Jun. 6, 2008	Nil	Subscription service
Fortune (Beijing) Qicheng Technology Co., Ltd. ( CFO Qicheng )	Beijing, PRC	Dec. 18, 2009	Nil	N/A
Beijing Chuangying Securities Advisory and Investment Co., Ltd. ( CFO Chuangying ) (Note 3)	Beijing, PRC	Jan. 9, 2009	Nil	Securities investment advising
Shenzhen Newrand Securities Advisory and Investment Co., Ltd. ( CFO Newrand ) (Note 3)	Shenzhen, PRC	Oct. 17, 2008	Nil	Securities investment advising



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Shenzhen Shangtong Software Co., Ltd. ( CFO Shenzhen Shangtong )	Shenzhen, PRC	Sep. 23, 2009	Nil	Subscription service
<b>Subsidiaries of variable interest entities:</b>				
Shanghai Meining Computer Software Co., Ltd. ( CFO Meining )	Shanghai, PRC	Oct. 1, 2006	Nil	Web portal, subscription and SMS
Shenzhen Newrand Securities Training Center ( CFO Newrand Training )	Shenzhen, PRC	Oct. 17, 2008	Nil	Securities investment training
Shanghai Stockstar Securities Advisory and Investment Co., Ltd (former name: Shanghai Securities Consulting Co., Ltd) ( CFO Securities Consulting ) (Note 3)	Shanghai, PRC	Nov. 5, 2009	Nil	Securities investment advising

PRC regulations prohibit direct foreign ownership of business entities providing certain services in PRC, such as internet content service and securities investment advisory service. In order to comply with these regulations, China Finance Online, through its subsidiaries, entered into contractual arrangements with the Company's variable interest entities ( VIEs ) and their equity owners who are PRC citizens as follows:

The Group made loans to the shareholders of the VIEs solely for the purposes of capitalizing the VIEs. Pursuant to the loan agreements, these loans can only be repaid by transferring all of their interests in the VIEs to the Group or a third party designated by the Group.

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES continued**

To provide the Company effective control over and ability to receive substantially all of the economic benefits of its VIEs, the Company's wholly owned subsidiaries including CFO Beijing, CFO Software and CFO success (collectively, the WOFEs and each a WOFE) have entered into a series of contractual arrangements with the VIEs, which include CFO Fuhua, CFO Chongzhi, CFO Qicheng, CFO Chuangying, CFO Newrand and CFO Shenzhen Shangtong.

*Exclusive technology consulting and management service agreement*

Pursuant to a series of technology support and service agreements, the WOFEs retain exclusive right to provide the VIEs and their subsidiaries technology support and consulting services and exclusive management consulting service. As a result of these services, the WOFEs are entitled to charge the VIEs and their subsidiaries annual service fees. The terms of the strategic consulting services agreement, the technical support services agreement and the operating support services agreement are twenty, ten and ten years, respectively, and these agreements will be automatically renewed on applicable expiration dates, unless the contracting WOFE informs the corresponding VIE its intention to terminate such contract one month prior to the applicable expiration date. Notwithstanding the foregoing, none of the parties has a right to terminate the service contracts. The principal services agreements that the WOFEs have entered into with VIEs include:

strategic consulting services agreement, pursuant to which the amount of the fee to be charged is 30% of each VIE's income before tax;

technical support services agreement, pursuant to which the amount of the fee to be charged is 30% of each VIE's income before tax; and

operating support services agreement, pursuant to which the amount of the fee to be charged is 40% of each VIE's income before tax.

*Exclusive purchase right agreement on the equity interest of the VIEs*

Pursuant to the purchase option agreement, the WOFEs have the unconditional right to purchase the entire equity interest in, or all the assets of the VIEs at a price equal to the total principal amount of the loan lent by the WOFEs to the shareholders of the VIEs when and if such purchase is permitted by the PRC law or the current shareholders of the VIEs cease to be directors or employees of the VIEs. The term of the exclusive purchase right agreement is perpetual and can be terminated at the discretion of the WOFEs.

*Power of attorney*

Pursuant to the power of attorney, each of the shareholders of the VIEs have executed an irrevocable power of attorney assigning the WOFEs or individuals designated by the WOFEs as their attorney-in-fact to vote on their behalf on all matters of the VIEs requiring shareholder approval under PRC laws and regulations and the articles of association of VIEs.



**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES continued**

The Articles of Incorporation of the VIE state that the major rights of the shareholders include the right to appoint directors, the general manager and other senior management. Therefore, through the irrevocable power of attorney arrangement, the WOFEs have the ability to exercise effective control over the VIEs through shareholder votes and, through such votes, to also control the composition of the board of directors. In addition, the senior management team of the VIEs is the same as that of the WOFEs. The term of the power of attorney is twenty years and will be automatically renewed on the expiration date. The contract can be terminated at the discretion of the WOFEs.

*Pledge agreement*

Pursuant to the equity pledge agreement between the WOFEs and the shareholders of the VIEs, the shareholders of the VIEs pledged all of their equity interests in the VIEs to the WOFEs to guarantee the VIEs' performance of its obligations under the exclusive technology consulting and service agreement. If the VIEs breach their contractual obligations under that agreement, the WOFEs, as the pledgee, will be entitled to certain rights, including the rights to sell the pledged equity interests. The shareholders of the VIEs agree that, without prior written consent of the WOFEs, they will not transfer, sell, and dispose of or create any encumbrance on their equity interest in the VIEs. The term of the pledge agreement is twenty years and will be automatically renewed on the expiration date, unless the WOFEs inform the VIEs of their intention to terminate the agreement one month prior to the expiration date.

Through these contractual agreements, the WOFEs have the ability to effectively control the VIEs and are also able to receive substantially all the economic benefits of the VIEs.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****1. ORGANIZATION AND PRINCIPAL ACTIVITIES continued**

Details of significant VIEs and their counterparts which substantially control the VIEs as of December 31, 2010 were as follows:

VIE Name	Contractual Arrangement Date	Counterpart
CFO Fuhua	May 27, 2004	CFO Beijing
CFO Chongzhi	June 8, 2008	CFO Software
CFO Newrand	October 17, 2008	CFO Software and CFO Success
CFO Chuangying	January 21, 2009	CFO Software
CFO Shenzhen Shangtong	August 3, 2009	CFO Success
CFO Qicheng	November 20, 2009	CFO Chuangying

**Risks in relation to the VIE structure**

The Company's ability to control the VIEs also depends on the power of attorney the WOFEs have to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Company believes this power of attorney is legally enforceable but may not be as effective as direct equity ownership.

In addition, if the legal structure and contractual arrangements were found to be in violation of any existing PRC laws and regulations, the regulatory authorities may exercise their discretion and

revoke the business and operating licenses of our PRC subsidiaries or consolidated affiliated entities;

restrict the rights to collect revenues from any of our PRC subsidiaries;

discontinue or restrict the operations of any related-party transactions among our PRC subsidiaries or consolidated affiliated entities;

require our PRC subsidiaries or consolidated affiliated entities to restructure the relevant ownership structure or operations;

take other regulatory or enforcement actions, including levying fines that could be harmful to our business; or

impose additional conditions or requirements with which we may not be able to comply.

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The imposition of any of these penalties may result in a material adverse effect on the Company's ability to conduct its business. In addition, if the imposition of any of these penalties causes the Company to lose the rights to direct the activities of the VIEs and their subsidiaries or the right to receive their economic benefits, the Company would no longer be able to consolidate the VIEs. The Company does not believe that any penalties imposed or actions taken by the PRC Government would result in the liquidation of the Company, its subsidiaries, or the VIEs.

F-10

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES continued**

**Adoption of authoritative pronouncement regarding VIEs**

In June 2009, the Financial Accounting Standards Board ( FASB ) issued an authoritative pronouncement to amend the accounting rules for VIEs. The amendments effectively replace the quantitative-based risks-and-rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has (1) the power to direct the activities of a variable interest entity that most significantly affect the entity's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. The new guidance also requires additional disclosures about a reporting entity's involvement with variable interest entities and about any significant changes in risk exposure as a result of that involvement.

The new guidance is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009, and all interim and annual periods thereafter. The new VIE model requires that, upon adoption, a reporting entity should determine whether an entity is a VIE, and whether the reporting entity is the VIE's primary beneficiary, as of the date that the reporting entity first became involved with the entity, unless an event requiring reconsideration of those initial conclusions occurred after that date. When making this determination, a reporting entity must assume that new guidance had been effective from the date of its first involvement with the entity. The Group adopted the new guidance on January 1, 2010.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

(In U.S. dollars)

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES continued****Adoption of authoritative pronouncement regarding VIEs continued**

The Company has consolidated its VIEs under the authoritative literature prior to the amendment discussed above because it was the primary beneficiary of those entities. Because the Company, through its wholly owned subsidiary, has (1) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (2) the right to receive benefits from the VIE, it continues to consolidate the VIE upon the adoption of the new guidance which therefore, other than for additional disclosures, including those for prior periods, had no accounting impact.

The following financial statement amounts and balances of the VIEs and their subsidiaries were included in the accompanying consolidated financial statements as of and for the years ended:

	Year ended December 31,		
	2009	2010	
Total assets	\$ 66,591,127	\$ 84,004,604	
Total liabilities	16,333,249	22,035,259	

  

	Year ended December 31,		
	2008	2009	2010
Net revenue	\$ 11,790,437	\$ 16,766,910	\$ 25,737,779
Net income	2,380,554	2,354,387	3,614,094

  

	Year ended December 31,		
	2008	2009	2010
Net cash provided by (used in) operating activities	\$ 16,539,572	\$ (24,061,646)	\$ 9,078,975
Net cash (used in) provided by investing activities	(533,240)	(1,560,927)	178,192
Net cash provided by financing activities	31,573,849	14,785,320	1,477,018
Effect of exchange rate changes	1,945,739	(59,929)	1,922,878

There are no consolidated VIE's assets that are collateral for the VIE's obligations and can only be used to settle the VIE's obligations.



**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ).

**Basis of consolidation**

The consolidated financial statements include the financial statements of China Finance Online, its subsidiaries and its variable interest entities. All inter-company transactions and balances have been eliminated upon consolidation.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and highly liquid investments which are unrestricted as to withdrawal or use, and which have remaining maturities of three months or less when purchased.

**Restricted cash**

Restricted cash represents the security deposit for the credit standby letter issued by a bank to provide guarantee for the short-term loan borrowed by CFO HK Genius. The restriction period is one year.

**Fair value**

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1-inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2-inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3-inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.



**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

Trust bank balances held on behalf of customers

Daily Growth Securities and Daily Growth Futures receive fund from customers for purpose of buying or selling securities on behalf of its customers and deposits the fund in its interest-bearing bank account. Such bank balance represents an asset of the Group for the amounts due to customers for the trust bank balance held on their behalf and payable to customers on demand. The Group also recognizes a corresponding liability.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses in the financial statements and accompanying notes. Significant accounting estimates reflected in the Group's financial statements include cost method investment, goodwill and impairment of long-lived assets, income taxes and stock-based compensation. Actual results could differ from those estimates.

Trading securities

Trading securities are securities that are bought and held principally for the purpose of selling them in the near term and are reported at fair value, with unrealized gains and losses recognized in earnings.

Property and equipment, net

Property and equipment, net are carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Technology infrastructure	5 years
Computer equipment	5 years
Furniture, fixtures and equipment	5 years
Motor vehicle	5 years
Leasehold improvements	Shorter of the lease term or 5 years

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****Acquired intangible assets, net**

Acquired intangible assets are estimated by management based on the fair value of assets acquired. Identifiable intangible assets are carried at cost less accumulated amortization. Amortization of definite-lived intangible assets is computed using the straight-line method over the estimated average useful lives, which are as follows:

Securities consulting license and related trademarks	15 years
Completed technology	5 years
Customer relationship	4-5 years
Value-added service license	3-4 years
Agreement with mobile operators	3 years
Intellectual property	10 years

Certain trademarks resulting from the acquisitions of business and certain trading rights bought by the Company are determined to have indefinite lives. If an intangible asset is determined to have an indefinite life, it is not amortized until its useful life is determined to be no longer indefinite.

An intangible asset that is not subject to amortization is tested for impairment at least annually if events or changes in circumstances indicate that the asset might be impaired. Such impairment test consists of a comparison of the fair values of the assets with their carrying amounts and an impairment loss is recognized if and when the carrying amounts exceed the fair values.

The estimates of fair values of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. Significant assumptions are inherent in this process, including estimates of discount rates. Discount rate assumptions are based on an assessment of the risk inherent in the respective intangible assets. During the years ended December 31, 2008, 2009 and 2010, the Group did not record any impairment losses associated with intangible assets.

**Impairment of long-lived assets**

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, the Group compares the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the fair value of the assets. There were no impairment losses in the years ended December 31, 2008, 2009 and 2010.

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

**Business combinations**

Business combinations are recorded using the purchase method of accounting. On January 1, 2009, the Company adopted a new accounting pronouncement with prospective application which made certain changes to the previous authoritative literature on business combinations. From January 1, 2009, the assets acquired, the liabilities assumed, and any noncontrolling interest of the acquiree at the acquisition date, if any, are measured at their fair values as of that date. Goodwill is recognized and measured as the excess of the total consideration transferred plus the fair value of any noncontrolling interest of the acquiree, if any, at the acquisition date over the fair values of the identifiable net assets acquired. Previously, any noncontrolling interest was reflected at historical cost. Common forms of the consideration made in acquisitions include cash and common equity instruments. Consideration transferred in a business acquisition is measured at the fair value as at the date of acquisition.

Where the consideration in an acquisition includes contingent consideration the payment of which depends on the achievement of certain specified conditions post-acquisition, from January 1, 2009, the contingent consideration is recognized and measured at its fair value at the acquisition date and if recorded as a liability it is subsequently carried at fair value with changes in fair value reflected in earnings. For periods prior to January 1, 2009, contingent consideration was not recorded until the contingency was resolved.

**Goodwill**

The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheet as goodwill.

The Company completes a two-step goodwill impairment test. The first step is to compare the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step is to compare the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill.

The Group performs goodwill impairment tests annually on December 31 by comparing the carrying value to the fair value of each reporting unit. Based on the Group's assessment, there was no impairment of goodwill for the years ended December 31, 2008, 2009 and 2010.

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

**Revenue recognition**

The Group generates revenue primarily from annual subscription fees from subscribers to their financial data and information services including their downloadable proprietary research tools. The Group recognizes revenues when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred, (3) the fee is fixed or determinable and (4) collectibility is probable. Upon receipt of the upfront cash payments from the subscriber, the Group will activate the subscriber's account and provide the subscriber the access code. This will commence a certain subscription period according to the customer demand and the full payment will be deferred and recognized ratably over the subscription period. The Group recognizes revenue ratably over the life of the arrangement.

The Group derives its advertising fees from advertising sales on their website principally for a fixed period of time, generally less than one year. Revenues from advertising arrangements are recognized ratably over the period the advertising is displayed.

The Group also derives commission from its brokerage services provided by the subsidiaries, Daily Growth Securities and Daily Growth Futures which buy or sell securities and futures on their customers' behalf. The commission income is recognized on a trade date basis as transactions occur.

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

**Business taxes and value added taxes**

Revenue is recorded net of business taxes when incurred. The Group is subject to business taxes of 3%-5% on taxable services provided to its customers. During the years ended December 31, 2008, 2009, and 2010, business taxes totaled \$903,330, \$1,501,799, and \$1,692,069, respectively.

The Group's PRC subsidiaries are subject to value added tax at a rate of 17% on subscription-based revenue. Value added tax payable on subscription-based revenue is computed net of value added tax paid on purchases. In respect of subscription-based revenue, however, if the net amount of value added tax payable exceeds 3% of subscription-based revenue, the excess portion of value added tax can be refunded immediately. The Group therefore is subject to an effective net value added tax burden of 3% from subscription-based revenue and records value added tax on a net basis. Net amount of value added tax is recorded either in the line item of other current liabilities or prepaid expenses and other current assets on the face of consolidated balance sheet.

Subscription-based revenue includes the benefit of the rebate of value added taxes on sale of the downloadable software received from the Chinese tax authorities as part of the PRC government policy of encouraging software development in the PRC. In 2008, 2009 and 2010, the Group recognized \$4,834,336, \$4,424,737, and \$3,711,613, respectively, in value added tax refunds.

**Government subsidies**

The Group records government subsidies when granted by local government authority and are not subject to future return. The government subsidies include R&D subsidy, business tax refund, innovation fund and high-tech company subsidy. Government subsidies granted totaled \$436,946, \$567,373 and \$514,113 for the years ended December 31, 2008, 2009 and 2010, respectively.

**Deferred revenue**

Payments received in advance of service are recorded as deferred revenue until earned and when the relevant revenue recognition requirements have been met.

**Cost method investment**

For investments in an investee over which the Group does not have significant influence, the Group carries the investment at cost and recognizes income as any dividends declared from distribution of investee's earnings. The Group reviews the cost method investments for impairment whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. An impairment loss is recognized in earnings equal to the difference between the investment's cost and its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value of the investment would then become the new cost basis of the investment.

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

**Foreign currency translation**

The functional and reporting currency of the Company is the United States dollar ( U.S. dollar ). The financial records of the Group s subsidiaries and VIEs located in the PRC, Hong Kong and British Virgin Island are maintained in their local currencies, the Renminbi ( RMB ), Hong Kong Dollars ( HK\$ ), and U.S. Dollars ( US\$ ), respectively, which are also the functional currencies of these entities.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the statements of operations.

The Group s entities with functional currency of RMB and HK\$ translate their operating results and financial position into the US\$, the Group s reporting currency. Assets and liabilities are translated using the exchange rates in effect on the balance sheet date. Revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are report as cumulative translation adjustments and are shown as a separate component of other comprehensive income.

**Foreign currency risk**

The RMB is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People s Bank of China, controls the conversion of Renminbi into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. Cash and cash equivalents of the Group included aggregate amounts of \$79,921,228, \$93,753,238 and \$92,922,206 at December 31, 2008, 2009 and 2010 which were denominated in RMB.

**Cost of raw data**

Cost of raw data is expensed as incurred and is recorded in cost of revenues.

**Product development expenses**

Costs of product development, including investment in data capability, are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized. The Group essentially completed its development concurrently with the establishment of technological feasibility, and, accordingly, no costs have been capitalized.



**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

**Advertising costs**

The Group expenses advertising costs as incurred. Total advertising expenses were \$1,102,779, \$4,819,561, and \$6,077,608 for the years ended December 31, 2008, 2009 and 2010, respectively, and have been included as part of sales and marketing expenses in the accompanying consolidated statements of operations.

**Income taxes**

Current income taxes are provided for in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net operating loss carry forwards and credits by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant tax authorities.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

**Comprehensive income (loss)**

Comprehensive income (loss) includes net income (loss) and foreign currency translation adjustments. Comprehensive income (loss) is reported as a component of the consolidated statements of equity and comprehensive income (loss).

**Fair value of financial instruments**

Financial instruments include cash and cash equivalents, restricted cash, accounts receivable, trading securities, cost method investment, accounts payable and short-term loan.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, trading securities, accounts payable and short-term loan approximate their fair value due to their short-term maturities.

The carrying value of the cost method investment was \$1,479,571 as of December 31, 2009 and 2010, which approximate the fair value of the investment based on the valuation performed by the Company, with the assistance of American Appraisal China Limited, an independent valuation firm.

The Group does not use derivative instruments to manage risks.

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

**Share-based compensation**

Share-based compensation with employees is measured based on the grant date fair value of the equity instrument. The Group recognizes the compensation costs net of an estimated forfeiture rate using the straight-line method, over the requisite service period of the award, which is generally the vesting period of the award. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of share-based compensation expense to be recognized in future periods.

Share awards issued to nonemployees are measured at fair value at the earlier of the commitment date or the date the services is completed and recognized over the period the service is provided or as goods is received.

**Noncontrolling interest**

Effective January 1, 2009, the Group adopted an authoritative pronouncement issued by the FASB regarding noncontrolling interest in the accompanying consolidated financial statements. The pronouncement requires noncontrolling interest to be separately presented as a component of equity in the accompanying consolidated financial statements. The presentation regarding noncontrolling interest was retroactively applied for all the presented periods.

**Net income (loss) per share**

Basic net income (loss) per share attributable to China Finance Online Co. Limited is computed by dividing net income (loss) attributable to China Finance Online Co. Limited by the weighted average number of ordinary shares outstanding during the period. Diluted net income (loss) per ordinary share attributable to China Finance Online Co. Limited reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares. The dilutive effect of the stock options and nonvested shares is computed using treasury stock method.

**Concentrations of credit risk**

Financial instruments that potentially expose the Group to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash and accounts receivable. The Group places its cash and cash equivalents and restricted cash with financial institutions with high-credit ratings and quality.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****Concentrations of credit risk continued**

The Group conducts ongoing credit evaluations of its customers and generally does not require collateral or other security from its customers except for the accounts receivable-margin clients which represents the margin loan to customers for securities purchase. The accounts receivable-margin client was collateralized by the securities the margin client purchased. The Group manages its credit risk by collecting up-front fee from its customers and billing at regular intervals during the contract period. The Group assesses the adequacy of allowance for doubtful accounts primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

Details of clients accounting for 10% or more of accounts receivable are as follows:

	Year ended December 31,			
	2009		2010	
	Amount	%	Amount	%
Client A	\$		\$ 1,498,895	12.8
Client B	\$ 1,027,365	19.1	\$ 1,444,874	12.3
Client C	\$ 617,365	11.5	\$	

These clients are all margin clients who have collateralized the securities they purchase to the Group.

There were no customers with 10% or more of the Group's revenues during 2008, 2009, or 2010.

**Recently issued accounting pronouncements not yet adopted**

On January 21, 2010, the FASB issued authoritative guidance to improve disclosures about fair value measurements. This guidance amends previous guidance on fair value measurements to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurement on a gross basis rather than as a net basis as currently required. This guidance also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This guidance is effective for annual and interim periods beginning after December 15, 2009, except for the requirement to provide the Level 3 activities of purchases, sales, issuances, and settlements on a gross basis, which will be effective for annual and interim periods beginning after December 15, 2010. Early application is permitted and in the period of initial adoption, entities are not required to provide the amended disclosures for any previous periods presented for comparative purposes. The Group does not expect the adoption of this pronouncement will have a significant effect on its consolidated financial position or results of operations.

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

**Recently issued accounting pronouncements not yet adopted continued**

In April 2010, the FASB issued an authoritative pronouncement regarding the milestone method of revenue recognition. The scope of this pronouncement is limited to arrangements that include milestones relating to research or development deliverables. The pronouncement specifies guidance that must be met for a vendor to recognize consideration that is contingent upon achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. The guidance applies to milestones in arrangements within the scope of this pronouncement regardless of whether the arrangement is determined to have single or multiple deliverables or units of accounting. The pronouncement will be effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early application is permitted. Companies can apply this guidance prospectively to milestones achieved after adoption. However, retrospective application to all prior periods is also permitted. The Group does not expect the adoption of this pronouncement will have a significant impact on its consolidated financial position or results of operations.

In December 2010, the FASB issued an authoritative pronouncement on when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The amendments in this update modify Step 1 so that for those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the guidance is effective for impairment tests performed during entities' fiscal years (and interim periods within those years) that begin after December 15, 2010. Early adoption will not be permitted. For nonpublic entities, the guidance is effective for impairment tests performed during entities' fiscal years (and interim periods within those years) that begin after December 15, 2011. Early application for nonpublic entities is permitted; nonpublic entities that elect early application will use the same effective date as that for public entities. The Group does not expect the adoption of this pronouncement will have a significant effect on its consolidated financial position or results of operations.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****Recently issued accounting pronouncements not yet adopted continued**

In December 2010, the FASB issued an authoritative pronouncement on disclosure of supplementary pro forma information for business combinations. The objective of this guidance is to address diversity in practice regarding the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments affect any public entity as defined by Topic 805 that enters into business combinations that are material on an individual or aggregate basis. The amendments will be effective for business combinations consummated in periods beginning after December 15, 2010, and should be applied prospectively as of the date of adoption. Early adoption is permitted. The Group does not expect the adoption of this pronouncement will have a significant effect on its consolidated financial position or results of operations.

**3. ACQUISITIONS**

To expand its market share during 2008, 2009 and 2010, China Finance Online made a number of acquisitions of businesses. Each acquisition has been recorded using the purchase method of accounting, and accordingly the acquired assets and liabilities were recorded at their fair values on the dates of acquisitions and the results of their operations have been included in the Group's results of operations since the dates of their acquisitions.

**Acquisition of CFO Chuangying**

On January 9, 2009, CFO Software, one subsidiary of the Company, entered into a series of contractual arrangements with CFO Chuangying, which is a China Securities Regulatory Commission or CSRC licensed securities investment advisory firm. As a result of the contractual arrangements, the Group became the primary beneficiary of CFO Chuangying. (see Note1). For the acquisition, the total cash consideration was \$585,112, of which, \$563,145 was paid in 2009 and the remaining consideration of \$21,967 was paid in 2010. The purchase price was allocated to assets acquired and liabilities assumed as of the acquisition day as follows and the goodwill was allocated to subscription services and other related services operating segment.

		Useful life
Purchase price allocation:		
Acquired intangible assets:		
Securities consulting license	\$ 549,758	15 years
Total assets acquired	549,758	

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Deferred tax liabilities	(137,440)
Total net assets	412,318
Goodwill	172,794
Total	585,112

F-24

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****3. ACQUISITIONS continued**Acquisition of CFO Securities Consulting

On November 5, 2009, CFO Chongzhi, one VIE of the Group acquired 80% of the equity interest of CFO Securities Consulting, which is a CSRC licensed securities investment advisory firm. For the acquisition, the total cash consideration was \$1,328,040, of which, \$1,260,672 was paid in 2009 and the remaining consideration of \$67,368 was paid in 2010. Following an independent valuation performed by American Appraisal China Limited, the Group allocated the purchase price to assets acquired and liabilities assumed as of the acquisition day as follows and the goodwill was allocated to subscription services and other related services operating segment.

		Useful life
Purchase price allocation:		
Cash and cash equivalents	\$ 8,282	
Other account receivables	222,317	
Acquired intangible assets:		
Trademark	350,191	15 years
Securities consulting license	900,596	15 years
<b>Total assets acquired</b>	<b>1,481,386</b>	
Deferred tax liabilities	(312,697)	
Noncontrolling interest	(261,660)	
<b>Total net assets</b>	<b>907,029</b>	
<b>Goodwill</b>	<b>421,011</b>	
<b>Total</b>	<b>1,328,040</b>	

On November 9, 2010, CFO Chongzhi contributed additional capital of \$3,762,227 (equivalent to RMB25,000,000) in CFO Securities Consulting, consequently, the Group's beneficial interest in CFO Securities Consulting increased from 80% to 92.5%. On November 17, 2010 and December 20, 2010 CFO Chongzhi acquired the remaining 5% and 2.5% equity interest in CFO Securities Consulting for total cash consideration of \$383,126. The difference of \$377,893 between the carrying value of noncontrolling interest and the total cash consideration was recorded as additional paid-in capital on the consolidated balance sheet. Since then, the Group became the 100% beneficiary of CFO Securities Consulting.

The Net income attributable to China Finance Online Co. Limited and transfers from the noncontrolling interest as of December 31, 2010 is as below:

	2010
Net income attributable to China Finance Online Co. Limited	\$ 1,960,122
Transfers from the noncontrolling interest	

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Decrease in China Finance Online Co. Limited's paid-in capital for purchase of CFO Securities Consulting's common shares	(377,893)
Net income attributable to China Finance Online Co. Limited and transfers from the noncontrolling interest	1,582,229

F-25



**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****3. ACQUISITIONS continued**Acquisition of CFO Newrand

On October 17, 2008, CFO software, entered into a series of contractual arrangements with CFO Newrand, which is a CSRC licensed securities investment advisory firm. As a result of the contractual arrangements, the Group became the primary beneficiary of CFO Newrand. (see Note1). For the acquisition, the total cash consideration was \$3,826,296, of which, \$3,709,037 was paid in 2008 with the remaining consideration of \$117,259 paid in 2009. The purchase price was allocated to assets acquired and liabilities assumed as of the acquisition day as follows and the goodwill was allocated to subscription services and other related services operating segment.

		Useful life
Purchase price allocation:		
Cash and cash equivalents	\$ 1,521,109	
Acquired intangible assets:		
Securities consulting license	1,183,926	15 years
Trade mark	440,496	15 years
Total assets acquired	3,145,531	
Deferred tax liabilities	(406,106)	
Total net assets	2,739,425	
Goodwill	1,086,871	
Total	3,826,296	

Acquisitions of Huifu Jinyuan Co., Ltd & Zhongcheng Futong Co., Ltd

On October 22, 2008 and October 29, 2008, CFO Software entered into a series of contractual arrangements with Huifu Jinyuan Co., Ltd ( CFO Huifu ) and Zhongcheng Futong Co., Ltd ( CFO Zhongcheng ), respectively. As a result of the contractual arrangements, the Group became the primary beneficiary of CFO Huifu and CFO Zhongcheng. For the forementioned acquisitions, the total cash considerations were \$255,974, and \$202,359 was recorded on the consolidated balance sheet as goodwill which was allocated to subscription services and other related services operating segment.

Acquisition of Daily Growth Securities

In March 2008, the Group injected further capital of \$11,565,000 (equivalent to HK\$90,000,000) in Daily Growth Securities; consequently, the Group's equity interest in Daily Growth Securities increased from 85% to 98.5%. On May 15, 2008, the Company acquired the remaining 1.5% equity interest in Daily Growth Securities for a cash consideration of \$678,073 including \$61,405 in transaction costs and recorded \$456,501 as goodwill on the consolidated balance sheet by which Daily Growth Securities became wholly owned by the Company.



**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****3. ACQUISITIONS continued****Acquisition of Daily Growth Securities continued**

The following summarized unaudited pro forma results of operations for the years ended December 31, 2008 and 2009 assuming that all significant acquisitions during the year ended December 31, 2008 and 2009 occurred as of January 1, 2008 and 2009, respectively. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the significant acquisitions occurred as of January 1, 2008 and 2009, nor is it indicative of future operating results.

	For the years ended December 31	
	2008	2009
	(unaudited)	(unaudited)
Revenues	\$ 56,371,385	\$ 53,605,878
Net income (loss) attributable to China Finance Online Co., Limited	\$ 18,858,118	\$ (6,318,295)
Net income (loss) per share attributable to China Finance Online Co. Limited		
- basic	\$ 0.19	\$ (0.06)
- diluted	\$ 0.17	\$ (0.06)

**Fair value of acquired assets**

The Group measured the fair value for the assets acquired, with the assistance of American Appraisal, an independent valuation firm, using discounted cash flow techniques, and these assets were classified as Level 3 assets because the Group used unobservable inputs to value them, reflecting the Group's assessment of the assumptions market participants would use in valuing these purchased intangible assets.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

(In U.S. dollars)

**4. ACCOUNTS RECEIVABLE**

	December 31,	
	2009	2010
Accounts receivable-margin clients	2,724,456	8,095,396
Less: Allowance for doubtful accounts		
Accounts receivable- margin clients, net	\$ 2,724,456	\$ 8,095,396
Accounts receivable-others	2,676,136	3,670,692
Less: Allowance for doubtful accounts	(31,440)	(36,039)
Accounts receivable-others, net	\$ 2,644,696	\$ 3,634,653

Accounts receivable- margin clients represent the receivables derived in the brokerage service in Daily Growth Securities, which is pledged by the customer's purchased securities.

Accounts receivable-others represent the receivables derived in other ordinary business without any collateral or other security from its customers.

**5. PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets consist of the following:

	December 31,	
	2009	2010
Prepayment of advertising fees	\$ 526,492	\$ 170,018
Advertising deposit (note i)	261,460	134,341
Prepayment to sales agents	212,294	84,350
Advances to suppliers	805,212	1,209,399
VAT refund receivable	817,532	975,066
Income tax prepayment and business tax refund receivable	175,434	81,031
Interest receivable	409,194	632,061
Other current assets	1,073,519	791,132
	\$ 4,281,137	\$ 4,077,398

Notes:

- (i) The advertising deposit represents amounts of deposit paid to advertising agent, which is expected to be refunded within a year.

F-28

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**6. TRADING SECURITIES**

The Group purchased trading securities in 2009 and 2010. The Group measured the trading securities at fair value based on quoted market prices in an active market. As a result the Group has determined the valuation of its trading securities falls within Level 1 of the fair value hierarchy. As of December 31, 2010, the fair value of trading securities was \$31,272. Gains and losses on the trading securities are recognized in the consolidated statement of operations for the years ended December 31, 2009 and 2010 were \$40,574 and \$1,138,147, respectively.

**7. COST METHOD INVESTMENT**

In December 2005, the Group purchased 9,800,000 Series B preferred shares in Moloon for \$15,000,000, which represents a 25% interest in Moloon on an if-converted basis. China Finance Online's investment in these preferred shares was not in-substance common stock, and accordingly, the investment has been recorded as a cost method investment.

In April 2006, the Group sold part of its investment in Moloon to a third party for a cash consideration of \$1,187,500 and reduced the Group's investment in Moloon's preferred shares to 9,100,000 shares.

Moloon is a Chinese wireless technology and service provider. In 2006, China Mobile Communication Corporation, primarily through which Moloon provided its MVAS service to its customers, announced policy changes which had a substantial negative impact on Moloon's MVAS business. Following an independent valuation prepared by American Appraisal China Limited, the Group determined that its investment in Moloon was impaired and recorded an impairment loss of \$1,322,000.

Thereafter, in 2007 Moloon adopted new strategies to transform itself into a provider of mobile online gaming services in China. However, despite the new strategies Moloon's financial conditions have deteriorated and, following an independent valuation prepared by American Appraisal China Limited, the Group determined that its investment in Moloon was further impaired and recorded an additional impairment loss of \$11,127,000 in 2007, reducing the carrying balance of such investment to \$1,479,571. There was no further impairment of the Group's cost method investment in Moloon for the year ended December 31, 2008 and 2009.

In August 2010, Moloon was wholly acquired by Ocean Butterflies Holdings Inc., a private and independent music and entertainment production company incorporated in the Cayman Islands (Ocean Butterflies Holdings), in the form of shares exchange between Moloon and Ocean Butterflies Holdings (the Share Swap Transaction). As a result of the Share Swap Transaction, the Group holds 7,439,479 ordinary shares of Ocean Butterflies Holdings, which represents 16.82% of shares in Ocean Butterflies Holdings. The investment is still recorded as a cost method investment.

Following an independent valuation performed by American Appraisal China Limited, there was no impairment of the Group's cost method investment in Ocean Butterflies Holdings Inc. for the year ended December 31, 2010.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

(In U.S. dollars)

**8. PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consisted of:

	December 31,	
	2009	2010
Technology infrastructure	\$ 7,759,146	\$ 8,196,351
Computer equipment	1,874,318	1,786,148
Furniture, fixtures and equipment	2,384,253	2,776,313
Motor vehicle	645,517	665,547
Leasehold improvements	2,667,512	3,122,796
	15,330,746	16,547,155
Less: accumulated depreciation	(5,062,266)	(8,270,880)
	\$ 10,268,480	\$ 8,276,275

Depreciation expense for the years ended December 31, 2008, 2009, and 2010 were \$1,794,368, \$2,495,028, and \$3,048,634, respectively.

**9. ACQUIRED INTANGIBLE ASSETS, NET**

Acquired intangible assets, net, arose from the acquisitions of CFO Genius, CFO Meining, CFO-Stockstar, CFO Newrand, Daily Growth Securities, CFO Zhongcheng, CFO Chuangying and CFO Securities Consulting and from the establishment of Daily Growth Futures during 2006 through 2010 and consisted of the following:

	December 31,	
	2009	2010
<b>Intangible assets not subject to amortization:</b>		
Trademarks	\$ 843,561	\$ 869,736
Stock exchange trading right	64,475	64,241
Futures exchange trading right	64,475	64,241
<b>Intangible assets subject to amortization:</b>		
Completed technology	850,883	877,286
Customer relationship	686,857	708,170
Value-added service license	27,094	27,934
Agreement with mobile operators	12,155	12,533
Securities consulting license and related trademarks	3,426,717	3,533,047
Intellectual property	73,226	75,498
	6,049,443	6,232,686
Less: Accumulated amortization	(1,270,342)	(1,883,505)

\$ 4,779,101      \$ 4,349,181

F-30



**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

(In U.S. dollars)

**9. ACQUIRED INTANGIBLE ASSETS, NET continued**

Amortization expense for the years ended December 31, 2008, 2009 and 2010 was \$344,777, \$492,066 and \$561,392, respectively. Future amortization expenses of acquired intangible assets with determinable lives are \$444,708, \$243,086, \$243,086, \$243,086 and \$2,176,997 for 2011, 2012, 2013, 2014 and 2015 and thereafter, respectively.

**10. GOODWILL**

Changes in goodwill for the years ended December 31, 2008, 2009 and 2010 were as follows:

	Southern China	Eastern China	Northern China	Hong Kong	Total
Balance as of December 31, 2008	2,330,274	8,210,504	202,759	1,274,975	12,018,512
Acquisition (Note 3)		421,011	172,794		593,805
Exchange difference	(1,945)	(6,886)	35	(822)	(9,618)
Balance as of December 31, 2009	2,328,329	8,624,629	375,588	1,274,153	12,602,699
Exchange difference	72,247	267,620	11,654	(4,633)	346,888
Balance as of December 31, 2010	2,400,576	8,892,249	387,242	1,269,520	12,949,587

The Group performs the annual impairment tests on December 31 of each year. Based on impairment test performed, no impairment of goodwill was recorded during the years ended December 31, 2008, 2009 and 2010, respectively.

**11. BANK FACILITIES AND SHORT-TERM LOANS**

The Group obtained a term loan facility amount up to \$2,569,637 and a revolving loan facility amount up to \$10,150,067 from a bank. The facilities are guaranteed by a standby letter of credit, which is secured by the Group's restricted cash of \$14,533,347. As of December 31, 2010, \$6,424,093 of loans was outstanding under such loan facilities. The outstanding loans have the interest margin, which is 1.8%, plus Hong Kong Interbank Offered Rate ranging from 0.08% to 0.24%. The facilities will be matured in July 2011.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

(In U.S. dollars)

**12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consist of:

	December 31,	
	2009	2010
Accrued bonus	\$ 4,355,130	\$ 5,402,453
Accrued professional service fees	436,834	476,282
Withholding individual income tax-option exercise	144,979	61,653
Value added taxes payable	444,278	879,983
Other taxes payable	487,461	685,246
Accrued raw data cost	308,566	593,698
Accrued office rental	131,603	64,536
Accrued bandwidth cost	519,763	99,593
Accrued welfare benefits	288,123	252,898
Accrued refund of subscription fees (i)		1,328,554
Acquisition consideration payable	89,335	
Others	1,038,795	993,467
	<b>\$ 8,244,867</b>	<b>\$ 10,838,363</b>

- (i) In October 2010, the CSRC promulgated the Provisional Regulations on Securities Investment Advisory and Provisional Regulations on Issuance of Securities Research Reports (collectively referred to as the New Regulations), which will be effective on January 1, 2011. The New Regulations allow securities investment advisory companies to provide advisory services for securities and related products under the framework of the provisional regulations and receive service compensation. The New Regulations prohibit the activities of those participants without licenses, thus benefitting the Company which has the licenses.

The New Regulations also allow the customer to terminate the service with securities investment advisory company within five days after the service agreement is signed and request refund of the subscription fee. It further emphasizes that the customer must take full responsibility of its own investment decision, rather than the advisory company.

The Company has noticed certain customers claimed for refund of the subscription fee which were received by the Company in 2010, in excuse of not fully realizing the risks associated with their own investment decisions prior to the implementation of the New Regulations. In consideration of the transitory period of the New Regulations and the Company's business from a long-term perspective, the Company made a \$1,328,554 accrual based on the actual requests from customers and the estimation of future refund in the year of 2011. The estimated refund was recorded as reduction of revenue in relation to the subscription fee of 2010 or deferred revenue depending on whether or not the service has been provided.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****13. STOCK OPTIONS AND NONVESTED SHARES**

As of December 31, 2010, the Company and its subsidiary Daily Growth Holding have three share-based compensation plans, which are described below. The compensation cost that has been charged against income for those plans was \$8,040,150, \$6,600,716, and \$4,519,671 for 2008, 2009, and 2010, respectively.

**2004 Stock incentive plan**

In January 2004, the Company adopted the 2004 stock incentive plan (the 2004 Plan) which allows the Company to offer a variety of incentive awards to employees, directors, officers and other eligible persons in the Group, and consultants and advisors outside the Group. Options to purchase 5,688,488 ordinary shares are authorized under the Plan. In September 2004 and December 2006, the Company increased the total number of ordinary shares available for issuance under the 2004 Plan by an additional 10,000,000 shares. In June 2009, the shareholders approved the increase in the number of ordinary shares available for issuance under the 2004 Plan by 3,000,000 ordinary shares. In June 2010, the Company's shareholders approved the increase in the number of ordinary shares available for issuance under the 2004 Plan by 3,000,000 ordinary shares annually until December 31, 2014. As a result the total number of ordinary shares authorized under the 2004 Plan was 21,688,488 as of December 31, 2010.

**Options to employees**

In 2008, the Company granted totaling 2,820,840 stock options to officers and employees at an exercise price that equaled the trading price of the stock upon the stock option grant. These options vest over 3 years.

In 2009, the Company granted totaling 10,000 stock options to an employee at an exercise price that equaled the trading price of the stock upon the stock option grant. These options vest over 3 years.

In 2010, the Company granted totaling 3,562,000 stock options to employees at an exercise price that equaled the trading price of the stock upon the stock option grant. These options vest over 3 years.

The fair value of employee options was estimated on the basis of the Black-Scholes Option Pricing model with the following assumptions:

	Years ended December 31,	
	2009	2010
Weighted average risk free rate of return	2.03%	1.11%-2.47%
Weighted average expected option life	5.98 years	5.98 years
Expected volatility rate	57.92%	54.37%-57.06%
Dividend yield		

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**13. STOCK OPTIONS AND NONVESTED SHARES continued**

**2004 Stock incentive plan continued**

Options to employees continued

(1) Expected volatility

The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of the Company and comparable listed companies. The Company chooses the comparable companies by considering synthesis effect of the characteristics including industry, stage of life cycle, size and financial leverage.

(2) Risk-free interest rate

Risk-free interest rate was estimated based on the yield to maturity of treasury bonds of the United States with a maturity period close to the expected term of the options.

(3) Expected option life

The Group used the simplified method to estimate the expected life.

(4) Dividend yield

The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

(5) Exercise price

Options are generally granted at an exercise price equal to the fair market value of the Company's shares at the date of grant.

In October and December 2008, ten employees of the Company surrendered their rights to purchase in total of 970,000 ordinary shares of the Company at the exercise price ranged from \$2.44 to \$3.134 pursuant to the 2004 Plan. On December 1, 2008, the Company granted new options to purchase 970,000 ordinary shares at the exercise price of \$1.26 to the ten employees which will vest in 3 years pursuant to the 2004 Plan. The foregoing was accounted for as a modification of the share based compensation awards. An incremental compensation cost of \$76,200 arising from the modification was measured at the excess of the fair value of the new options at the grant date over the fair value of the options surrendered by the ten employees at the date of modification. The total unrecognized compensation cost of \$1,122,361, which was the sum of

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the remaining unrecognized share based compensation amount of \$1,046,161 of the original awards and the incremental cost resulting from the modification as of the modification date, was recognized over the requisite service period of the newly granted option awards.

F-34

Table of Contents

## CHINA FINANCE ONLINE CO. LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

## FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

(In U.S. dollars)

## 13. STOCK OPTIONS AND NONVESTED SHARES continued

## 2004 Stock incentive plan continued

Options to non-employees

The Company granted 6,919,500 and 350,000 stock options to non-employees in 2004 and 2005, respectively. All of the options have vested as of December 31, 2008.

Summary of stock options to employees and non-employees

A summary of the stock option activity is as follows:

	2008		2009		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	10,557,568	\$ 0.84	11,439,978	\$ 0.91	10,834,298	\$ 0.87
Granted	2,820,840	\$ 1.79	10,000	\$ 1.65	3,562,000	\$ 1.43
Exercised	(829,670)	\$ 0.69	(236,480)	\$ 0.80	(637,720)	\$ 1.12
Forfeited	(138,760)	\$ 1.00	(69,360)	\$ 1.22	(655,340)	\$ 1.27
Cancelled	(970,000)	\$ 2.81	(309,840)	\$ 2.03		
Outstanding at end of year	11,439,978	\$ 0.91	10,834,298	\$ 0.87	13,103,238	\$ 0.99
Shares exercisable at end of year	7,903,538	\$ 0.80	9,439,258	\$ 0.82	9,316,838	\$ 0.82

The following table summarizes information with respect to stock options outstanding at December 31, 2010:

	Options outstanding			Aggregate intrinsic value as of December 31, 2010	Option exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price		Number exercisable	Weighted average exercise price
Ordinary shares						
\$0.16	2,845,738				2,845,738	
\$1.04	200,000				200,000	

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\$1.31	1,435,100	1,435,100
\$1.32	27,000	27,000
\$1.12	400,000	400,000
\$1.16	200,000	200,000
\$1.07	700,000	700,000
\$0.96	2,699,000	2,699,000
\$1.25	100,000	100,000
\$1.32	123,600	123,600
\$1.26	886,800	582,800
\$1.65	10,000	3,600
\$1.426	3,426,000	
\$1.43	50,000	

13,103,238      5.31 years      \$ 0.99      \$ 4,563,063      9,316,838      \$ 0.82      \$ 4,549,079

The weighted-average grant-date fair value of options granted during the years 2008, 2009 and 2010 was \$1.04, \$0.91 and \$0.78, respectively. The total intrinsic value of options exercised during the years ended December 31, 2008, 2009 and 2010 was \$594,813, \$155,880, and \$115,985, respectively.

F-35

**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**13. STOCK OPTIONS AND NONVESTED SHARES continued**

**2004 Stock incentive plan continued**

**Summary of stock options to employees and non-employees continued**

As of December 31, 2010, 3,760,100 ordinary shares were available for future grant of awards. The Company recognized share-based compensation expenses of \$1,217,980, \$1,290,446 and \$ 1,765,437 for stock option in the years ended December 31, 2008, 2009 and 2010, respectively.

As of December 31, 2010, there was \$1,342,249 unrecognized share-based compensation expenses relating to the stock options, which is expected to be recognized over a weighted average period of 2 years.

**2007 Equity incentive plan**

In July 2007, the Company adopted the 2007 Equity incentive plan (the 2007 Plan ) and granted nonvested shares covering 10,558,493 ordinary shares of the Company to the employees who were eligible for the 2007 Plan. The vesting of the nonvested shares are subject to achieving certain operating performance targets and rendering service to the Company for the requisite service period stated in the 2007 Plan.

The grant date fair value of a nonvested share was measured at the quoted market price of the Company's equity shares. The nonvested shares shall become vested during the three years following the grant date from July 2007 to June 2010 based on the Company's certain operating performance targets for the years 2008 and 2009. Based on the Company's operating performance during 2008 and 2009, 4,329,024, 2,886,016 and 1,443,008 shares were vested in 2008, 2009 and 2010.

The Company recognized a compensation expense of \$6,822,170, \$5,310,270 and \$2,655,135 for the nonvested shares in 2008, 2009 and 2010, respectively.

In 2009, in light of the significant global economic downturn and its impact on the Group's performance, the board approved the Amended Restricted Stock Issuance and Allocation Agreement (the Amended Agreement ), which was executed on July 1, 2010 to extend the performance period and the vesting term. Under the Amended Agreement, there were 1,900,445 granted nonvested shares, which were not vested due to the operating performance targets for 2008 and 2009 were not achieved, became eligible for vesting if the Company can achieve the new performance targets for 2010, 2011 or 2012. The change of performance target was accounted for as a modification of the terms of the nonvested share award, and no other terms or conditions of the award were modified. Immediately before the modification, the share based compensation expense of the 1,900,445 nonvested shares that expected to be recognized over the vesting period was zero. As the Company continues to believe that it is not probable that the new performance targets will be achieved, therefore, there is no incremental compensation cost associated with the modification.



**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****13. STOCK OPTIONS AND NONVESTED SHARES continued****2007 Equity incentive plan continued**

There was no share based compensation expense recognized in 2010 after the modification date due to the new performance target of 2010 was not achieved.

A summary of the status of the nonvested shares as of December 31, 2008, 2009 and 2010, and changes during the year ended December 31, 2010 is presented below.

	Shares	Weighted- average grant/ modification date fair value	Aggregate intrinsic value
Nonvested shares			
At the beginning of year 2008	10,558,493	1.84	46,246,199
Granted			
Vested	(4,329,024)		(6,086,608)
Forfeited			
At the end of year 2008	6,229,469	1.84	8,758,633
Granted			
Vested	(2,886,016)		(5,520,949)
Forfeited			
At the end of year 2009	3,343,453	1.84	4,881,441
Granted			
Vested	(1,443,008)		(2,117,855)
Forfeited			
At the end of year 2010	1,900,445	1.43	2,481,981

**2010 Equity incentive plan of Daily Growth Holding**

In November 2010, Daily Growth Holdings, a subsidiary of the Company, implemented the 2010 equity incentive plan (the plan) under which the Company transferred 1,500 nonvested shares which representing 15% of total Daily Growth Holdings' equity interest to its management group as a share incentive. If the grantees left the Company before the third anniversary of the grant date when the nonvested shares become vested, they should transfer the shares to the Company at no consideration. Therefore, the total share based compensation expenses are recognized ratably over the three years of vesting period. In addition, as the grantees are entitled to all the shareholder's rights, including the dividend rights since the date of grant, the 15% share of the earnings of Daily Growth Holdings is recognized as noncontrolling interest on the Company's consolidated financial statements since November 1, 2010, the date of grant.

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The fair value of the share incentive was determined to be \$1,188 per share. The Group recognized \$99,099 share based compensation cost for the year ended December 31, 2010.

As of December 31, 2010, there was \$1,683,378 unrecognized compensation cost relating to nonvested shares, which is expected to be recognized over a weighted average period of 3 years.

F-37

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

(In U.S. dollars)

**14. INCOME TAXES****Hong Kong**

China Finance Online, Daily Growth Securities, Daily Growth Futures, Daily Growth Wealth Management, Daily Growth Investment Services, CFO HK Genius and other five subsidiaries were established in Hong Kong. These companies were subject to Hong Kong profit tax at 16.5%. These companies have not recorded tax provision for Hong Kong profits tax as there were no assessable profits arising in or derived from Hong Kong.

**British Virgin Islands**

Companies that were incorporated in the BVI are not subject to taxation in their country of incorporation. Subsidiaries incorporated in the BVI include Daily Growth Holdings and other five subsidiaries.

**PRC**

The Group's PRC entities are subject to 25% PRC Enterprise Income Tax (EIT) on the taxable income in accordance with the relevant PRC income tax laws, except for certain entities that enjoy preferential tax rates, which are lower than the statutory rates, as described below.

Under the EIT Law and its implementing rules, an enterprise which qualifies as a high and new technology enterprise (the HNTE) is entitled to a tax rate of 15%. CFO Software, CFO Meining and CFO Genius obtained the HNTE status in 2008.

Under the EIT law and its implementing rules, enterprises that obtain status of Software Enterprises are entitled to be exempted from EIT tax for the first two profit-making years and enjoy a preferential 12.5% tax rate, which is half of the standard EIT rate of 25% for the three years thereafter.

A summary of the main PRC entities that subject to tax preferential policies for the year ended December 31, 2010 is as follows:

<b>PRC entities</b>	<b>Chinese enterprise income tax rate</b>	<b>Qualification for preferential tax rate</b>
CFO Success	Full tax exemption for the year 2008 and 2009 and a preferential tax rate of 12.5% from 2010 to 2012.	Software Enterprises
CFO Qicheng	Full tax exemption for the years 2010 and 2011, and preferential tax rate of 12.5% from 2012 to 2014	Software Enterprises
CFO Shenzhen	Full tax exemption for the years 2010 and 2011, and preferential tax rate of 12.5% from 2012 to 2014	Software Enterprises
Shangtong CFO	Full exemption for the year 2008 and preferential tax rate of 10%, 11% and 12% from 2009 to 2011.	Software Enterprises
Zhengning CFO Stockstar	Transition tax rate 22%, 24% for 2010, 2011 and 25% from 2012 and thereafter.	Transition rules of the EIT Law
CFO Jujin	Transition tax rate 22%, 24% for 2010, 2011 and 25% from 2012 and thereafter.	Transition rules of the EIT Law
CFO New land	Transition tax rate 22%, 24% for 2010, 2011 and 25% from 2012 and thereafter.	Transition rules of the EIT Law
CFO Software	Preferential tax rate of 7.5% from 2008 to 2010.	HNTE and local tax policy to apply 50% reduced tax rate
CFO Meining	Preferential tax rate of 15% from 2008 to 2010.	HNTE



**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**14. INCOME TAXES continued**

**PRC continued**

The HNTE status obtained by CFO Software, CFO Meining and CFO Genius in 2008 under the EIT Law is valid for three years and qualifying entities can then apply to renew for an additional three years provided their business operations continue to qualify for the HNTE status. The Group assumed its qualifying entities will continue to obtain the renewal in the future. Accordingly, in calculating deferred tax assets and liabilities, the Group assumed its qualifying entities will continue to renew the HNTE status at the conclusion of the initial three year period.

In addition to the tax preferential policies the Group is enjoying, CFO Chongzhi, CFO Zhongcheng and Shanghai Shangtong Co., Ltd. ( CFO-Shangtong ) are approved by the local tax authority in 2009 and 2010 to file their income tax by adopting the deemed-profit method . Under this method, the three entities filed their income tax by calculating as 2.5% of the gross revenues. This method is subject to be reevaluated by the local tax authority in the future.

The EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for PRC Income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the EIT Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc, occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that currently the legal entities organized outside of the PRC within the Group should be treated as residents for EIT law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed a resident enterprise, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income tax at a rate of 25%.

If the Company were to be non-resident for PRC tax purpose, dividends paid to it out of profits earned after January 1, 2008 would be subject to a withholding tax. In the case of dividends paid by PRC subsidiaries the withholding tax would be 10% not considering the arrangements for the Avoidance of Double Taxation on income and Prevention of Fiscal Evasion with respect to Taxes on Income between mainland and Hong Kong.

Since the Group's subsidiaries located in the PRC had aggregate accumulated losses of US\$6,036,036 and US\$2,342,523 as of December 31, 2009 and 2010, respectively, no income tax provision has been made for the Chinese dividend withholding taxes.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****14. INCOME TAXES continued****PRC continued**

Aggregate undistributed earnings of the Company's VIEs and its VIEs' subsidiaries located in the PRC that are available for distribution to the Company of approximately US\$17,262,762 at December 31, 2010. Under U.S. GAAP, a deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting amounts over tax basis amounts, including those differences attributable to a more than 50% interest in a domestic subsidiary. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Company has not recorded any such deferred tax liability attributable to the undistributed earnings of its financial interest in VIEs because it believes such excess earnings can be distributed in a manner that would not be subject to income tax.

Income tax (provision) benefit was as follows:

	2008	December 31, 2009	2010
Current	\$ (153,261)	\$ (471,120)	\$ (362,861)
Deferred	3,200,390	917,284	99,475
<b>Total</b>	<b>\$ 3,047,129</b>	<b>\$ 446,164</b>	<b>\$ (263,386)</b>

The principal components of deferred income taxes were as follows:

	2009	December 31, 2010
<b>Current deferred tax assets:</b>		
Deferred revenue - current	\$ 2,852,510	\$ 2,785,595
Accrued expenses and other liability	200,775	828,746
Net operating loss carrying forwards	183,525	19,779
<b>Total current deferred tax assets</b>	<b>3,236,810</b>	<b>3,634,120</b>
<b>Non-current deferred tax assets:</b>		
Deferred revenue - non-current	\$ 1,829,496	\$ 1,680,936
Net operating loss carrying forwards	2,321,949	4,038,354
	<b>4,151,445</b>	<b>5,719,290</b>

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Less: valuation allowance	(2,272,602)	(4,038,354)
Total non-current deferred tax assets	\$ 1,878,843	\$ 1,680,936
Non-current deferred tax liabilities:		
Intangible assets	(994,573)	(966,689)
Total non-current deferred tax liabilities	\$ (994,573)	\$ (966,689)

F-40

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

(In U.S. dollars)

**14. INCOME TAXES continued****PRC continued**

A valuation allowance of \$2,272,602 and \$4,038,354 was established as of December 31, 2009 and 2010, respectively, for the entities that have incurred losses because the Group believes that it is more likely than not that the related deferred tax assets will not be realized in the future. At December 31, 2010, operating loss carry forwards includes approximately \$13.2 million which will expire by 2015, and \$7.3 million which will carry forward indefinitely.

A reconciliation between the statutory PRC enterprise income tax rate of 25% and the effective tax rate is as follows:

	Years ended December 31,		
	2008	2009	2010
	%	%	%
Statutory tax rate in PRC	25.0	(25.0)	25.0
Effect of tax holiday	(74.3)	(38.2)	(221.8)
Effect of different income tax rates in other jurisdictions	1.3	2.6	9.7
Non-deductible expenses	39.0	45.9	143.2
Non-taxable income	(7.9)	(14.4)	(32.2)
Change in valuation allowance	(2.2)	22.4	89.9
<b>Effective tax rate</b>	<b>(19.1)</b>	<b>(6.7)</b>	<b>13.8</b>

During the years ended December 31, 2008, 2009 and 2010, if the China Finance Online's subsidiaries in the PRC were neither in the tax holiday period nor had they been specifically allowed special tax concessions, they would have recorded additional income tax expense of \$11,660,280, \$2,373,822 and 4,208,756, respectively. The impact of the tax holidays on basic net income per ordinary share was an increase of \$0.12, \$0.02 and \$0.04, for the years ended December 31, 2008, 2009 and 2010, respectively.

The Group did not identify significant unrecognized tax benefits for the years ended December 31, 2008, 2009 and 2010. The Group did not incur any interest and penalties related to potential underpaid income tax expenses and also believed that the adoption of pronouncement issued by FASB regarding accounting for uncertainty in income taxes did not have a significant impact on the unrecognized tax benefits within 12 months from December 31, 2010.

Since September 2010, the relevant tax authorities of the Group's subsidiaries and VIEs have not conducted a tax examination. In accordance with relevant PRC tax administration laws, tax years from 2005 to 2010 of the Group's PRC subsidiaries and VIEs remain subject to tax audits as of December 31, 2010, at the tax authority's discretion.



**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**15. AMERICAN DEPOSITARY SHARES ( ADS ) PLAN**

In October 2005, the Group issued 2,000,000 ordinary shares to its American Depositary Receipt bank and in exchange received 400,000 ADSs for purposes of future exercise of share options by employees.

As of December 31, 2006, all 400,000 ADSs had been issued to employees who exercised their options. In January 2006, the Group issued 3,000,000 ordinary shares to its American Depositary Receipt bank and in exchange received 600,000 ADSs for purposes of future exercise of share options by employees.

As of December 31, 2007, 905,256 American depositary shares ( ADSs ) had been issued to employees and the remaining 94,744 ADSs continued to be held by the Group for future exercises. These 94,744 ADSs represent 473,720 ordinary shares of the Group.

As of December 31, 2008, the remaining ADSs carried from 2007 were used for option exercise. No ADS is outstanding for potential option exercises.

In June 2009, the shareholders approved the increase in the number of ordinary shares available for issuance under the 2004 Plan by 3,000,000 ordinary shares.

In June 2010, the shareholders approved the increase in the number of ordinary shares available for issuance under the 2004 Plan by 3,000,000 ordinary shares annually until December 31, 2014.

**16. REPURCHASED SHARES**

In year 2005, the Group repurchased 10,708,030 ordinary shares at prices ranging from \$1.13 to \$1.41 per share, including brokerage commission, for a total consideration of \$13,200,394. In year 2007, the Group granted 10,558,493 nonvested shares to employees out of the repurchased shares. Therefore there were 149,537 repurchased shares at the end of 2007. In year 2008 and 2009, 95,950 and 750 repurchased shares were used for options exercised by employees, respectively. Therefore, the number of the remaining repurchased share as of December 31, 2008, 2009 and 2010 was 53,587, 52,837 and 52,837, respectively.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****17. NET INCOME (LOSS) PER SHARE**

The following table sets forth the computation of basic and diluted income (loss) per share for the years indicated:

	Years ended December 31,		
	2008	2009	2010
Net income (loss) attributable to China Finance Online Co. Limited	\$ 19,020,115	\$ (6,219,743)	\$ 1,960,122
Weighted average ordinary shares outstanding used in computing basic net income per share	98,957,993	105,203,564	108,247,552
Plus: Incremental shares from assumed conversions of stock options and nonvested shares	14,026,539		5,877,470
Weighted average ordinary shares outstanding used in computing diluted net income per share (note)	112,984,532	105,203,564	114,125,022
Net income (loss) per share attributable to China Finance Online Co. Limited			
- basic	\$ 0.19	\$ (0.06)	\$ 0.02
- diluted	\$ 0.17	\$ (0.06)	\$ 0.02

As of December 31, 2008 and 2010, 1,491,776 options and zero nonvested shares, and 767,083 options and zero nonvested shares were excluded in computation of diluted net income per share, respectively, because their effects were anti-dilutive. For year 2009, all of the options and nonvested shares were anti-dilutive because the Group was in the loss position.

**18. MAINLAND CHINA CONTRIBUTION PLAN AND PROFIT APPROPRIATION**

Full time employees of the Group in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. The total provisions for such employee benefits were \$1,913,046, \$3,228,517 and \$3,898,237 for the years ended December 31, 2008, 2009 and 2010 respectively.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

(In U.S. dollars)

**19. NONCONTROLLING INTEREST**

	Daily Growth Securities	CFO Securities Consulting	Daily Growth Holdings	Total
Balance as of December 31, 2007	471,431			471,431
Acquisition of noncontrolling interest of Daily Growth Securities (Note 3)	(440,798)			(440,798)
Net loss	(30,633)			(30,633)
Balance as of December 31, 2008				
Acquisition of CFO Securities Consulting (Note 3)		261,660		261,660
Net loss		(2,131)		(2,131)
Balance as of December 31, 2009		259,529		259,529
Acquisition of noncontrolling intetres of CFO Securities Consulting (Note 3)		(5,233)		(5,233)
Share-based compensation of Daily Growth Holdings (Note 13)			14,865	14,865
Net loss		(254,296)	(71,667)	(325,963)
Balance as of December 31, 2010			(56,802)	(56,802)

**20. COMMITMENTS**

The Group leases certain office premises and purchases data under non-cancelable leases. Rent expense under operating leases for 2008, 2009 and 2010 were \$2,038,449, \$2,970,407 and \$3,067,950, respectively.

Future minimum payments under non-cancelable operating leases and data purchase agreements were as follows:

Year ending	
2011	3,981,040
2012	1,331,688
2013	276,728
2014	91,409
Total	\$ 5,680,865

**21. SEGMENT AND GEOGRAPHIC INFORMATION**

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The Group has two operating segments (1) online financial data subscription service and other related services, (2) brokerage service. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-makers in deciding how to allocate resources and in assessing performance. The Group's chief executive officer and chief operating officer have been identified as the chief operating decision makers. The Group's chief operating decision makers direct the allocation of resources to operating segments based on the profitability and cash flows of each respective segment.

F-44

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****21. SEGMENT AND GEOGRAPHIC INFORMATION continued**

The Group evaluates performance based on several factors, including net revenue, cost of revenue, operating expenses, income from operation. The accounting policies of the business segments are the same as those described in Note 2: Summary of Significant Accounting Policies. The following tables show the operations of the Group's operating segments:

For the year ended December 31, 2010

	Subscription services and other related services	Brokerage services	Consolidated
Net revenue	\$ 56,712,796	\$ 3,003,246	\$ 59,716,042
Cost of revenue	8,098,809	398,336	8,497,145
Operating expenses:			
General and administrative	10,976,571	2,231,766	13,208,337
Product development	13,027,879		13,027,879
Sales and marketing	25,241,232	1,749,861	26,991,093
Total operating expenses	49,245,682	3,981,627	53,227,309
Government subsidies	514,113		514,113
Loss from operations	(117,582)	(1,376,717)	(1,494,299)
Total assets	147,245,516	32,845,066	180,090,582

For the year ended December 31, 2009

	Subscription services and other related services	Brokerage services	Consolidated
Net revenue	\$ 51,377,247	\$ 2,228,630	\$ 53,605,877
Cost of revenue	7,498,892	647,832	8,146,724
Operating expenses:			
General and administrative	15,302,683	1,679,349	16,982,032
Product development	10,754,380		10,754,380
Sales and marketing	25,762,671	332,562	26,095,233

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Total operating expenses	51,819,734	2,011,911	53,831,645
Government subsidies	567,373		567,373
Loss from operations	(7,374,006)	(431,113)	(7,805,119)
Total assets	137,075,374	28,534,063	165,609,437

F-45

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued****FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010****(In U.S. dollars)****21. SEGMENT AND GEOGRAPHIC INFORMATION continued**For the year ended December 31, 2008

	Subscription services and other related services	Brokerage services	Consolidated
Net revenue	\$ 55,286,219	\$ 956,549	\$ 56,242,768
Cost of revenue	(9,181,922)	(185,221)	(9,367,143)
Operating expenses:			
General and administrative	(14,055,716)	(1,315,455)	(15,371,171)
Product development	(5,635,173)		(5,635,173)
Sales and marketing	(13,342,967)	(177,328)	(13,520,295)
Total operating expenses	(33,033,856)	(1,492,783)	(34,526,639)
Government subsidies	436,946		436,946
Income (loss) from operations	13,507,387	(721,455)	12,785,932
Total assets	124,128,214	17,695,097	141,823,311

Enterprise wide disclose

The Group derives revenue from external customers for each of the following services during the years presented:

	Years ended December 31,		
	2008	2009	2010
Subscription fees	\$ 50,598,929	\$ 47,201,162	\$ 49,518,331
Advertising revenue	2,946,389	3,985,699	7,031,219
Brokerage service revenue	956,549	2,228,630	3,003,246
Others	1,740,901	190,386	163,246
Total revenue from external customers	\$ 56,242,768	\$ 53,605,877	\$ 59,716,042

Substantially all of the Company's revenues for the years ended December 31, 2008, 2009 and 2010 were generated from the PRC and Hong Kong.

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As of December 31, 2008, 2009 and 2010, respectively, substantially all of long-lived assets of the Group are located in the PRC and Hong Kong.

F-46



**Table of Contents**

**CHINA FINANCE ONLINE CO. LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued**

**FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

**(In U.S. dollars)**

**22. STATUTORY RESERVES AND RESTRICTED NET ASSETS**

PRC legal restrictions permit payments of dividends by the Group's PRC entities only out of their retained earnings, if any, determined in accordance with PRC regulations. Prior to payment of dividends, pursuant to the laws applicable to the PRC Domestic Enterprises and PRC Foreign Investment Enterprises, the PRC entities must make appropriations from after-tax profit to non-distributable statutory reserve funds as determined by the Board of Directors of the Group. These reserve funds include the (1) general reserve, (2) enterprise expansion fund and (3) staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires annual appropriations of not less than 10% of after-tax profit (as determined under accounting principles and financial regulations applicable to PRC enterprises at each year-end); the other two funds are to be made at the discretion of the board of directors of each of the Group's subsidiaries.

These reserve funds can only be used for specific purposes and are not distributable as cash dividends.

The appropriation to these reserves by the Group's PRC subsidiaries were \$3,335,073, \$nil and \$221,679 in 2008, 2009 and 2010.

The balance of the statutory reserves was 5,485,798 and 5,707,477 as of December 31 2009 and 2010. Such reserves have been included in the retained earnings of the Company's consolidated balance sheet.

As a result of these PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Group. Amounts restricted include paid-in capital and the statutory reserves of the Company's PRC subsidiaries and VIEs. As of December 31, 2010, the aggregate amounts restricted which represented the amount of net assets of the relevant subsidiaries and VIEs in the Group not available for distribution was \$74,864,472. As a result of the above restrictions, parent-only financials are presented on financial statement Schedule I.

**23. REVISION OF DISCLOSURES**

The Company has revised and enhanced the disclosures related to the VIE contractual arrangements in Note 1, the stock options in Note 13 and income taxes in Note 14 to the consolidated financial statements.

**24. SUBSEQUENT EVENT**

**Grant of share option**

On February 1<sup>st</sup>, 2011, the Company granted 200,000 options to an employee with an exercise price of \$1.14 per share.

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****Additional Information Financial Statement Schedule I****Financial information of Parent Company****Balance sheets****(In U.S. dollars, except share-related data)**

	December 31,	
	2009	2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,620,238	\$ 2,808,010
Amounts due from subsidiaries	19,016,051	3,637,539
Prepaid expenses and other current assets	20,352	99,156
Dividends receivable	25,836,613	26,638,314
<b>Total current assets</b>	<b>48,493,254</b>	<b>33,183,019</b>
Investments in subsidiaries	47,893,966	72,211,545
Cost-method investment	1,479,571	1,479,571
Goodwill	50,534	50,534
<b>Total assets</b>	<b>\$ 97,917,325</b>	<b>\$ 106,924,669</b>
<b>Liabilities and shareholders equity</b>		
Current liabilities:		
Accrued expenses and other current liabilities	367,357	313,903
Amounts due to subsidiaries	142,572	710,861
<b>Total current liabilities</b>	<b>\$ 509,929</b>	<b>\$ 1,024,764</b>
<b>Shareholders equity</b>		
Ordinary shares (\$0.00013 par value; 500,000,000 shares authorized as of December 31, 2009 and 2010, respectively; 110,250,163 and 110,887,883 shares issued and outstanding as of December 31, 2009 and 2010, respectively)	14,237	14,319
Additional paid-in capital	74,130,609	78,974,697
Accumulated other comprehensive income	6,342,765	8,030,982
Retained earnings	16,919,785	18,879,907
<b>Total shareholders equity</b>	<b>97,407,396</b>	<b>105,899,905</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 97,917,325</b>	<b>\$ 106,924,669</b>

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****Financial information of Parent Company****Statements of operations****(In U.S. dollars)**

	2008	December 31, 2009	2010
Cost of revenues	\$	\$	\$ 139,276
Gross profit			(139,276)
Operating expenses:			
General and administrative	577,934	1,071,533	760,786
Product development			53,202
Share-based compensation	8,040,150	6,600,716	4,420,572
Total operating expenses	8,618,084	7,672,249	5,234,560
Interest income	50,970	4,510	2,249
Equity in earnings of subsidiaries and VIEs	25,997,391	1,469,390	6,500,738
Exchange gain (loss)	1,589,838	(21,394)	830,971
Net income (loss)	\$ 19,020,115	\$ (6,219,743)	\$ 1,960,122

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****Financial Information of Parent Company****Parent Company Statement of Shareholders' Equity and Comprehensive Income****(In U.S. dollars, except share data)**

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity	Comprehensive income
	Shares	Amount					
Balance as of January 1, 2008	109,754,433	14,172	58,727,378	4,501,432	4,119,413	67,362,395	
Exercise of share options by employees			531,449			531,449	
Exercise of share options by non-employees	260,000	34	41,566			41,600	
Share-based compensation			8,040,150			8,040,150	
Foreign currency translation adjustment				1,946,646		1,946,646	1,946,646
Net income					19,020,115	19,020,115	19,020,115
<b>Balance as of December 31, 2008</b>	<b>110,014,433</b>	<b>14,206</b>	<b>67,340,543</b>	<b>6,448,078</b>	<b>23,139,528</b>	<b>96,942,355</b>	<b>20,966,761</b>
Exercise of share options by employees	185,730	24	181,357			181,381	
Exercise of share options by non-employees	50,000	7	7,993			8,000	
Share-based compensation			6,600,716			6,600,716	
Foreign currency translation adjustment				(105,313)		(105,313)	(105,313)
Net loss					(6,219,743)	(6,219,743)	(6,219,743)
<b>Balance as of December 31, 2009</b>	<b>110,250,163</b>	<b>14,237</b>	<b>74,130,609</b>	<b>6,342,765</b>	<b>16,919,785</b>	<b>97,407,396</b>	<b>(6,325,056)</b>
Exercise of share options by employees	637,720	82	717,175			717,257	
Share-based compensation			4,420,572			4,420,572	
Equity pick up from compensation of a subsidiary			84,234			84,234	
Acquisition of noncontrolling interest of CFO Securities Consulting			(377,893)			(377,893)	
Foreign currency translation adjustment				1,688,217		1,688,217	1,688,217
Net income					1,960,122	1,960,122	1,960,122
<b>Balance as of December 31, 2010</b>	<b>110,887,883</b>	<b>14,319</b>	<b>78,974,697</b>	<b>8,030,982</b>	<b>18,879,907</b>	<b>105,899,905</b>	<b>3,648,339</b>

**Table of Contents****CHINA FINANCE ONLINE CO. LIMITED****Financial information of Parent Company****Statements of cash flows****(In U.S. dollars, except share-related data)**

	2008	December 31, 2009	2010
<b>Operating activities:</b>			
Net income (loss)	\$ 19,020,115	\$ (6,219,743)	\$ 1,960,122
<b>Adjustments to reconcile net income (loss) to net cash used in operating activities:</b>			
Share-based compensation	8,040,150	6,600,716	4,420,572
Equity in earnings of subsidiaries	(25,997,391)	(1,469,390)	(6,500,738)
<b>Changes in assets and liabilities:</b>			
Prepaid expenses and other current assets	84,695	28,525	(78,804)
Amounts due from subsidiaries	(15,071,573)	(105,742)	(1,845,474)
Accrued expenses and other current liabilities	(1,541,036)	31,836	(53,454)
Amounts due to subsidiaries	(47,217)	129,250	568,289
<b>Net cash used in operating activities</b>	<b>(15,512,257)</b>	<b>(1,004,548)</b>	<b>(1,529,487)</b>
<b>Investing activities:</b>			
<b>Net cash provided by investing activities</b>			
<b>Financing activities:</b>			
Proceeds from stock options exercised by employees	531,449	181,381	717,257
Proceeds from exercise of options granted to non-employee	41,600	8,000	
<b>Net cash provided by financing activities</b>	<b>573,049</b>	<b>189,381</b>	<b>717,257</b>
Effect of exchange rate changes	(2)	(2)	2
<b>Net decrease in cash and cash equivalents</b>	<b>(14,939,210)</b>	<b>(815,169)</b>	<b>(812,228)</b>
Cash and cash equivalents, beginning of the year	19,374,617	4,435,407	3,620,238
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 4,435,407</b>	<b>\$ 3,620,238</b>	<b>\$ 2,808,010</b>

Note:

**Basis for preparation**

The parent-company only Financial Information of China Finance Online has been prepared using the same accounting policies as set out in the Group's consolidated financial statements except that China Finance Online has used equity method to account for its investments in its subsidiaries and variable interest entities.