

China Finance Online Co. LTD
Form 20-F
May 31, 2011

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F**

(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

Telephone: + (86 10) 58325288

Email: ir@jrj.com

Facsimile: + (86 10)58325200

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

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

CHINA FINANCE ONLINE CO. LIMITED

TABLE OF CONTENTS

INTRODUCTION

PART I

<u>ITEM 1 Identity of Directors, Senior Management and Advisers</u>	4
<u>ITEM 2 Offer Statistics and Expected Timetable</u>	5
<u>ITEM 3 Key Information</u>	5
<u>ITEM 4 Information on the Company</u>	36
<u>ITEM 5 Operating and Financial Review and Prospects</u>	59
<u>ITEM 6 Directors, Senior Management and Employees</u>	78
<u>ITEM 7 Major Shareholders and Related Party Transactions</u>	89
<u>ITEM 8 Financial Information</u>	98
<u>ITEM 9 The Offer and Listing</u>	98
<u>ITEM 10 Additional Information</u>	99
<u>ITEM 11 Quantitative and Qualitative Disclosures About Market Risk</u>	107
<u>ITEM 12 Description of Securities Other than Equity Securities</u>	107

PART II

<u>ITEM 13 Defaults, Dividend Arrearages and Delinquencies</u>	110
<u>ITEM 14 Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	110
<u>ITEM 15 Controls and Procedures</u>	110
<u>ITEM 16A Audit Committee Financial Expert</u>	112
<u>ITEM 16B Code of Ethics</u>	112
<u>ITEM 16C Principal Accountant Fee and Services</u>	113
<u>ITEM 16D Exemption from the Listing Standards for Audit Committees</u>	113

<u>ITEM 16E Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	113
<u>ITEM 16F Change in Registrant's Certifying Accountant</u>	113
<u>ITEM 16G Corporate Governance</u>	113
<u>PART III</u>	
<u>ITEM 17 Financial Statements</u>	113
<u>ITEM 18 Financial Statements</u>	113
<u>ITEM 19 Exhibits</u>	114
<u>EX-4.2</u>	
<u>Exhibit 4.3</u>	
<u>Exhibit 4.4</u>	
<u>Exhibit 4.74</u>	
<u>Exhibit 4.75</u>	
<u>Exhibit 4.76</u>	
<u>Exhibit 4.78</u>	
<u>Exhibit 4.103</u>	
<u>Exhibit 4.104</u>	
<u>Exhibit 4.151</u>	
<u>Exhibit 4.152</u>	
<u>Exhibit 8.1</u>	
<u>Exhibit 12.1</u>	
<u>Exhibit 12.2</u>	
<u>Exhibit 13.1</u>	
<u>Exhibit 13.2</u>	
<u>Exhibit 15.1</u>	
<u>Exhibit 15.2</u>	

Table of Contents

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 the 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, believe, is /are likely to or 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;
- 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;

Table of Contents

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 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.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

Table of Contents**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
Consolidated statement of operations and comprehensive income (loss) data:					
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
-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
Consolidated balance sheet data:					
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>		
December 31, 2006	7.9693	8.0705	7.8051	7.8087
December 31, 2007	7.5806	7.8127	7.2946	7.2946
December 31, 2008	6.9193	7.2946	6.7800	6.8225
December 31, 2009	6.8314	6.8399	6.8201	6.8282
December 31, 2010	6.7668	6.8284	6.6227	6.6227
Most recent six months:				
November 2010	6.6558	6.6925	6.6239	6.6762
December 2010	6.6515	6.6786	6.6227	6.6227
January 2011	6.6027	6.6349	6.5876	6.5891
February 2011	6.5840	6.5985	6.5752	6.5752
March 2011	6.5662	6.5750	6.5564	6.5564
April 2011	6.5292	6.5527	6.4990	6.4990
May 2011 (through 16th)	6.5006	6.5108	6.4948	6.5108

(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.

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
- 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.

Table of Contents

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.

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.

Table of Contents

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. 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.

Table of Contents

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.

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 Software tax exemption for 2007 and a preferential tax rate of 7.5% for 2008, 2009 and 2010, and providing CFO Meining and CFO Genius a preferential tax rate of 15% for 2008, 2009 and 2010.

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; 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.

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. 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.

Table of Contents

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.

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.

Table of Contents

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.

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.

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.

Table of Contents

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 and 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.

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;

Table of Contents

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.

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 we rely principally on dividends and other distributions on equity primarily paid by Daily Growth Holdings, CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning and CFO Success for our cash requirements, including the funds necessary to service any debt we may incur. If any of Daily Growth Holdings, CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning or CFO Success incurs debt on its own behalf in the future, the instruments governing the debt may restrict such entity's ability to pay dividends or make other distributions to us. 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 and CFO Success to pay dividends and other distributions to us.

Furthermore, PRC legal restrictions permit payments of dividends significantly by CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning or CFO Success only out of their net income, if any, determined in accordance with PRC accounting standards and regulations. Under PRC law, CFO Beijing, CFO Software, CFO Stockstar, CFO Genius, CFO Jujin, CFO Zhengning and CFO Success are also required to set aside a portion of their net income each year to fund specified reserve funds. These reserves are not distributable as cash dividends. Any limitation on the ability of our subsidiaries and PRC affiliates discussed above to make dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

Table of Contents

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.

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.

Table of Contents

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.

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.

Substantially all of our revenues and operating expenses are denominated in Renminbi. Renminbi is currently convertible under the current account, which includes dividends, trade and service related foreign exchange transactions, but not under the capital account, which includes foreign direct investment and loans. 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 the State Administration for Foreign Exchange. 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. 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***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.

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.

Table of Contents

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.

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.

Table of Contents***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.

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.

Table of Contents

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. 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

Table of Contents

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.

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.

Table of Contents

Furthermore, the depository has deemed any holders who do not send in voting instructions at all or in a timely manner as having instructed the depository 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.

The depository 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 depository 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 depository 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 depository 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 depository. 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 depository. However, the depository 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 depository 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 depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of our ADSs generally when the books of the depository are closed, or at any time if we or the depository 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.

Table of Contents

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 depository 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.

In addition, if the depository 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.

Table of Contents

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.

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 chan