

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F/A**

**(Amendment No. 1)**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (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, 2007

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 \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

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 100032, China**

(Address of principal executive offices)

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

Title of each class

Name of each exchange on which registered

None

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: 109,754,433 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 registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

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## Explanatory Note

This Form 20-F/A amends and restates Item 5, Item 18 and Item 19 of the annual report on Form 20-F for the fiscal year ended December 31, 2007 of China Finance Online Co. Limited filed on June 5, 2008 (the "Form 20-F") to clarify the involvement of an independent third-party, American Appraisal China Limited, in the determination of certain impairment charges relating to the Company's investment in Moloon International Inc.. In this connection, this Form 20-F/A also includes an additional exhibit, Exhibit 10.2, to the Form 20-F. Exhibit 10.2 is a copy of the consent letter whereby American Appraisal China Limited consents to references to the valuation methodologies, assumptions and conclusions associated with the financial appraisal reports of American Appraisal China Limited dated March 22, 2007 and April 15, 2008 in the annual report on Form 20-F of China Finance Online Co. Limited and any amendments thereto filed or to be filed with the U.S. Securities and Exchange Commission for the year ended December 31, 2007.

This Form 20-F/A consists of a cover page, this explanatory note, the disclosures (as amended) to Item 5, Item 18 and Item 19 of the Form 20-F, Exhibit 10.2, the signature page, the currently dated consent of our auditor and the required certifications of the principal executive officer and the principal financial officer of China Finance Online Co. Limited. While the disclosures (as amended) to Item 5, Item 18 and Item 19 of the Form 20-F have been restated in full as required by Rule 12b-15 under the Securities Exchange Act of 1934, no changes have been made to such answers except those described above.

Other than as set forth above, this Form 20-F/A does not, and does not purport to, amend, update or restate the information in any other Item of the Form 20-F or reflect any events that have occurred after the Form 20-F was filed on June 5, 2008.

The page numbers reflect those of the Annual Report, previously filed on Form 20-F and follow the sequence of the items refiled in the Form 20-F/A.

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

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

#### A. Operating Results.

We are one of the leading companies that specialize in providing online financial and listed company data and information in China. We offer subscription-based services based on a single integrated information platform that combines financial analysis tools, real-time and historical data, news, research reports and online forums. Our service offerings can be accessed using our research tools and through our websites [www.jrj.com](http://www.jrj.com) and [stockstar.com](http://stockstar.com). Our service offerings are used by and targeted at a broad range of investors in China, including individual investors managing their own money, professional investors such as institutional investors managing large sums of money on behalf of their clients and high net worth individuals, other financial professionals such as investment bankers, stock analysts and financial reporters, and middle class individuals.

Our net revenues increased by 263% to \$25.9 million in 2007 from \$7.1 million in 2006. Our net loss was \$4.1 million in 2007. For subscription services provided to individual investors, we receive subscription fees at the beginning of the subscribers' subscription periods. Revenues from the subscription fees are deferred and recognized ratably over the twelve month period. Our deferred revenues were \$25.1 million as of December 31, 2007, compared to \$6.4 million as of December 31, 2006.

Our principal capital expenditures for 2005, 2006 and 2007 consisted of primarily purchases of servers, workstations, computers, computer software, and other items related to our network infrastructure for a total of approximately \$235,000, \$1.0 million and \$3.8 million, respectively.

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

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

- performance of China's securities markets, and user demand for market intelligence on China's securities markets, as well as the overall performance of China's economy;
- contribution of alternative revenue resources such as revenues from online advertising;
- seasonality associated with the level of activity of our users and subscribers and the trading activities of China's securities markets;
- tax refund from the PRC tax authorities for value-added-taxes we are required to pay on the sale of subscriptions to our service packages;
- other tax incentives we receive from PRC tax authorities resulting from CFO Beijing being a foreign invested software development company and CFO Software being a foreign invested high-technology company;
- our cost structure, including, in particular, our cost for raw data;
- the desirability of our service packages relative to other products and offerings available in the market;
- our ability to benefit from the acquisition of CFO Stockstar, CFO Genius, and Daily Growth Securities; and
- PRC telecommunication and regulatory policies.

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

To a lesser extent, we also derive revenues through advertisement sales on our website, which contributed \$1.6 million in 2007, representing a 17% increase from the \$1.3 million contributed in 2006. Revenues from advertising accounted for 6.0% of our net revenues in 2007. We allocated most of our advertising inventories to promote our subscription-based software offerings, and hence online advertising was not considered a core service line of our business in 2007.

Our gross revenues also include the benefit of a refund from the PRC tax authorities for value-added-taxes, or VAT, we are required to pay on the sale of subscriptions to our service packages. We receive these refunds from the PRC tax authorities as part of the PRC government's policy of encouraging software development in the PRC. There is generally a one-month lapse between the time we complete a sale and pay the VAT on that sale and the time we receive the refund. We recognized approximately \$2.2 million in revenue for VAT refunds in 2007.

### **Gross revenues**

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

The most significant factors that affect our subscription revenues are:

- the number of registered user accounts on our websites;
- the number of active paying individual subscribers; and
- the service packages selected by our subscribers.

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

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

### Net revenues

Our net revenues reflect a deduction from our gross revenues for business taxes and related surcharges incurred in connection with our China operations. Because CFO Beijing, CFO Software, CFO Fuhua, CFO Wisdom, CFO Success, CFO Glory, CFO Premium, CFO Stockstar, CFO Meining, CFO Genius and CFO Jujin operate in China, their gross revenues from sales that are not subject to VAT are subject to a business tax at a rate ranging from 3% to 5%. We expect to pay business tax in the PRC on revenues from advertising-related business and from mobile value added services we expect to generate in the future.

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

	Years ended December 31,		
	2005	2006	2007
Subscription fees	\$ 5,811,395	\$ 5,075,830	\$ 22,712,043
Advertising revenue	996,311	1,337,630	1,560,194
SMS revenue	—	298,232	1,339,321
Brokerage service revenue	—	—	80,896
Others	674,460	416,386	210,620
	<u>\$ 7,482,166</u>	<u>\$ 7,128,078</u>	<u>\$ 25,903,074</u>

### Revenue recognition

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

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

We also derive commission from brokerage services provided by the newly acquired subsidiary, Daily Growth Securities, which buys or sells securities on their customers' behalf. The commission income is recognized on a trade date basis as securities transactions occur.

## Cost of revenues

Our cost of revenues consists of expenses directly related to the offering of our software subscription services. Our cost of revenues primarily consists of cost of raw data, cost of bandwidth, salary and compensation, depreciation and rent. Cost of revenues accounted for 21% and 17% of our net revenues in 2006 and 2007 respectively, although the absolute amount of cost of revenue experienced a sizable increase in 2007 compared with that of 2006. The decrease in the ratio of cost of revenues to net revenues in 2007 is primarily due to the increase in net revenues greater than the increase in cost of revenues. We believe the absolute increase will partly be attributable to contribution from increase in website maintenance and development expenses of \$2.9 million in 2007, compared to \$943,000 from 2006, which consists of rent, cost of raw data, salary and compensation, server depreciation expenses, bandwidth costs, and content expenses for our jrj.com and stockstar.com websites. We expect our cost of revenues will increase in absolute amount of our net revenues in 2008.

*Rent.* Rent attributable to cost of revenues reflects that portion of our rent expense that we believe is directly used in the provision of our web content and database services. We allocate rent to cost of revenues to the extent the space is occupied by our web content and database personnel. Our rent is the largest component of our cost of revenues, constituting 26% of our cost of revenues in 2007.

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

- if we enter into additional commercial agreements for purchasing data from new sources or if we obtain different or additional data from existing sources or
- due to rate increases we may experience in the future upon renewal of our existing agreements.

*Salary and compensation.* Salary and compensation expenses include wages, bonuses and other benefits, including welfare benefits. Salary and compensation included in our cost of revenues relate to our web content and database personnel. We expect that our salary and compensation expenses will increase in the future as we intend to increase our customer service performance as our business further grows and expands.

*Depreciation.* Depreciation consists of depreciation of property and equipment, primarily our network and servers. We include depreciation within cost of revenues when the relevant assets are directly related to the provision of our web content and database services.

## Operating expenses

Our operating expenses consist of general and administrative expenses, product development expenses, and sales and marketing expenses. Stock-based compensation expenses are reported within each of the cost of revenue and operating expense financial statement line items, as appropriate. The decrease in the ratio of operating expenses to net revenues in 2007 is primarily due to the increase in net revenues greater than the increase in operating expenses. The increase in absolute amount of operating expenses is primarily due to the expansion of our business scale and the increase in the salary and compensation for our personnel, stock-based compensation, cost of professional services and other related costs associated with our being publicly listed in the U.S. The most significant factors affecting our operating expenses are:

- salary and compensation for our employees, particularly our sales and marketing personnel and our management team;
- stock-based compensation expenses for the grant of the performance-based restricted stock and for new grants issued in 2007;
- professional services and other related costs associated with being publicly listed in the U.S; and
- expansion in operating scale associated with the acquisition of CFO Stockstar, CFO Genius and Daily Growth Securities.

We expect our operating expenses will continue to increase for the foreseeable future, but the rate of such increase will depend primarily on our personnel needs, our advertising needs and our computer, network and server capacity, including efforts we may undertake to expand our online advertising business.

*General and administrative expenses.* General and administrative expenses primarily consist of salary and compensation for our general management, finance and administrative personnel, stock-based compensation expenses, rent, professional expenses and other expenses, including travel and other general business expenses, office supplies and depreciation for general office furniture and equipment. We expect our general and administrative expenses to increase in 2008 and for the foreseeable future.

*Product development expenses.* Our product development expenses primarily consist of salary and compensation expenses of personnel engaged in the research, development and implementation of our new service offerings, rent and depreciation of equipment attributable to our product development efforts. We expect that our product development expenditures will increase for the next twelve months.

*Sales and marketing expenses.* Our sales and marketing expenses primarily consist of salary and compensation for our sales and marketing personnel, as well as the marketing promotion fees. The increase is largely due to compensation expenses as a result of increased sales force. We expect to continue to increase our sales and marketing efforts in the foreseeable future.

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

We adopted the 2004 Stock Incentive Plan, or the Plan, in January 2004. The Plan is intended to promote our success and to increase shareholder value by providing an additional means to attract, motivate, retain and reward selected directors, officers, employees and other eligible persons. An aggregate of 5,688,488 ordinary shares were reserved for issuance under the Plan in January 2004. We amended the Plan in September 2004 to increase the total number of ordinary shares issuable under the Plan by 5,000,000. We granted options under the Plan with the right to purchase up to 5,688,488 ordinary shares (including 90,000 options to eligible individual consultants and advisors) in 2004, of which 623,000 unvested options had been returned to the pool of our ungranted options as a result of resignation from employment by a few former employees as of March 31, 2008. In 2005, we granted to selected directors, officers, employees, individual consultants and advisors under the Plan options with the right to purchase up to 5,003,000 ordinary shares, of which 899,640 unvested options had been returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. In July 2006, we granted options to purchase up to 700,000 ordinary shares to selected officers under the Plan. We amended the Plan again in December 2006 to increase the total number of ordinary shares reserved for issuance under the Plan to 15,688,488. In 2007, we granted to selected directors, officers, employees, individual consultants and advisors under the Plan options with the right to purchase up to 3,848,000 ordinary shares, of which 40,560 unvested options had been returned to the pool of our ungranted options as a result of resignation from employment by a few former employees. As of March 31, 2008 we may grant options to purchase up to an additional 2,012,200 ordinary shares under the Plan.

The options we granted in January and February of 2004 have an exercise price of \$0.16 per share and will expire on March 5, 2009. The options we granted in June 2004 have an exercise price of \$1.04 per share and will expire on March 5, 2009. The options we granted in February 2005 have an exercise price of \$1.31 per share and will expire on February 18, 2015. The exercise price for the 400,000 and 200,000 options we granted in November 2005 were \$1.12 and \$1.16 per share respectively. The 700,000 options we granted in July 2006 have an exercise prices of \$1.07 per share and will expire on July 4, 2016. The 3,272,000 options we granted in January 2007 under the Plan have an exercise price of \$0.96 per share and will expire on January 17, 2017. The 100,000 and 150,000 options we granted in April and May, 2007 have exercise prices of \$1.25 and \$1.318 per share respectively, and will expire on April 4, 2017 and May 9, 2017 respectively. The 323,000 and 3,000 options we granted in August and September 2007 have exercise prices of \$2.03 and 2.188 per share, respectively, and will expire on August 26, 2017 and September 3, 2017 respectively.

Options granted under the Plan generally do not vest unless the grantee remains under our employment or in service with us on the given vesting date. However, in circumstances where there is a death or disability of the grantee, or a change in the control of our company, the vesting of options will be accelerated to permit immediate exercise of all options granted to a grantee. Generally, to the extent an outstanding option granted under the Plan has not vested by the date the grantee's employment or service with us terminates, the option will terminate and become unexercisable. Our board of directors may amend, alter, suspend, or terminate the Plan at any time, provided, however, that our board of directors must first seek the approval of our shareholders and, if such amendment, alteration, suspension or termination would adversely affect the rights of an optionee under any option granted prior to that date, the approval of such optionee. Under the Plan, as of March 31, 2008, we have a total number of 7,294,388 options that are currently vested and exercisable for ordinary shares.

We also granted share options to purchase up to 6,829,500 ordinary shares in January 2004, under option agreements that were independent of the Plan, to other consultants and business advisors of the company, 5,424,500 ordinary shares have been exercised as of March 31, 2008.

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

### **Critical accounting policies**

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

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

*Stock-based compensation.* Effective January 1, 2006, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), using the modified prospective transition method. Under this method, stock-based compensation expense recognized beginning January 1, 2006 includes: (a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of January 1, 2006 based on the fair market value as of the grant date, measured in accordance with SFAS 123, and (b) compensation expense for all stock-based compensation awards granted on or subsequent to January 1, 2006, based on grant-date fair value estimated in accordance with the provisions of SFAS 123(R). We recognize stock-based compensation costs on a graded-vesting attribution method over the requisite service period which is generally the vesting period.

For options vested prior to January 1, 2006, we accounted for share-based compensation plans in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", as amended ("APB 25"). Accordingly, we recognized compensation expense only when options were granted with a discounted exercise price. The compensation expense was recognized ratably over the requisite service period, which was generally the vesting period of the options.

*Cost method investment.* In December 2005, we purchased 9,800,000 Series B preferred shares in a private company, Moloon International Inc., ("Moloon") for \$15,000,000, which represents a 25% interest in Moloon on an if-converted basis. The investment in these preferred shares is not in-substance common stock, and accordingly, the investment has been recorded as a cost method investment. As Moloon does not have readily determinable fair value, we carry the investment at cost and only adjusted for other-than-temporary declines in fair value and distributions of earnings. The management regularly evaluates the impairment of the cost method investment based on performance and the financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financings, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in earnings equal to the difference between the investment's cost and its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value of the investment would then become the new cost basis of the investment. We recorded an other-than-temporary impairment charge totaling \$1,322,000 during the year ended December 31, 2006, and \$11,127,000 during the year ended December 31, 2007. No impairment charges were recorded during the year ended December 31, 2005.

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

We test goodwill annually following a two-step process in accordance with SFAS No. 142. The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill.

We perform goodwill impairment tests annually on December 31 by comparing the book value to the fair value of each reporting unit. Based on the our assessment, there was no impairment of goodwill for the years ended December 31, 2005, 2006 and 2007.

*Impairment of long-lived assets.* We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, we measure impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and our eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, we would recognize an impairment loss based on the fair value of the assets. There were no impairment losses in the years ended December 31, 2005, 2006 and 2007.

## Results of operations

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

(in thousands of U.S. dollars, except as % of net revenues)(1)	For the year ended December 31,					
	2005		2006		2007	
<b>Consolidated statement of operations and comprehensive income (loss) data:</b>						
Gross revenues(2)	\$ 7,627	101.9%	\$ 7,337	102.9%	\$ 26,570	102.6%
Business tax	(145)	(1.9)	(209)	(2.9)	(667)	(2.6)
Net revenues	7,482	100%	7,128	100%	25,903	100%
Cost of revenues	(482)	(6.4)	(1,468)	(20.6)	(4,427)	(17.1)
Gross profit	7,000	93.6	5,660	79.4	21,476	82.9
Operating expenses:						
General and administrative	(1,740)	(23.3)	(2,956)	(41.5)	(7,784)	(30.1)
Product development	(236)	(3.2)	(742)	(10.4)	(2,269)	(8.8)
Sales and marketing	(1,795)	(24.0)	(2,666)	(37.4)	(6,924)	(26.7)
Total operating expenses	(3,771)	(50.5)	(6,364)	(89.3)	(16,977)	(65.5)
Subsidy income	—	—	—	—	136	0.5
Income from operations	3,229	43.2	(704)	(9.9)	4,635	17.9
Interest income	1,486	19.9	1,003	14.1	1,105	4.3
Exchange gain (net)	366	4.9	267	3.7	424	1.6
Other expense, net	—	—	115	1.6	9	0.03
Loss from impairment of cost method investment	—	—	(1,322)	(18.5)	(11,127)	(43.0)
Income before income taxes benefit (provision)	5,081	67.9	(641)	(9.0)	(4,954)	(19.1)
Minority interests in net income of consolidated subsidiary	—	—	—	—	15	0.06
Income tax benefit (provision)	(457)	(6.1)	41	(0.58)	809	3.1
Net income (loss)	\$ 4,624	61.8%	\$ (600)	(8.4%)	\$ (4,130)	(15.9%)

- (1) For the results of operations for a specified period, all translations from Renminbi to U.S. dollars were calculated at the average exchange rate for that period. For the years ended December 31, 2005, 2006 and 2007, all translations from Renminbi to U.S. dollars were calculated at RMB8.1472, RMB7.9693 and RMB7.6072 per US\$1.00, respectively.
- (2) For subscriptions provided to individual investors, we receive subscription fees at the beginning of the subscribers' subscription periods. Revenues from the subscription fees are deferred and recognized ratably over the subscription period, typically twelve months.

## **Year ended December 31, 2007 compared to year ended December 31, 2006**

### ***Revenues***

Our gross revenues increased by 264% from \$7.3 million in 2006 to \$26.6 million in 2007. For our subscription business, individual customers pay the entire subscription fee upfront in cash for services to be received over a specified period of time, typically 12 months. Such subscription fees are recognized as net revenues ratably over the service period, and those that have not been rendered at the end of a reporting period are recorded as deferred revenue in the balance sheet. Deferred revenue at the end of 2007 is \$25.1 million, compared to \$6.4 million at the end of 2006. The significant increase in deferred revenue as of December 31, 2007 is due to our strong performance in the subscription business and such increase in deferred revenue will be recorded as net revenues over the next several quarters.

Our revenues derived from online advertising sales, which were not a sizable business of the Company in 2007, increased to \$1.6 million in 2007 from \$1.3 million in 2006.

Our revenues derived from brokerage income were \$81,000 in 2007, representing 0.3% of total revenues for the year.

Our business taxes attributable to our gross revenues increased from \$209,000 in 2006 to \$667,000 in 2007, primarily due to increase in business taxes associated with our increase in subscription and advertising businesses. After taking into account business taxes attributable to our gross revenues, our net revenues increased by 265% to \$25.9 million in 2007 from \$7.1 million in 2006.

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

Our cost of revenues in 2007 increased by 193% to \$4.4 million from \$1.5 million in 2006 primarily because our website maintenance and development expenses increased to \$2.9 million in 2007 from \$943,000 in 2006, which consists of bandwidth costs, salary and compensation, server depreciation expenses, rent, cost of raw data and content expenses for our jrj.com and stockstar.com websites.

### ***Gross profit***

As a result of the foregoing, our gross profit increased by 277% to \$21.5 million in 2007 from \$5.7 million in 2006.

### ***Operating expenses***

Our operating expenses increased by 166% to \$17.0 million in 2007 from \$6.4 million in 2006. The increase in our operating expenses was primarily due to expansion in operating scale, including headcount, operation locations, associated with the acquisitions of CFO Stockstar and CFO Genius and Daily Growth Securities, as well as increase in commission and bonus expenses in line with strong core business results, stock-based compensation expenses and the increase in professional service fees as a result of being a U.S. listed public company. Operating expenses as a percentage of net revenues decreased to 65.5% in 2007 from 89.3% in 2005 because our net revenues grew at a faster rate than the rate of increase in our operating expenses.

*General and administrative.* Our general and administrative expenses increased by 160% to \$7.8 million in 2007 from \$3.0 million in 2006 due primarily to an increase in our employee headcount, an increase in stock-based compensation of \$1.8 million primary due to the performance-based restricted stock awards granted in the third quarter of 2007, the increase in compensation expenses of \$1.0 million, and the increase in professional service fees with the amount of \$717,000. Our general and administrative expenses as a percentage of net revenues decreased to 30.1% in 2007 from 41.5% in 2006.

*Product development.* Our product development expenses increased by 210% to \$2.3 million in 2007 from \$743,000 in 2006 due primarily to increase in headcount, particularly through the acquisition of CFO Genius. Our product development expenses decreased as a percentage of net revenues to 8.8% in 2007 from 10.4% in 2006.

*Sales and marketing.* Our sales and marketing expenses increased by 156% to \$6.9 million in 2007 from \$2.7 million in 2006. This primarily due to an increase in compensation expenses, particularly commissions and bonus, to our sales and marketing personal by 336% to \$4.9 million in 2007 from \$1.1 million in 2006. Our sales and marketing expenses as a percentage of net revenues decreased to 26.7% in 2007 from 37.4% in 2006.

#### ***Income/(Loss) from operations***

Our income from operations was \$4.6 million compared to operating loss of \$704,000 in 2006, and our operating margin improved to 17.9% in 2007 from -9.9% in 2006.

#### ***Interest income***

Our interest income increased by 10% to \$1.1 million in 2007 from \$1.0 million in 2006 due to an increase in our cash balances derived primarily from the increase in our subscription fees in 2007.

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

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

Moloon is a Chinese wireless technology and service provider. During the second half of 2006, China Mobile Communication Corporation announced policy changes which, among others, required mobile value added service, or MVAS, providers to extend free trial periods for customers prior to subscriptions and to send reminders to customers confirming new and existing subscriptions. These policy changes had a substantial negative impact on Moloon's MVAS business. Consequently, following an independent valuation prepared by American Appraisal China Limited, we determined that our investment in Moloon was impaired and recorded an impairment loss of \$1,322,000 in the accompanying consolidated statements of operations for 2006.

Since late 2006 Moloon has taken measures to become a leading provider of mobile gaming services in China. However, despite the new strategies Moloon's financial conditions deteriorated and, following an independent valuation of the our cost method investment in Moloon prepared by American Appraisal China Limited, it was determined that we should record a non-cash investment impairment of \$11,127,000 in the accompanying consolidated statements of operations for 2007, reducing the carrying balance of such investment from \$12.61 million to \$1.48 million, 88% off the book value.

The Company does not expect the impairment charge against its investment in Moloon, or disposal of this investment in the future if possible, to have any adverse impact on its core business.

#### ***Income tax benefit***

Our wholly owned subsidiary, CFO Beijing, enjoys preferential tax treatments in China, including exemption from enterprise income tax for 2003 and 2004 and a preferential enterprise income tax rate of 12% from 2005 to 2007. CFO Software enjoys preferential tax treatments in China, including exemption from enterprise income tax from 2005 to 2007. CFO Meining, CFO Stockstar and CFO Zhengning, which are wholly foreign owned enterprise registered in Shanghai enjoy preferential tax treatment, preferential enterprise income tax rate of 15%. CFO Genius and CFO Jujin, which are wholly foreign owned enterprise registered in Shenzhen enjoy preferential tax treatment and a preferential enterprise income tax rate of 15%. In addition, deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and tax credit carryforwards. Accordingly we recognized an income tax benefit of \$809,000 for 2007.

### ***Net income/(loss)***

As a result of the \$12.61 million non-cash impairment in Moloon, our net loss was \$4.1 million in 2007 compared to net loss \$600,000 in 2006, and our net margin decreased to -15.9% in 2007 from -8.4% in 2006.

### **Year ended December 31, 2006 compared to year ended December 31, 2005**

#### ***Revenues***

Our gross revenues decreased by 3.9% from \$7.6 million in 2005 to \$7.3 million in 2006. The slight decrease is because more revenue was deferred in 2006 than that in 2005, which results in slightly less revenue recognized in 2006 than that of 2005. A large part of net operating cash will be realized as revenue in 2007. For our subscription business, individual customers pay the entire subscription fee upfront in cash for services to be received over a specified period of time, typically 12 months. Such subscription fees are recognized as net revenues ratably over the service period, and those that have not been rendered at the end of a reporting period are recorded as deferred revenue in the balance sheet. Deferred revenue at the end of 2006 is \$6.4 million, an increase of 245% compared \$1.9 million of 2005. The significant increase in deferred revenue as of 31 December 2006 is due to our strong performance in the subscription business and such increase in deferred revenue will be recorded as net revenues over the next several quarters.

Our revenues derived from online advertising sales increased to \$1.3 million in 2006 from \$1.0 million in 2005. This increase primarily resulted from the fact that online advertising was no longer a core service line in 2006 nor will it be in the foreseeable future. In 2006 we allocated most of our advertising space on our websites to promote our own subscription-based online service offerings.

Our business taxes attributable to our gross revenues increased from \$145,000 in 2005 to \$209,000 in 2006, primarily due to increase in business taxes associated with our increase in advertising and related businesses. After taking into account business taxes attributable to our gross revenues, our net revenues decreased by 5% to \$7.1 million in 2006 from \$7.5 million in 2005.

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

Our cost of revenues in 2006 increased by 204.6% to \$1.5 million from \$482,000 in 2005 primarily because our cost of raw data increased by 177% to \$694,000 in 2006 from \$251,000 in 2005, as we increased the number of our content and data providers to increase the amount of data and information available to our subscribers and users.

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

As a result of the foregoing, our gross profit decreased by 19% to \$5.7 million in 2006 from \$7.0 million in 2005.

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

Our operating expenses increased by 68.4% to \$6.4 million in 2006 from \$3.8 million in 2005. The increase in our operating expenses was primarily the result of expansion in operating scale associated with the acquisitions of CFO Stockstar and CFO Genius, as well as increase in compensation expenses as a result of increased sales force and product development headcounts in the fourth quarter of 2006. Operating expenses as a percentage of net revenues increased to 89.3% in 2006 from 50.4% in 2005 because our operating expenses grew at a faster rate than the rate of increase in our net revenues.

*General and administrative.* Our general and administrative expenses increased by 74.1% to \$3.0 million in 2006 from \$1.7 million in 2005 due primarily to an increase in our employee headcount, which resulted in an increase in salary and compensation expenses of \$242,000, professional service with the amount of \$351,000, an increase in stock-based compensation of \$461,000 as the result of adopting SFAS 123(R), as well as an increase in bank charges for online payments made by some of our subscribers in the amount of \$49,000, other office expenses decreased \$59,000, partially offset by reductions in other general office expenses. Our general and administrative expenses as a percentage of net revenues increased to 41.5% in 2006 from 23.3% in 2005.

*Product development.* Our product development expenses increased by 214.8% to \$743,000 in 2006 from \$236,000 in 2005 due primarily to increase in employee salaries. Our product development expenses increased as a percentage of net revenues to 10.4% in 2006 from 3.2% in 2005.

*Sales and marketing.* Our sales and marketing expenses increased by 50% to \$2.7 million in 2006 from \$1.8 million in 2005. This increase is largely attributable to an increase in our advertising expenditures and an increase in our customer service and sales personnel to address increased subscription demand. Our marketing fee increased substantially to \$101,000 in 2006 from Nil in 2005, primarily reflecting increases in our sponsorship arrangements with portals, search engines and other websites and, to a lesser extent, an increase in the advertising fee we pay to one of our sponsors. Salary and compensation expenses attributable to our sales and marketing personnel increased by 375% to \$1.1 million in 2006 from \$240,000 in 2005 reflecting an increase in headcount. Our sales and marketing expenses as a percentage of net revenues increased to 37.4% in 2006 from 24.0% in 2005. This increased cost is primarily due to higher sales and marketing expenses associated with our expanded advertising efforts, the increase of customer support headcount, and decreases in the number of new subscribers from 2005 to 2006.

#### ***Income/(Loss) from operations***

As a result of the foregoing, we suffered losses from operations of \$704,000 in 2006, a decrease by 122% compared to income from operations of \$3.2 million in 2005, and our operating margin decreased to -9.9% in 2006 from 43.2% in 2005.

#### ***Interest income***

Our interest income decreased by 33.3% to \$1.0 million in 2006 from \$1.5 million in 2005 due to a significant decrease in our cash balances derived primarily from the acquisition of CFO Stockstar and CFO Genius in 2006.

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

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

Moloon is a Chinese wireless technology and service provider. During the second half of 2006, China Mobile Communication Corporation announced policy changes which, among others, required mobile value added service, or MVAS, providers to extend free trial periods for customers prior to subscriptions and to send reminders to customers confirming new and existing subscriptions. These policy changes had a substantial negative impact on Moloon's MVAS business. Consequently, following an independent valuation prepared by American Appraisal China Limited, we determined that our investment in Moloon was impaired and recorded an impairment loss of \$1,322,000 in the accompanying consolidated statements of operations for 2006.

#### ***Income tax benefit***

Our wholly owned subsidiary, CFO Beijing, enjoys preferential tax treatments in China, including exemption from enterprise income tax for 2003 and 2004 and a preferential enterprise income tax rate of 12% from 2005 to 2007. CFO Software, enjoys preferential tax treatments in China, including exemption from enterprise income tax from 2005 to 2007 and a preferential enterprise income tax rate of 7.5% from 2008 to 2010. CFO Meining and CFO Stockstar enjoy preferential tax treatment, preferential enterprise income tax rate of 15%. CFO Genius enjoys preferential tax treatment and a preferential enterprise income tax rate of 15%. Accordingly we recognized an income tax benefit of \$41,000 for 2006.

#### ***Net income/(loss)***

As a result of the foregoing, our net income decreased by 113% to \$600,000 in net loss in 2006 from \$4.6 million in 2005. Our net margin decreased to -8.4% in 2006 from 61.8% in 2005.

### **B. Liquidity and capital resources.**

#### **Cash flows and working capital**

As of December 31, 2007, we had approximately \$74.7 million in cash and cash equivalents. As of the same date, we did not have any outstanding debt. Our cash and cash equivalents primarily consist of cash on hand and liquid investments with remaining maturities of three months or less when purchased that are deposited with banks and other financial institutions. We generally deposit our excess cash in interest bearing bank accounts.

The following table shows our cash flows with respect to operating activities, investing activities and financing activities in 2005, 2006 and 2007:

(in thousands of U.S. dollars)	For the year ended December 31		
	2005	2006	2007
Net cash provided by operating activities	\$ 3,059	\$ 5,892	\$ 28,426
Net cash used in investing activities	(15,235)	(8,202)	(4,830)
Net cash provided by (used in) financing activities	(12,923)	(76)	3,226
Net increase (decrease) in cash and cash equivalents	(24,428)	(1,213)	29,773
Cash and cash equivalents at beginning of year	70,596	46,168	44,956
Cash and cash equivalents at end of year	\$ 46,168	\$ 44,956	\$ 74,729

Net cash provided by operating activities was \$28.4 million in 2007 compared to \$5.9 million in 2006. This increase was primarily due to significant increase in cash revenues generated from our subscription service fees from individual customers. Net cash provided by operating activities was \$5.9 million in 2006 compared to \$3.1 million for 2005.

Net cash used in investing activities and the acquisition of Daily Growth Securities, was \$4.8 million in 2007, compared to net cash used in investing activities of \$8.2 million in 2006.

Net cash provided in financing activities was \$3.2 million, mainly due to the proceeds from exercise of stock options by our employees and consultants. Net cash used by financing activities in 2006 was \$76,000. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends on our ordinary shares, or indirectly on our ADSs, for the foreseeable future.

### Capital resources

Our principal capital expenditures for 2005, 2006 and 2007 consisted of primarily purchases of servers, workstations, computers, computer software, and other items related to our network infrastructure for a total of approximately \$235,000, \$1.0 million and \$3.8 million, respectively.

Capital expenditures in 2006 and 2007 have been, and our 2008 capital expenditures are expected to continue to be, funded through operating cash flows and through our existing capital resources. We believe that our current cash and cash equivalents, and cash flow from operations will be sufficient to meet our anticipated cash needs, including for our working capital and capital expenditure needs, for the foreseeable future. We may, however, require additional cash resources due to changes in business conditions or other future developments. If these sources are insufficient to satisfy our cash requirements, we may seek to sell debt securities or additional equity securities or obtain a credit facility. The sale of convertible debt securities or additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in debt service obligations and could result in operating and financial covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

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

### Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by our PRC subsidiary and affiliate only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the statutory general reserve fund, which requires annual appropriations of 10% of net after-tax income should be set aside prior to payment of any dividends. As a result of these and other restrictions under PRC laws and regulations, our PRC subsidiary and affiliate are restricted in their ability to transfer a portion of their net assets to us either in the form of dividends, loans or advances, restricted portion amounted to approximately \$46 million, or 67.9%, of our total consolidated net assets as of December 31, 2007.

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

### **C. Research and development.**

Our research and development efforts consist of continuing to:

- increase the breadth of our service offerings through the addition of new features and functions to our service packages;
- enhance our subscribers' experience by improving the quality of our research tools and website; and
- develop additional research tools, features and content specifically targeting the high-end subscribers.

### **D. Trend information.**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2007 to December 31, 2007 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

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

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

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

We have entered into arrangements relating to office premises leasing and data purchase agreement. The following sets forth our known contractual obligations as of December 31, 2007 and as of the types that are specified below:

	<u>Office Premises</u>	<u>Data Purchase</u>	<u>Total</u>
		<i>(in U.S. dollars)</i>	
Less than 1 year	1,521,127	486,673	2,007,800
1 – 3 years	2,845,844	21,934	2,867,778
3 – 5 years	22,128	—	22,128

Apart from such premises, as of December 31, 2007, we did not have any long-term debt obligations, capital (finance) lease obligations, purchase obligations or any other long-term liabilities reflected on our balance sheets with durations to maturity as are set forth in the chart directly above.

### **G. Quantitative and qualitative disclosures about market risk.**

#### **Interest rate risk**

Our exposure to market rate risk for changes in interest rates relates primarily to the interest income generated by excess cash invested in short term money market accounts and certificates of deposit. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. However, our future interest income may fall short of expectations due to changes in interest rates.

#### **Foreign currency risk**

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

We have recorded foreign exchange gains of \$424,000 in net income in year 2007, due to the recent revaluation of RMB against the U.S. dollar by Chinese government. On July 21, 2005, the Chinese government changed its policy of pegging the value of the Renminbi to that of U.S. dollar. Under the new policy, the Renminbi has fluctuated within a narrow and managed band against a basket of certain foreign currencies. As a result, the Renminbi appreciated approximately 3.4% and 6.6% against the U.S. dollar in 2006 and 2007, respectively, and may appreciate or depreciate significantly in value against the US dollar or other foreign currencies in the long term. Since we have not engaged in any hedging activities, we may experience economic loss as a result of any foreign currency exchange rate fluctuations.

#### **H. Recent accounting standards.**

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets — an amendment of APB Opinion No. 29," which amends Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions," to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. The Company adopted SFAS No. 153 on January 1, 2006 and the adoption of SFAS No. 153 did not have a material effect on its consolidated financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections", which replaces Accounting Principles Board Opinions No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements — An Amendment of APB Opinion No. 28." SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. The Company adopted SFAS No. 154 on January 1, 2006 and the adoption of SFAS No. 154 did not have a material effect on its consolidated financial position or results of operations.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes", and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is in the process of implementing FIN 48 and has not yet determined the effect, if any, on its consolidated financial statements as a result of adopting FIN 48.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. SFAS No. 157 does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 (fiscal years beginning after November 15, 2008 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities) and interim periods within those fiscal years. The Group is currently evaluating whether the adoption of SFAS No. 157 will have a material effect on its consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statement No. 115". SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. SFAS No. 159 requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the Group's choice to use fair value on its earnings. It also requires entities to display the fair value of those assets and liabilities for which a Group has chosen to use fair value on the face of the balance sheet. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. The Group is currently evaluating whether the adoption of SFAS No. 159 will have a significant effect on its consolidated results of operations and financial position.

In December 2007, the FASB issued SFAS No. 141R, "Business Combination", to improve reporting creating greater consistency in the accounting and financial reporting of business combinations. The standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The Group is currently evaluating whether the adoption of SFAS No. 141R will have a significant effect on its consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" to improve the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way as required in the consolidated financial statements. Moreover, SFAS No. 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transaction. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Group is currently evaluating whether the adoption of SFAS No. 160 will have a significant effect on its consolidated financial position, results of operations or cash flows.

In March 2008, The FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities". The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Group has not yet begun the process of assessing the potential impact of the adoption of FASB No. 161 may have on its consolidated financial position or results of operations.

#### **ITEM 18. FINANCIAL STATEMENTS**

The consolidated financial statements for China Finance Online Co. Limited and its subsidiaries are included at the end of this annual report.

## ITEM 19. EXHIBITS

### Index to exhibits

<b>Exhibit Number</b>	<b>Description</b>
1.1	Amended and Restated Memorandum and Articles of Association of China Finance Online Co. Limited (incorporated by reference to Exhibit 3.1 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on October 4, 2004)
2.1	Specimen ordinary share certificate (incorporated by reference to Exhibit 4.1 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
2.2	Specimen American depository receipt of China Finance Online Co. Limited (Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-119530) filed with the Securities and Exchange Commission with respect to American depository shares representing ordinary shares on October 5, 2004)
2.3	Shareholders Agreement of China Finance Online Co. Limited dated June 2000 among China Finance Online Co., Ltd. and certain of its shareholders (incorporated by reference to Exhibit 4.2 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.1	2004 Incentive Stock Option Plan and form of option agreement (incorporated by reference to Exhibit 4.1 from our 2006 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 29, 2007)
4.2	Restricted Stock Issuance and Allocation Agreement-2007 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 on Form 6-K (File No. 000-50975) filed with the Securities and Exchange Commission on August 24, 2007)
4.3	Form of Option Agreement with outside consultants and strategic advisors (incorporated by reference to Exhibit 10.2 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.4	Purchase Option and Cooperation Agreement dated May 27, 2004 among China Finance Online Co. Limited, Jun Ning, Wu Chen and CFO Fuhua Innovation Technology Development Co., Ltd. (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.5	Share Pledge Agreement dated May 27, 2004 among Jun Ning, Wu Chen and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 10.4 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.6	Proxy from Wu Chen to Jian Feng dated May 27, 2004 (incorporated by reference to Exhibit 10.6 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.7	Framework Agreement on Exercising Purchase Option dated November 20, 2006 by and among Jun Ning, Wu Chen, Zhiwei Zhao, CFO Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.7 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)

<b>Exhibit Number</b>	<b>Description</b>
4.8	Share Transfer Contract (related to shares of Beijing Fuhua Innovation Technology Development Co., Ltd.) dated November 20, 2006 by and between Jun Ning and Zhiwei Zhao (incorporated by reference to Exhibit 4.8 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.9	Loan Agreement dated November 20, 2006 by and between China Finance Online Co. Limited by and Zhiwei Zhao (incorporated by reference to Exhibit 4.9 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.10	Purchase Option and Cooperation Agreement dated November 20, 2006 among China Finance Online Co. Limited, Zhiwei Zhao, Wu Chen, Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.10 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.11	Share Pledge Agreement dated November 20, 2006 among Zhiwei Zhao, Wu Chen, Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.11 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.12	Equipment Lease Agreement between China Finance Online (Beijing) Co., Ltd. and Fuhua Innovative Technology Development Co., Ltd. dated May 27, 2004 (incorporated by reference to Exhibit 10.7 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.13	Technical Support Agreement between China Finance Online (Beijing) Co., Ltd. and Fuhua Innovative Technology Development Co., Ltd. dated May 27, 2004 (incorporated by reference to Exhibit 10.8 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.14	Amended and Restated Strategic Consulting Agreement between China Finance Online (Beijing) Co., Ltd. and Fuhua Innovative Technology Development Co., Ltd. dated May 27, 2004 (incorporated by reference to Exhibit 10.9 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.15*	Framework Agreement on Exercising Purchase Option dated October 18, 2007 by and among China Finance Online Co. Limited, Wu Chen, Zhiwei Zhao, Jun Wang, CFO Fuhua Innovation Technology Development Co., Ltd and China Finance Online (Beijing) Co., Ltd.
4.16*	Loan Agreement between China Finance Online Co. Limited and Jun Wang dated October 18, 2007
4.17*	Share Transfer Contract (related to shares of Beijing Fuhua Innovation Technology Development Co., Ltd.) dated October 18, 2007 by and between Wu Chen and Jun Wang
4.18*	Share Pledge Agreement dated October 18, 2007 among Zhiwei Zhao, Jun Wang, Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd.

<b>Exhibit Number</b>	<b>Description</b>
4.19*	Purchase Option and Cooperation Agreement dated October 18, 2007 among China Finance Online Co. Limited, Zhiwei Zhao, Jun Wang and CFO Fuhua Innovation Technology Development Co., Ltd.
4.20*	Purchase Option and Cooperation Agreement dated March 3, 2008 among China Finance Online Co. Limited, Zhiwei Zhao, Jun Wang and CFO Fuhua Innovation Technology Development Co., Ltd.
4.21*	Capital Increase Agreement relating to CFO Fuhua Innovation Technology Development Co., Ltd. dated March 3, 2008 among CFO Fuhua Innovation Technology Development Co., Ltd. , Jun Wang and Zhiwei Zhao
4.22*	Loan Agreement dated March 3, 2008 among China Finance Online (Beijing) Co., Ltd., Jun Wang and Zhiwei Zhao
4.23*	Share Pledge Agreement dated March 3, 2008 among Zhiwei Zhao, Jun Wang, Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd.
4.24*	Loan Agreement dated August 21, 2007 among Fortune Software (Beijing) Co., Ltd., Wei Xiong and Zhenfei Fan
4.25*	Operation Agreement among dated August 21, 2007 by and between Fortune Software (Beijing) Co., Ltd. and Beijing CFO Premium Technology Co., Ltd.
4.26*	Technical Support Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing CFO Premium Technology Co., Ltd. dated August 21, 2007
4.27*	Strategic Consulting and Service Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing Premium Technology Co., Ltd. dated August 21, 2007
4.28*	Purchase Option Agreement dated August 21, 2007 among Fortune Software. Limited, Wei Xiong, Zhenfei Fan and Beijing Premium Technology Co., Ltd.
4.29*	Framework Agreement among Fortune Software (Beijing) Co., Ltd., Wu Chen, Jun Wang and Beijing Glory Co., Ltd. dated September 10, 2007
4.30*	Loan Agreement dated September 1, 2007 among Fortune Software (Beijing) Co., Ltd., Wu Chen and Zhiwei Zhao
4.31*	Share Transfer Contract (related to shares of Beijing Glory Co., Ltd.) dated September 10, 2007 by and between Wu Chen and Jun Wang
4.32*	Operation Agreement among dated September 10, 2007 by and between Fortune Software (Beijing) Co., Ltd. and Beijing Glory Co., Ltd.
4.33*	Technical Support Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing CFO Glory Co., Ltd. dated September 10, 2007
4.34*	Strategic Consulting and Service Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing Glory Co., Ltd. dated September 10, 2007
4.35*	Purchase Option Agreement dated September 10, 2007 among China Finance Online Co. Limited, Jun Wang, Zhiwei Zhao and Beijing Glory Co., Ltd.
4.36	Shanghai Stock Exchange Level-II Quotations License Agreement dated June 15, 2006 between SSE Infont Ltd. and Fortune Software (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.15 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)

<b>Exhibit Number</b>	<b>Description</b>
4.37*	License Agreement relating to the distribution of TopView between Fortune Software (Beijing) Co., Ltd. and Shanghai Stock Exchange Information Network Co., Ltd. dated December 26, 2007
4.38	Shenzhen Stock Exchange Proprietary Information License Agreement dated March 20, 2007 between Fortune Software (Beijing) Co., Ltd. and Shenzhen Securities Information Co., Ltd. (incorporated by reference to Exhibit 4.16 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.39	Domain Name Transfer Agreement dated October 30, 2006 by and among China Finance Online Co., Ltd., China Finance Online (Beijing) Co., Ltd. and Beijing Fuhua Innovation Technology Development Co., Ltd.(incorporated by reference to Exhibit 4.17 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.40	Domain Name Transfer Agreement dated October 30, 2006 between Stockstar Information Technology (Shanghai) Co., Ltd. and Shanghai Meining Computer Software Company Limited (incorporated by reference to Exhibit 4.18 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.41	Lease Contract for Housing Unit of Corporate Square dated January 19, 2006 between Fortune Software (Beijing) Co. Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.20 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 23, 2006)
4.42	Lease Contract for Housing Unit of Corporate Square dated January 19, 2006 between Beijing Fuhua Innovation Technology Co., Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.20 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 23, 2006)
4.43	Lease Contract for Housing Unit of Corporate Square dated January 19, 2006 between China Finance Online Co., Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.20 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 23, 2006)
4.44	Lease Contract for Housing Unit of Corporate Square dated December 29, 2006 between Beijing Fuhua Innovation Technology Co., Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.22 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.45	Lease Contract for Housing Unit of Corporate Square dated December 29, 2006 between Fortune Software (Beijing) Co. Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.23 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.46*	Lease Contract for Housing Unit of Corporate Square dated August 9, 2007 between Fortune Software (Beijing) Co. Ltd. and China Galaxy Securities Company Limited
4.47*	Lease Contract for Housing Unit of Corporate Square dated August 9, 2007 between Beijing Fuhua Innovation Technology Co., Ltd. and China Galaxy Securities Company Limited

<b>Exhibit Number</b>	<b>Description</b>
4.48*	Lease Contract for Housing Unit of Corporate Square dated August 1, 2007 between China Finance Online (Beijing) Co., Ltd. and China Galaxy Securities Company Limited
4.49*	Lease Contract for Housing Unit of Corporate Square dated August 1, 2007 between Beijing Fuhua Innovation Technology Co., Ltd. and China Galaxy Securities Company Limited
4.50*	Lease Contract for Housing Unit of Corporate Square dated August 1, 2007 between Fortune Software (Beijing) Co. Ltd. and China Galaxy Securities Company Limited
4.51*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among William Wang, FNG International Holdings Limited and China Finance Online Co. Limited
4.52*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Tsang Kin-Woo, FNG International Holdings Limited and China Finance Online Co., Limited
4.53*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Wong Chan Miu-Wan Stella, FNG International Holdings Limited and China Finance Online Co. Limited
4.54*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Shun Kin Enterprises Limited, FNG International Holdings Limited and China Finance Online Co. Limited
4.55*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Midopa Enterprises Limited, FNG International Holdings Limited and China Finance Online Co. Limited
4.56*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Hung Yung, FNG International Holdings Limited and China Finance Online Co. Limited
4.57*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Chu Ping-Im, FNG International Holdings Limited and China Finance Online Co. Limited
4.58*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Eternal Growth Investment Limited, FNG International Holdings Limited and China Finance Online Co. Limited
4.59	Form of indemnification agreement for directors and officers (incorporated by reference to Exhibit 10.18 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.60	Labor Contract of Jeff Wang dated May 24, 2006 (incorporated by reference to Exhibit 4.25 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.61	Labor Contract of Zhao Zhiwei dated June 21, 2005 (incorporated by reference to Exhibit 4.26 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 23, 2006)

<b>Exhibit Number</b>	<b>Description</b>
4.62	[Intentionally Omitted]
4.63	[Intentionally Omitted]
4.64	Form of Change in Control Agreement (incorporated by reference to Exhibit 10.1 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on October 4, 2004)
4.65	Shanghai Meining Computer Software Company Limited Share Transfer Agreement dated August 15, 2006 among Shanghai Kemei Taidi Telecommunication Equipment Co., Ltd., Beijing Fuhua Innovation Technology Development Co., Ltd., China Finance Online (Beijing) Co., Ltd.(incorporated by reference to Exhibit 4.30 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.66	Stockstar Information Technology (Shanghai) Co., Ltd. Share Transfer Agreement dated August 15, 2006 by and among Stockstar.com, Inc. and China Finance Online Co., Ltd.(incorporated by reference to Exhibit 4.31 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.67*	Engagement Letter between China Finance Online Co., Ltd. and Deloitte Touche Tohmatsu CPA. Ltd dated February 26, 2008
8.1*	List of subsidiaries
10.1*	Consent of Deloitte Touche Tohmatsu CPA Ltd.
10.2*	Written Consent of American Appraisal China Limited
12.1*	CEO Certification Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)) (17 CFR 240.13a-14(a)) or Rule 15d-1(a) (17 CFR 240.15d-14(a))
12.2*	CFO Certification Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-1(a) (17 CFR 240.15d-14(a))
13.1*	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**CHINA FINANCE ONLINE CO. LIMITED**  
**SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: February 23, 2009

CHINA FINANCE ONLINE CO. LIMITED

/s/ Jeff Wang

Name: Jeff Wang

Title: Chief Financial Officer

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF  
CHINA FINANCE ONLINE CO. LIMITED

We have audited the accompanying consolidated balance sheets of China Finance Online Co. Limited and its subsidiaries and variable interest entities (the "Group") as of December 31, 2006 and 2007 and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2007, and the related financial statement schedule included in Schedule I. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of China Finance Online Co. Limited and its subsidiaries and variable interest entities as of December 31, 2006 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the consolidated financial statements, 1) effective on January 1, 2007, the Group adopted the recognition and measurement methods under Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109"; 2) effective on January 1, 2006, the Group changed its method of accounting for stock-based compensation to conform to Statement of Financial Accounting Standard No. 123 (revised 2004), "Share-Based Payment".

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 30, 2008 expressed an unqualified opinion on the Group's internal control over financial reporting.

Deloitte Touche Tohmatsu CPA Ltd.  
Beijing, the People's Republic of China  
May 30, 2008

**CONSOLIDATED BALANCE SHEETS**  
(In U.S. dollars, except share-related data)

	December 31,	
	2006	2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 44,955,553	\$ 74,729,033
Prepaid expenses and other current assets	927,697	2,947,054
Trust bank balances held on behalf of customers	—	2,850,541
Advances to employees	—	1,672,575
Accounts receivable	477,778	1,491,454
Deferred tax assets	170,478	1,129,515
<b>Total current assets</b>	<b>46,531,506</b>	<b>84,820,172</b>
Property and equipment, net	1,697,481	5,454,858
Acquired intangible assets, net	2,045,224	1,938,177
Cost method investment	12,606,571	1,479,571
Rental deposits	86,216	500,222
Goodwill	8,151,851	9,651,719
Other assets	—	25,647
Deferred tax assets, non-current	—	14,382
<b>Total assets</b>	<b>\$ 71,118,849</b>	<b>\$ 103,884,748</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Deferred revenue	\$ 6,418,502	\$ 20,457,316
Accrued expenses and other current liabilities	2,086,017	6,950,254
Amounts due to customers for the trust bank balances held on their behalf	—	2,850,541
Accounts payable	10,535	763,458
Income taxes payable	5,483	11,968
<b>Total current liabilities</b>	<b>8,520,537</b>	<b>31,033,537</b>
Deferred revenue, non-current	—	4,665,112
Deferred tax liabilities, non-current	145,533	352,273
<b>Total liabilities</b>	<b>8,666,070</b>	<b>36,050,922</b>
Commitments (Note 15)		
Minority interests	—	471,431
Shareholders' equity:		
Ordinary shares (\$0.00013 par value; 500,000,000 shares authorized; shares issued and outstanding 104,384,933 in 2006 and 109,754,433 in 2007)	13,474	14,172
Additional paid-in capital	52,555,919	58,727,378
Accumulated other comprehensive income	1,634,269	4,501,432
Retained earnings	8,249,117	4,119,413
<b>Total shareholders' equity</b>	<b>62,452,779</b>	<b>67,362,395</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>\$ 71,118,849</b>	<b>\$ 103,884,748</b>

See notes to consolidated financial statements.



**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In U.S. dollars, except share-related data)

	Years ended December 31,		
	2005	2006	2007
Net revenues	\$ 7,482,166	\$ 7,128,078	\$ 25,903,074
Cost of revenues (including stock-based compensation of \$740, \$111,612 and \$16,192, respectively)	482,068	1,467,745	4,426,602
Gross profit	7,000,098	5,660,333	21,476,472
Operating expenses:			
General and administrative (including stock-based compensation of \$365,949, \$833,685 and \$2,667,613 respectively)	1,740,117	2,955,948	7,783,668
Product development (including stock-based compensation of \$1,610, \$131,134 and \$123,461 respectively)	236,438	742,728	2,268,878
Sales and marketing (including stock-based compensation of \$2,482, \$107,231 and \$139,074, respectively)	1,794,569	2,665,847	6,924,336
Total operating expenses	3,771,124	6,364,523	16,976,882
Government subsidies	—	—	135,834
Income (loss) from operations	3,228,974	(704,190)	4,635,424
Interest income	1,486,276	1,002,975	1,104,701
Other income, net	365,965	381,875	433,069
Loss from impairment of cost method investment	—	(1,322,000)	(11,127,000)
Income before income tax (provision) benefit	5,081,215	(641,340)	(4,953,806)
Income tax (provision) benefit	(457,028)	40,707	808,625
Minority interest in net loss of consolidated subsidiary	—	—	15,477
Net income (loss)	\$ 4,624,187	\$ (600,633)	\$ (4,129,704)
Income (loss) per share			
Basic	\$ 0.05	\$ (0.01)	\$ (0.04)
Diluted	\$ 0.04	\$ (0.01)	\$ (0.04)
Weighted average shares used in calculating net income (loss) per share			
Basic	94,341,061	93,650,653	94,500,529
Diluted	104,781,492	93,650,653	94,500,529

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME**  
(In U.S. dollars, except share-related data)

	Ordinary shares		Additional paid-in capital	Deferred stock-based compensation	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity	Comprehensive income
	Shares	Amount						
Balances as of								
January 1, 2005	99,329,933	\$ 12,814	\$ 64,175,132	\$ (325,221)	\$ (11)	\$ 4,225,563	\$ 68,088,277	
Repurchase of ordinary shares	—	—	(13,200,394)	—	—	—	(13,200,394)	
Issuance of ordinary shares to employees	2,000,000	263	276,713	—	—	—	276,976	
Stock options issued to non-employees	—	—	112,689	—	—	—	112,689	
Amortization of deferred stock-based compensation	—	—	—	258,092	—	—	258,092	
Foreign currency translation adjustment	—	—	—	—	671,133	—	671,133	\$ 671,133
Net income	—	—	—	—	—	4,624,187	4,624,187	4,624,187
Balance as of								
December 31, 2005	101,329,933	13,077	51,364,140	(67,129)	671,122	8,849,750	60,830,960	\$ 5,295,320
Amortization of deferred stock-based compensation	—	—	(67,129)	67,129	—	—	—	
Issuance of ordinary shares for exercise of stock option by employees	3,000,000	390	66,453	—	—	—	66,843	
Exercise of share options by non-employees	55,000	7	8,793	—	—	—	8,800	
Stock-based compensation	—	—	1,183,662	—	—	—	1,183,662	
Foreign currency translation adjustment	—	—	—	—	963,147	—	963,147	\$ 963,147
Net loss	—	—	—	—	—	(600,633)	(600,633)	(600,633)
Balance as of								
December 31, 2006	104,384,933	13,474	52,555,919	—	1,634,269	8,249,117	62,452,779	\$ 362,514
Exercise of stock option by employees	—	—	2,366,697	—	—	—	2,366,697	
Exercise of share options by non-employees	5,369,500	698	858,422	—	—	—	859,120	
Stock-based compensation	—	—	2,946,340	—	—	—	2,946,340	
Foreign currency translation adjustment	—	—	—	—	2,867,163	—	2,867,163	\$ 2,867,163
Net loss	—	—	—	—	—	(4,129,704)	(4,129,704)	(4,129,704)
Balance as of								
December 31, 2007	109,754,433	\$ 14,172	\$ 58,727,378	\$ —	\$ 4,501,432	\$ 4,119,413	\$ 67,362,395	\$ (1,262,541)

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In U.S. dollars)

	Years ended December 31,		
	2005	2006	2007
<b>Operating activities:</b>			
Net income (loss)	\$ 4,624,187	\$ (600,633)	\$ (4,129,704)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Stock-based compensation	370,781	1,183,662	2,946,340
Depreciation and amortization	129,833	301,941	973,953
Deferred taxes	322,289	(40,081)	(737,712)
Loss on disposal of property and equipment	9,686	—	84,796
Loss from impairment of cost method investment	—	1,322,000	11,127,000
Gain from disposal of cost method investment	—	(116,071)	—
Minority interest	—	—	(15,477)
<b>Changes in assets and liabilities:</b>			
Accounts receivable	(110,773)	122,363	37,377
Income taxes recoverable	14,573	—	—
Prepaid expenses and other current assets	(799,572)	334,687	(1,786,912)
Advances to employees	—	—	(1,672,575)
Trust bank balances held on behalf of customers	—	—	(465,101)
Rental deposits	(10,657)	(31,955)	(403,912)
Deferred revenue	(1,627,937)	3,840,892	17,509,161
Account payable	—	—	(30,297)
Accrued expenses and other current liabilities	95,997	(388,662)	4,566,829
Amounts due to customers for the trust bank balance held on their behalf	—	—	465,101
Income taxes payable	40,762	(36,041)	(43,267)
<b>Net cash provided by operating activities</b>	<b>3,059,169</b>	<b>5,892,102</b>	<b>28,425,600</b>
<b>Investing activities:</b>			
Purchase of property and equipment	(234,696)	(1,042,423)	(3,836,412)
Acquisition of businesses (net of cash acquired of \$828,494, for the year ended December 31, 2006, and \$2,631,008 for the year ended December 31, 2007)	—	(8,346,856)	(993,845)
Proceeds from partial sale of cost method investment	—	1,187,500	—
Acquisition of cost investment	(15,000,000)	—	—
<b>Net cash used in investing activities</b>	<b>(15,234,696)</b>	<b>(8,201,779)</b>	<b>(4,830,257)</b>
<b>Financing activities:</b>			
Proceeds from stock options exercised by employees	276,976	66,843	2,366,697
Proceeds from exercise of options granted to non-employee	—	8,800	859,120
Repurchase of ordinary shares	(13,200,394)	—	—
<b>Net cash (used in) provided by financing activities</b>	<b>(12,923,418)</b>	<b>75,643</b>	<b>3,225,817</b>
<b>Effect of exchange rate changes</b>	<b>671,133</b>	<b>1,021,202</b>	<b>2,952,320</b>
Net (decrease) increase in cash and cash equivalents	(24,427,812)	(1,212,832)	29,773,480
Cash and cash equivalents, beginning of year	70,596,197	46,168,385	44,955,553
Cash and cash equivalents, end of year	\$ 46,168,385	44,955,553	74,729,033
Supplemental disclosure of cash flow information Income taxes paid	\$ 93,977	\$ 36,089	\$ 38,761

See notes to consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
(In U.S. dollars)

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

China Finance Online Co. Limited (“China Finance Online” or the “Company”) was incorporated in Hong Kong on November 2, 1998. China Finance Online and its subsidiaries including its variable interest entities (collectively, the “Group”) are principally engaged in the sale of online financial services analyzing financial and listed company information in the People’s Republic of China (“PRC”). The services are provided through proprietary research tools on their website www.jrj.com and www.stockstar.com.

Details of China Finance Online’s subsidiaries and variable interest entities as of December 31, 2007 were as follows:

<u>Company name</u>	<u>Place of incorporation</u>	<u>Date of incorporation or establishment</u>	<u>Beneficial ownership interest</u>
China Finance Online (Beijing) Co., Ltd. (“CFO Beijing”)	Beijing, PRC	Jul.9, 1998	100%
Fortune Software (Beijing) Co., Ltd. (“CFO Software”)	Beijing, PRC	Dec.7, 2004	100%
Beijing Fuhua Innovation Technology Investment Co., Ltd. (CFO Fuhua)*	Beijing, PRC	Dec.31, 2000	100%
Beijing CFO Premium Technology Co., Ltd. (“CFO Premium”)*	Beijing, PRC	Aug.31, 2007	100%
Beijing CFO Glory Technology Co., Ltd. (“CFO Glory”)*	Beijing, PRC	Sep.11, 2007	100%
Fortune (Beijing) Wisdom Technology Co., Ltd. (“CFO Wisdom”)	Beijing, PRC	Oct.16, 2007	100%
Fortune (Beijing) Success Technology Co., Ltd. (“CFO Success”)	Beijing, PRC	Oct.16, 2007	100%
Shenzhen Genius Information Technology Co., Ltd. (“CFO Genius”) (Note 3)	Shenzhen, PRC	Sep.21, 2006	100%
Jujin Software (Shenzhen) Co., Ltd. (“CFO Jujin”)	Shenzhen, PRC	Mar.9, 2007	100%
Shanghai Meining Computer Software Co., Ltd. (“CFO Meining”) (Note 3)	Shanghai, PRC	Oct.1, 2006	100%
Stockstar Information Technology (Shanghai) Co., Ltd. (“CFO Stockstar”) (Note 3)	Shanghai, PRC	Oct.1, 2006	100%
Zhengning Information & Technology (Shanghai) Co., Ltd. (“CFO Zhengning”)	Shanghai, PRC	Jan.31, 2007	100%
FNG International Holdings Limited (“CFO FNG”)	BVI	Jul.16, 2007	100%
Giant Bright International Holdings Limited (“CFO Giant Bright”)	BVI	Jul.16, 2007	100%
Mount First Investments Limited (“CFO Mount First”)	BVI	Jul.23, 2007	100%
Team Gear Limited (“CFO Team Gear”)	HongKong, PRC	Oct.22, 2007	100%
Kinco Limited (“CFO Kinco”)	HongKong, PRC	Oct.22, 2007	100%
Danford (H.K) Limited (“CFO Danford”)	HongKong, PRC	Nov.30, 2007	100%
Daily Growth Securities Limited (“CFO Daily Growth”) (Note 3)	HongKong, PRC	Nov.23, 2007	85%

\* Represents variable interest entity (“VIE”)

PRC regulations prohibit direct foreign ownership of business entities providing certain services in PRC, such as internet content service. China Finance Online and its wholly owned subsidiaries, CFO Beijing and CFO software are foreign or foreign invested enterprise under PRC law and accordingly are ineligible for certain operations. In order to comply with these regulations, the Group established CFO Fuhua, CFO Premium and CFO Glory three variable interest entities, (the “VIEs”), as VIE is defined by the Financial Accounting Standards Board (“FASB”) Interpretation No. 46 (revised) (“FIN 46(R)”) through designated equity owners who are PRC citizens and legally own the VIEs.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES — continued**

CFO Fuhua

In 2000, the Company established CFO Fuhua, through two equity owners who are PRC citizens designated by the Company and legally own CFO Fuhua.

In 2004, China Finance Online signed a series of agreements with CFO Fuhua and its shareholders that provide the Group with the substantial ability to control CFO Fuhua. Pursuant to these contractual arrangements with CFO Fuhua, China Finance Online provides equipment, services and a domain name license to CFO Fuhua in exchange for fees. China Finance Online has the right to determine the amount of these fee and they are intended to transfer substantially all of the economic benefits of CFO Fuhua to the Company. The principal equipment lease, services and domain name license agreements that the Group has entered into with CFO Fuhua include:

- an equipment leasing agreement, pursuant to which CFO Fuhua leases a substantial majority of its operating assets from CFO Beijing;
- a technical support agreement, pursuant to which CFO Beijing provides technical support for CFO Fuhua's operations;
- an amended and restated strategic consulting agreement, pursuant to which CFO Beijing provides strategic consulting services to CFO Fuhua, including consulting services in relation to CFO Fuhua's online advertising business; and
- a domain name licensing agreement, pursuant to which CFO Beijing licenses to CFO Fuhua its domain name, www.jrj.com.cn.

As a result of a Ministry of Information Industry circular issued in 2006 regulating among other things the ownership of domain names by foreign invested value-added telecommunications businesses (including Internet and wireless content providers), China Finance Online and CFO Beijing transferred ownership of the domain names, www.jrj.com and www.jrj.com.cn, to CFO Fuhua and terminated its licensing arrangements regarding www.jrj.com.cn.

China Finance Online has the right to determine the amount of these fees and they are intended to transfer substantially all of the economic benefits of CFO Fuhua to the Company.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES — continued**

CFO Fuhua — continued

In addition, China Finance Online has entered into agreements with CFO Fuhua and its shareholders that provide CFO Beijing with the substantial ability to control CFO Fuhua. Pursuant to these contractual arrangements:

- the shareholders of CFO Fuhua have granted China Finance Online or individuals designated by China Finance Online an irrevocable proxy to exercise all their voting rights as shareholders of CFO Fuhua, including the right to appoint directors, the general manager and other senior management of CFO Fuhua;
- CFO Fuhua will not enter into any transaction that may materially affect its assets, liabilities, equity or operations without China Finance Online's prior written consent;
- CFO Fuhua will not distribute any dividends;
- China Finance Online may purchase the entire equity interest in, or all the assets of, CFO Fuhua at a price equal to the total principal amount of the loan lent by the Company to the owners of CFO Fuhua when and if such purchase is permitted by PRC law or the current shareholders of CFO Fuhua cease to be directors or employees of CFO Fuhua;
- the shareholders of CFO Fuhua have pledged their equity interest in CFO Fuhua to CFO Beijing to secure the payment obligations of CFO Fuhua under the equipment leasing agreement, the technical support agreement and the amended and restated strategic consulting agreement between CFO Beijing and CFO Fuhua; and
- the shareholders of CFO Fuhua will not transfer, sell, pledge, dispose of or create any encumbrance on their equity interest in CFO Fuhua without the prior written consent of CFO Beijing.

Each of the contractual arrangement with CFO Fuhua and its shareholders can only be amended with the approval of our audit committee or another independent body of China Finance Online's board of directors.

China Finance Online made a loan to each of two owners of CFO Fuhua solely for the purposes of capitalizing CFO Fuhua. Pursuant to the loan agreements, these loans can only be repaid by transferring all of their interests in CFO Fuhua to China Finance Online or a third party designated by China Finance Online. While Hong Kong law limits the maximum interest payment chargeable under a loan to 60% of the outstanding principal amount per annum, China Finance Online does not believe this limitation will have a material adverse effect on its business and operations, or will result in a material amount being paid to the shareholders of CFO Fuhua if and when they are permitted to transfer their interests in CFO Fuhua to China Finance Online. China Finance Online does not regard the shareholders of CFO Fuhua as having any interest in CFO Fuhua.

China Finance Online made a loan to CFO Fuhua in 2006 to finance its acquisition of RMB12,000,000.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES — continued**

*CFO Premium and CFO Glory*

In 2007, the Group established CFO Premium and CFO Glory through equity owners who are PRC citizens designated by the Company and own CFO Premium and CFO Glory.

CFO Software signed a series of agreements with CFO Premium and CFO Glory and its shareholders that provide the Group with the substantial ability to control CFO Premium and CFO Glory. Pursuant to these contractual arrangements with, CFO Software provides services to CFO Premium and CFO Glory in exchange for fees. The principal services agreements that CFO Software has entered into with CFO Premium and CFO Glory include:

- strategic consulting services agreement, pursuant to which the amount of the fee to be charged is 30% of CFO Premium and CFO Glory's income before tax ;
- technical support services agreement, pursuant to which the amount of the fee to be charged is 30% of CFO Premium and CFO Glory's income before tax;
- operating support services agreement, pursuant to which the amount of the fee to be charged is 40% of CFO Premium and CFO Glory's income before tax;

CFO Software has the right to receive substantially all of the economic benefits of CFO Premium and CFO Glory to the Group.

In addition, CFO Software has entered into agreements with CFO Premium and CFO Glory and its shareholders that provide CFO Software with the substantial ability to control CFO Premium and CFO Glory. Pursuant to these contractual arrangements:

- the shareholders of CFO Premium and CFO Glory have granted CFO Software or individuals designated by CFO Software an irrevocable proxy to exercise all their voting rights as shareholders of CFO Premium and CFO Glory, including the right to appoint directors, the general manager and other senior management of CFO Premium and CFO Glory;
- CFO Premium and CFO Glory will not enter into any transaction that may materially affect its assets, liabilities, equity or operations without CFO Software's prior written consent;
- CFO Premium and CFO Glory will not distribute any dividends;
- CFO Premium and CFO Glory may purchase the entire equity interest in, or all the assets of, CFO Premium and CFO Glory at a price equal to the total principal amount of the loan lent by the Company to the owners of CFO Premium and CFO Glory when and if such purchase is permitted by PRC law or the current shareholders of CFO Premium and CFO Glory cease to be directors or employees of CFO Premium and CFO Glory;
- the shareholders of CFO Premium and CFO Glory will not transfer, sell, pledge, dispose of or create any encumbrance on their equity interest in CFO Premium and CFO Glory without the prior written consent of CFO Software.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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(In U.S. dollars)

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES — continued**

*CFO Premium and CFO Glory* — continued

CFO Software also made loans to the shareholders of CFO Premium and CFO Glory solely for the purposes of capitalizing CFO Premium and CFO Glory. Pursuant to the loan agreements, these loans can only be repaid by transferring all of their interests in CFO Premium and CFO Glory to CFO Software or a third party designated by CFO Software.

Through the contractual agreements described above, CFO Fuhua, CFO Premium and CFO Glory are VIEs in accordance with FIN 46R because the equity owners (1) lack the right to receive the expected residual returns of the VIEs, (2) lack the ability to make decisions about the VIEs' activities that have a significant effect on their success, and (3) substantially all of the VIEs' businesses are conducted on behalf of the Group. The Group is the primary beneficiary of the VIEs because it holds all the variable interests in the VIEs. As a result, the accounts and operations of the VIEs are included in the accompanying consolidated financial statements effective as of the date of the above agreements. Because the Company and the VIEs are under common control by the same shareholders, the VIEs are accounted for as common control transfer and are consolidated on a carryover basis.

The VIEs and the following financial statement amounts and balances were included in the accompanying consolidated financial statements as of and for the years ended December 31, 2007:

	Year ended December 31,			
	2006	2007		
	<u>CFO Fuhua</u>	<u>CFO Fuhua</u>	<u>CFO Premium</u>	<u>CFO Glory</u>
Total assets	\$ 3,294,204	\$ 3,215,556	\$ 617,495	\$ 13,838,596
Total liabilities	<u>2,915,166</u>	<u>3,865,930</u>	<u>480,708</u>	<u>13,709,484</u>

	Year ended December 31,				
	2005	2006	2007		
	<u>CFO Fuhua</u>	<u>CFO Fuhua</u>	<u>CFO Fuhua</u>	<u>CFO Premium</u>	<u>CFO Glory</u>
Net revenue	1,222,747	1,286,614	1,022,735	—	—
Net income (loss)	<u>435</u>	<u>(4,999)</u>	<u>(1,013,166)</u>	<u>(296)</u>	<u>(7,828)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of consolidation

The consolidated financial statements include the financial statements of China Finance Online, its subsidiaries and its variable interest entities. All inter-company transactions and balances have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments which are unrestricted as to withdrawal or use, and which have remaining maturities of three months or less when purchased.

Trust bank balances held on behalf of customers

CFO Daily Growth receives funds from customers for the purpose of buying or selling securities on behalf of its customers and deposits the funds in its interest-bearing bank account. Such bank balance represents an asset of the Company and is recorded as amounts due to customers for the trust bank balance held on their behalf and payable to customers on demand. The Company recognizes a corresponding liability.

Advance to employees

The Group has made advances to certain individuals to enable them to participate in stock trading in the Stock Exchange Campaign which was launched by the Group for marketing purposes. The balances represent \$nil and \$1,672,575 as of December 31, 2006 and 2007, respectively, and are repayable to the Group on demand.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses in the financial statements and accompanying notes. Significant accounting estimates reflected in the Group's financial statements include collectibility of accounts receivable, valuation allowance for deferred tax assets, fair value of stock options and non-vested shares, useful lives and impairment of property and equipment, and impairment of cost method investment and goodwill. Actual results could differ from those estimates.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
**(In U.S. dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

Property and equipment, net

Property and equipment, net are carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Technology infrastructure	5 years
Computer equipment	5 years
Furniture, fixtures and equipment	5 years
Motor vehicle	5 years
Leasehold improvements	Shorter of the lease term or 5 years

Acquired intangible assets, net

Acquired intangible assets consists of intangible assets other than goodwill acquired through various acquisitions as described in note 3 and are amortized on a straight-line basis over their expected useful economic lives.

If an intangible asset is determined to have an indefinite useful life, it should not be amortized until its useful life is determined to be no longer indefinite. The Group reviews intangible assets' remaining useful lives in each reporting period. If such an asset is later determined to have a finite useful life, the asset will be tested for impairment. That asset will then be amortized prospectively over its estimated remaining useful life and accounted for in the same way as intangible assets subject to amortization.

The Group evaluates the recoverability of identifiable intangible assets with determinable useful lives whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. The Group measures the carrying amount of an intangible asset against the estimated undiscounted future cash flows associated with it. Impairment exists when the sum of the expected future net cash flows is less than the carrying value of the asset being evaluated. Impairment loss is calculated as the amount by which the carrying value of the asset exceeds its fair value. Fair value is estimated based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Group to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. During the years ended December 31, 2005, 2006 and 2007, the Group did not record any impairment losses associated with intangible assets.

An intangible asset that is not subject to amortization is tested for impairment at least annually if events or changes in circumstances indicate that the asset might be impaired. Such impairment test consists of a comparison of the fair values of the assets with their carrying amounts and an impairment loss is recognized if and when the carrying amounts exceed the fair values. The estimates of fair values of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. Significant assumptions are inherent in this process, including estimates of discount rates. Discount rate assumptions are based on an assessment of the risk inherent in the respective intangible assets. During the years ended December 31, 2005, 2006 and 2007, the Group did not record any impairment losses associated with intangible assets.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

Impairment of long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, the Group measures impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the fair value of the assets. There were no impairment losses in the years ended December 31, 2005, 2006 and 2007.

Goodwill

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

The Group tests goodwill annually following a two-step process in accordance with SFAS No. 142. The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill.

The Group performs goodwill impairment tests annually on December 31 by comparing the book value to the fair value of each reporting unit. Based on the Group's assessment, there was no impairment of goodwill for the years ended December 31, 2005, 2006 and 2007.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**(In U.S. dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

Revenue recognition

The Group generates revenue primarily from annual subscription fees from subscribers to their financial data and information services including their downloadable proprietary research tools. The Group recognizes revenues when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred, (3) the fee is fixed or determinable and (4) collectibility is probable. Upon receipt of the upfront cash payments from the subscriber, the Group will activate the subscribers account and provide the subscriber the access code. This will commence a certain subscription period according to the customer demand and the full payment will be deferred and recognized ratably over the one-year subscription period. Since the Group does not have sufficient vendor specific objective evidence to allocate revenue to the various elements of the arrangement, the Group recognizes revenue ratably over the life of the arrangement.

The Group provides short messaging services (“SMS”) which are delivered primarily through intermediary companies licensed to provide SMS services on behalf of mobile phone service providers. The Group evaluates the criteria outlined in EITF No. 99-19, “Reporting Revenue Gross as Principal Versus Net as an Agent,” in determining whether it is appropriate to record the gross amount of revenues and related costs or the net amount earned after deducting service and network fees paid to the mobile phone service providers. The Group records the gross amounts billed to its customers when the Group is the primary obligor in these transactions as it has latitude in establishing prices, is involved in the determination of the service specifications and has the right to select suppliers. When recording the gross revenue, the Group measures its revenues based on the total amount paid by its customers, for which the mobile phone service provider bills and collects on the Group’s behalf. Accordingly, the 15-35% service fee paid to the mobile phone service provider is included in the cost of revenues.

The Group generally derives its advertising fees from advertising sales on their Website principally for a fixed period of time, generally less than one year. Revenues from advertising arrangements are recognized ratably over the period the advertising is displayed.

The Group also derives its commission from its brokerage services provided by the newly acquired subsidiary, CFO Daily Growth, which buys or sells securities on their customers’ behalf. The commission income is recognized on a trade date basis as securities transactions occur.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

Business taxes and value added taxes

Revenue is recorded net of business taxes when incurred. The Group is subject to business taxes of approximately 5% on taxable services provided to its customers. During the years ended December 31, 2005, 2006, and 2007, business taxes totaled \$144,590, \$208,559, and \$667,400 respectively.

The Group's PRC subsidiaries are subject to value added tax at a rate of 17% on subscription-based revenue. Value added tax payable on subscription-based revenue is computed net of value added tax paid on purchases. In respect of subscription-based revenue, however, if the net amount of value added tax payable exceeds 3% of subscription-based revenue, the excess portion of value added tax can be refunded immediately. The Group therefore is subject to an effective net value added tax burden of 3% from subscription-based revenue and records value added tax on a net basis. Net amount of value added tax is recorded either in the line item of other current liabilities or prepaid expenses and other current assets on the face of consolidated balance sheet.

Subscription-based revenue includes the benefit of the rebate of value added taxes on sale of the downloadable software received from the Chinese tax authorities as part of the PRC government policy of encouraging software development in the PRC. In 2005, 2006 and 2007, the Group recognized \$708,613, \$516,773, and \$2,233,528, respectively, in value added tax refunds.

Government subsidies

The Group records government subsidies when received from local government authority and are not subject to future return or reimbursement. Government subsidies received totaled \$nil, \$nil and \$135,834 for the years ended December 31, 2005, 2006 and 2007, respectively.

Deferred revenue

Payments receive in advance of service are recorded as deferred revenue until earned and when the relevant revenue recognition requirements have been met.

Cost method investment

In December 2005, the Group purchased 9,800,000 Series B preferred shares in a private company, Moloon International Inc., ("Moloon") for \$15,000,000, which represents a 25% interest in Moloon on an if-converted basis. China Finance Online's investment in these preferred shares is not in-substance common stock, and accordingly, the investment has been recorded as a cost method investment. As Moloon does not have readily determinable fair value, the Group carries the investment at cost and only adjusted for other-than-temporary declines in fair value and distributions of earnings. The management regularly evaluates the impairment of the cost method investment based on performance and the financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financings, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in earnings equal to the difference between the investment's cost and its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value of the investment would then become the new cost basis of the investment. The Group recorded an other-than-temporary impairment charge totaling \$1,322,000 during the year ended December 31, 2006, and \$11,127,000 during the year ended December 31, 2007. No impairment charges were recorded during the year ended December 31, 2005.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

Foreign currency translation

The functional currency of China Finance Online's subsidiaries and variable interest entities is Renminbi ("RMB") except CFO Daily Growth, of which the functional currency is Hong Kong dollar. Monetary assets and liabilities denominated in other currencies are translated into the applicable functional currencies at rates of exchange in effect at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates and transactions denominated in other currencies are translated using the average rate for the year. Exchange gains and losses are recorded in the consolidated statement of operations.

China Finance Online uses the U.S. dollar as its functional and reporting currency. Accordingly assets and liabilities are translated using the exchange rates in effect on the balance sheet date. Transactions in currencies other than the U.S. dollar are translated using the average exchange rate prevailing in the period when transactions occurred. Translation adjustments are reported as cumulative transition adjustments and are shown as a separate component of other comprehensive income (loss) in the accompanying consolidated statements of shareholders' equity and comprehensive income (loss).

Foreign currency risk

The RMB is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of Renminbi into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. Cash and cash equivalents of the Group included aggregate amounts of \$39,197,490 and \$51,150,706 at December 31, 2006 and 2007 which were denominated in RMB.

Cost of raw data

Cost of raw data is expensed as incurred and is recorded in cost of revenues.

Product development expenses

Costs of product development, including database technology, are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized. To date, the Group has essentially completed its development concurrently with the establishment of technological feasibility, and, accordingly, no costs have been capitalized.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

Advertising costs

The Group expenses advertising costs as incurred. Total advertising expenses were \$1,389,899, \$921,365, and \$158,631 for the years ended December 31, 2005, 2006 and 2007, respectively, and have been included as part of sales and marketing expenses.

Income taxes

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

In June 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109”. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006, with early adoption permitted. The Group adopted FIN 48 on January 1, 2007, the adoption of FIN 48 did not result in a cumulative adjustment on January 1, 2007 and had no significant impact on the Group’s accounting for income taxes for the year ended December 31, 2007. The Group did not incur any interest and penalties related to potential underpaid income tax expenses. The management does not expect to have a significant increase or decrease on the unrecognized tax benefits within 12 months from December 31, 2007.

Comprehensive income

Comprehensive income includes net income (loss) and foreign currency translation adjustments. Comprehensive income is reported as a component of the consolidated statements of shareholders’ equity and comprehensive income.

Fair value of financial instruments

Financial instruments include cash and cash equivalents and accounts receivable and accounts payable. The carrying values of cash and cash equivalents and accounts receivable approximate their fair value due to their short-term maturities. The Group does not use derivative instruments to manage risks.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

Concentrations of credit risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Group places its cash and cash equivalents with financial institutions with high-credit ratings and quality.

The Group conducts ongoing credit evaluations of its customers and generally does not require collateral or other security from its customers. The Group manages its credit risk by collecting up-front retainers from its customers and billing at regular intervals during the contract period. The Group assesses the adequacy of allowance for doubtful accounts primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

There were no customers with 10% or more of the Group's revenues and accounts receivable during 2005, 2006, or 2007.

Stock-based compensation

Effective January 1, 2006, the Group adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), using the modified prospective transition method. Under this method, stock-based compensation expense recognized beginning January 1, 2006 includes: (a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of January 1, 2006 based on the fair market value as of the grant date, measured in accordance with SFAS 123, and (b) compensation expense for all stock-based compensation awards granted on or subsequent to January 1, 2006, based on grant-date fair value estimated in accordance with the provisions of SFAS 123(R). The Group recognizes stock-based compensation costs on an accelerated method over the requisite service period which is generally the vesting period.

For options vested prior to January 1, 2006, the Group accounted for share-based compensation plans in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", as amended ("APB 25"). Accordingly, the Group recognized compensation expense only when options were granted with a discounted exercise price. The compensation expense was recognized ratably over the requisite service period, which was generally the vesting period of the options.

Income (loss) per share

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of ordinary shares outstanding during the period. Diluted income (loss) per ordinary share reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

Recent accounting standards

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 also responds to investors’ requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. SFAS No. 157 does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 (fiscal years beginning after November 15, 2008 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities) and interim periods within those fiscal years. The Group is currently evaluating whether the adoption of SFAS No. 157 will have a material effect on its consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statement No. 115”. SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. SFAS No. 159 requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the Group’s choice to use fair value on its earnings. It also requires entities to display the fair value of those assets and liabilities for which a Group has chosen to use fair value on the face of the balance sheet. SFAS No. 159 is effective as of the beginning of an entity’s first fiscal year beginning after November 15, 2007. The Group is currently evaluating whether the adoption of SFAS No. 159 will have a significant effect on its consolidated results of operations and financial position.

In December 2007, the FASB issued SFAS No. 141R, “Business Combination”, to improve reporting creating greater consistency in the accounting and financial reporting of business combinations. The standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The Group is currently evaluating whether the adoption of SFAS No. 141R will have a significant effect on its consolidated financial position, results of operations or cash flows.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

Recent accounting standards — continued

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements” to improve the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way as required in the consolidated financial statements. Moreover, SFAS No. 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transaction. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Group is currently evaluating whether the adoption of SFAS No. 160 will have a significant effect on its consolidated financial position, results of operations or cash flows.

In March 2008, The FASB issued FASB Statement No. 161, “Disclosures about Derivative Instruments and Hedging Activities”. The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Group has not yet begun the process of assessing the potential impact of the adoption of FASB No. 161 may have on its consolidated financial position or results of operations.

**3. ACQUISITIONS**

To expand in markets during 2006 and 2007, China Finance Online made a number of acquisitions of businesses. Each acquisition has been recorded using the purchase method of accounting, and accordingly the acquired assets and liabilities were recorded at their fair values on the dates of acquisitions and the results of their operations have been included in the Group’s results of operations since the dates of their acquisitions. The fair values of the assets and liabilities acquired were estimated using a combination of valuation methods, such as “income approach”, “market approach” and “cost approach” method, considering, among other factors, forecasted financial performance of the acquired business, market performance, and market potential of the acquired business in China.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**3. ACQUISITIONS — continued**

*Acquisition of CFO Daily Growth*

On November 23, 2007, China Finance Online acquired 85% of the equity interest in CFO Daily Growth, which is a licensed securities brokerage firm with a history of 36 years and primarily engages in the business of providing brokerage services. With the acquisition of CFO Daily Growth, the Group is able to provide a diversified portfolio of brokerage and other related services to its customers. For the acquisition, the total cash consideration was \$3,624,853, including \$706,371 in transaction costs.

		Amortization period
<b>Purchase Price allocation (preliminary):</b>		
Cash and cash equivalents	\$ 2,631,008	
Accounts receivable	998,320	
Trust bank balance held on behalf of customers	2,391,925	
Prepaid and other current assets	55,761	
Property and equipment, net	26,100	
Account payable	(350,261)	
Amount due to customers for the trust bank balance held on their behalf	(2,391,925)	
Accrued expenses and other current liabilities	(57,137)	
Income tax payable	(49,225)	
Deferred tax liabilities	(9,562)	
Minority interest	(488,186)	
<b>Acquired intangible asset:</b>		
Stock Exchange Trading Right	54,642	Indefinite
Goodwill	813,393	
<b>Total</b>	<b>3,624,853</b>	

CFO Daily Growth has been identified as a reporting unit for goodwill allocation purposes and the goodwill arising from this acquisition is fully allocated to this reporting unit.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**3. ACQUISITIONS — continued**

*Acquisition of CFO Genius*

On September 21, 2006 China Finance Online entered into an agreement to acquire all the equity interest in CFO Genius, CFO Genius engages in the business of constructing and maintaining financial information databases and providing networked information solution. It was the first company of its kind in China to build databases and to provide electronic information networks for domestic securities and investment firms at the time of its establishment in 1994. The acquisition is expected to strengthen the Group's position in the industry and provide future opportunities to develop database products. CFO-Genius is a financial information database provider primarily serving domestic securities and investment firms, for a total cash consideration of \$1,040,081, including \$40,081 in transaction costs.

		<u>Amortization period</u>
Purchase price allocation:		
Cash and cash equivalents	\$ 35,802	
Accounts receivable	14,174	
Prepaid and other current assets	14,023	
Property and equipment, net	42,506	3-5 years
Acquired intangible assets:		
Completed technology	332,545	5.3 years
Trademark	75,866	Indefinite
Customer relationships	<u>117,592</u>	5.3 years
Total assets acquired	632,508	
Deferred revenue	(361,361)	
Accrued expenses and other current liabilities	(231,904)	
Deferred tax liabilities related to acquired intangible assets	<u>(67,520)</u>	
Total net liabilities	(28,277)	
Goodwill	<u>1,068,358</u>	
Total	<u>\$ 1,040,081</u>	

CFO Genius has been identified as a reporting unit for goodwill allocation purposes and the goodwill arising from this acquisition is fully allocated to this reporting unit.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**3. ACQUISITIONS — continued**

*Acquisition of CFO Meining and CFO Stockstar*

On October 1, 2006, China Finance Online acquired two companies to expand its business in China. The Group acquired all the equity interests of CFO Stockstar and CFO Meining. Stockstar is a leading finance and securities website in China, it will alter China Finance Online's overall composition. For the acquisition, total cash consideration was \$8,135,269 including transaction costs of \$117,953. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

		<u>Amortization Period</u>
<b>Purchase price allocation:</b>		
Cash and cash equivalents	\$ 792,692	
Accounts receivable	432,753	
Prepaid expenses and other current assets	78,298	
Property and equipment	297,024	
<b>Acquired intangible assets:</b>		
Trademark	652,446	Indefinite
Completed technology	402,089	5.3 years
Agreements with mobile operators	10,495	3 years
Customer relationships	475,426	4.3 years
Value-added service license	<u>23,392</u>	3.3 years
 Total assets acquired	 3,164,615	
Deferred revenue	(222,868)	
Accrued expenses and other current liabilities	(1,702,727)	
Deferred tax liabilities related to acquired intangible assets	<u>(136,710)</u>	
 Total net assets	 1,102,310	
Goodwill	<u>7,032,959</u>	
 Total	 <u>\$ 8,135,269</u>	

CFO Meining and CFO Stockstar have been identified as a single reporting unit for goodwill allocation purposes and the goodwill arising from this acquisition is fully allocated to this reporting unit.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**3. ACQUISITIONS — continued**

The following summarized unaudited pro forma results of operations for the years ended December 31, 2005, 2006 and 2007 assuming that all significant acquisitions during the year ended December 31, 2005, 2006 and 2007 occurred as of January 1, 2005, 2006 and 2007 respectively. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the significant acquisitions occurred as of January 1, 2005, 2006 and 2007, nor is it indicative of future operating results.

	For the years ended December 31,		
	2005	2006	2007
	(unaudited)	(unaudited)	(unaudited)
Revenues	\$10,915,618	\$10,671,796	\$26,930,986
Net income (loss)	\$ 2,136,433	\$ (2,891,544)	\$ 235,997
Income per share — basic	<u>\$ 0.02</u>	<u>\$ (0.03)</u>	<u>\$ 0.00</u>
Income per share — diluted	<u>\$ 0.02</u>	<u>\$ (0.03)</u>	<u>\$ 0.00</u>

**4. PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets consisted of the following:

	December 31,	
	2006	2007
VAT refund receivable	\$ —	\$ 844,800
Advances to suppliers	181,913	809,221
Prepaid capital to be injected in VIE (note 1)	—	685,439
Interest receivable (note 2)	415,441	216,947
Other current assets	<u>330,343</u>	<u>390,647</u>
	<u>\$ 927,697</u>	<u>\$ 2,947,054</u>

Notes:

- As of December 31, 2007, \$685,439 had been held by the CEO, who is the designated owner of CFO Fuhua, for the additional capital to be injected to CFO Fuhua.
- Interest receivable is interest earned from the Group's bank deposits.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**5. COST METHOD INVESTMENT**

In December 2005, the Group purchased 9,800,000 Series B preferred shares in Moloon for \$15,000,000, which represents a 25% interest in Moloon on an if-converted basis. China Finance Online's investment in these preferred shares is not in-substance common stock, and accordingly, the investment has been recorded as a cost method investment.

In April 2006, the Group sold part of its investment in Moloon to a third party for a cash consideration of \$1,187,500, resulting in a gain of \$116,071 which has been recorded as a non operating income in the accompanying consolidated statements of operations. As a result of this disposal, the Group's investment in Moloon's preferred shares decreases to 9,100,000 shares.

Moloon is a Chinese wireless technology and service provider. During the second half of 2006, China Mobile Communication Corporation announced policy changes which, among others, required mobile value added service, or MVAS, providers to extend free trial periods for customers prior to subscriptions and to send reminders to customers confirming new and existing subscriptions. These policy changes had a substantial negative impact on Moloon's MVAS business. Consequently, following an independent valuation prepared by American Appraisal China Limited, we determined that our investment in Moloon was impaired and recorded an impairment loss of \$1,322,000 in the accompanying consolidated statements of operations for 2006.

Since late 2006 Moloon has taken measures to become a leading provider of mobile gaming services in China. However, despite the new strategies Moloon's financial conditions deteriorated and, following an independent valuation of the our cost method investment in Moloon prepared by American Appraisal China Limited, it was determined that we should record a non-cash investment impairment of \$11,127,000 in the accompanying consolidated statements of operations for 2007, reducing the carrying balance of such investment from \$12.61 million to \$1.48 million, 88% off the book value.

**6. PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consisted of:

	December 31,	
	2006	2007
Technology infrastructure	\$ 1,277,972	\$ 3,360,909
Computer equipment	255,246	1,036,325
Furniture, fixtures and equipment	354,488	894,783
Motor vehicle	64,374	129,636
Leasehold improvements	354,399	1,268,731
	2,306,479	6,690,384
Less: accumulated depreciation	(608,998)	(1,235,526)
	<u>\$ 1,697,481</u>	<u>\$ 5,454,858</u>

Depreciation expense for the years ended December 31, 2005, 2006, and 2007 were \$129,833, \$230,552, and \$680,702, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**7. ACQUIRED INTANGIBLE ASSETS, NET**

Acquired intangible assets, net arose from the acquisitions of CFO Genius, CFO Meining, CFO-Stockstar and CFO Daily Growth during 2006 and 2007 and consisted of the following:

	December 31,	
	2006	2007
Intangible assets not subject to amortization:		
Trademarks	737,638	789,625
Stock exchange trading right	—	54,498
Intangible assets subject to amortization:		
Completed technology	\$ 744,042	\$ 796,480
Customer relationship	600,612	642,941
Value-added service license	23,692	25,361
Agreement with mobile operators	10,629	11,378
	2,116,613	2,320,283
Less: Accumulated amortization	(71,389)	(382,106)
	<u>\$ 2,045,224</u>	<u>\$ 1,938,177</u>

Amortization expense for the years ended December 31, 2005, 2006 and 2007 was \$nil, \$71,389 and \$293,251, respectively. Future amortization expenses of acquired intangible assets in the next 5 years with determinable lives are \$305,685, \$305,117, \$300,201, \$183,051 and \$nil for 2008, 2009, 2010, 2011 and 2012, respectively.

**8. GOODWILL**

Changes in goodwill for the years ended December 31, 2005, 2006 and 2007 were as follows:

Balance as of January 1, 2006	50,534
Acquisitions (Note 3):	
CFO Genius	1,068,358
CFO Meining and CFO Stockstar	<u>7,032,959</u>
Balance as of December 31, 2006	8,151,851
Acquisition of CFO Daily Growth (Note 3)	813,393
Exchange difference	<u>686,475</u>
Balance as of December 31, 2007	<u>9,651,719</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consisted of:

	December 31,	
	2006	2007
Accrued bonus	\$ 598,388	\$ 1,956,670
Accrued professional service fees	200,706	1,188,163
Withholding individual income tax-option exercise	13,268	1,139,110
Value added taxes payable	386,806	936,625
Other taxes payable	56,811	440,149
Accrued raw data cost	303,474	425,076
Accrued rental	120,538	130,820
Accrued welfare benefits	18,891	81,406
Others	387,135	652,235
	\$ 2,086,017	\$ 6,950,254

**10. STOCK OPTIONS AND NONVESTED SHARES**

As of December 31, 2007, the Company has two share-based compensation plans, which are described below. The compensation cost that has been charged against income for those plans was \$370,781, \$1,183,662, and \$2,946,340 for 2005, 2006, and 2007, respectively.

**2004 Stock incentive plan**

In January 2004, the Company adopted the 2004 stock incentive plan (the “2004 Plan”) which allows the Company to offer a variety of incentive awards to employees, directors, officers and other eligible persons in the Group. Options to purchase 5,688,488 ordinary shares are authorized under the Plan. In September 2004 and December 2006, the Company increased the total number of ordinary shares available for issuance under the Plan by an additional 5,000,000 shares, respectively, resulting in a total of 15,688,488 options to purchase ordinary shares under the Plan. Options are generally granted at a price equal to the fair market value of the Company’s shares at the date of grant. Prior to the Company’s initial public offering the market value of the ordinary shares underlying the stock option was determined by the Board of Directors. As of December 31, 2007, options to purchase 10,557,568 shares of ordinary shares were outstanding. All of the options granted under the Plan to our directors and managers have vesting period of one to four years, while options granted under the Plan to our other employees vest over a period of three to five years. The options we granted to consultants and advisers vested immediately upon grant or from two to three years after grant. A specified portion of the shares subject to each option vests at the end of the first year and the balance vests each quarter thereafter. The amortization of options granted is based on the graded vesting schedule.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**10. STOCK OPTIONS AND NONVESTED SHARES — continued**

**2004 Stock incentive plan — continued**

Options to employees

In February 2005, the Company granted 4,053,000 stock options to directors, officers and employees at an exercise price that equaled the trading price of the stock upon the stock option grant. In November 2005, the Company granted 400,000 stock options to the Company's CEO and 200,000 stock options to the Company's Vice President. The Company accounted for these options under APB 25.

In July 2006, the Company granted an additional 400,000 stock options to the Company's CEO and 300,000 stock options to the Chief Financial Officer. The exercise prices equaled the trading price of the stock at the grant date of the option. These options are vested over 2 years.

During 2007, the Company granted totaling 3,848,000 stock options to directors, officers and employees at an exercise price that equaled the trading price of the stock upon the stock option grant. These options are vested over 3 years except the 400,000 shares granted to the four directors in January 2007 are vested over 2 years. The fair value of employee options is estimated on the basis of the Black-Scholes Option Pricing model with the following assumptions:

	Years ended December 31,	
	2006	2007
Weighted average risk free rate of return	5.24%	4.71%
Weighted average expected option life	5.75 years	5.96 years
Volatility rate	58.84%	59.92%
Dividend yield	—	—

Options to non-employees

The Company granted stock options to purchase up to 6,829,500 ordinary shares outside of the 2004 Plan, which vested immediately and 90,000 options to purchase ordinary shares under the Plan to consultants and strategic advisors, which vested over 2 years in 2004. The Company also granted 350,000 options under the 2004 Plan to consultants and strategy advisors in 2005. The fair value of non-employee options is estimated using the Black-Scholes Option Pricing model as such method provided a more accurate estimate of the fair value of services provided by the consultants and strategic advisors. The fair value of the stock options is remeasured as of the end of each reporting period until the services of these non-employees are complete under the service contracts.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**10. STOCK OPTIONS AND NONVESTED SHARES — continued**

**2004 Stock incentive plan** — continued

Options to non-employees — continued

The following assumptions were used in the option pricing model:

	Years ended December 31,		
	2005	2006	2007
<b>Options to non-employees:</b>			
Weighted average risk-free rate of return	3.48%	4.70%	3.26%
Weighted average expected option life	2.14 years	5.76 years	3.73 years
Volatility	56.96%	53.33%	51.85%
Dividend yield	—	—	—

Summary of stock options to employees and non-employees

A summary of the stock option activity is as follows:

	2005		2006		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	12,492,988	\$ 0.18	15,250,488	\$ 0.52	14,843,688	\$ 0.56
Granted	5,003,000	\$ 1.29	700,000	\$ 1.07	3,848,000	\$ 1.07
Exercised	(1,731,500)	\$ 0.16	(473,000)	\$ 0.17	(7,746,280)	\$ 0.42
Forfeited	(514,000)	\$ 1.05	(633,800)	\$ 0.69	(387,840)	\$ 0.87
Outstanding at end of year	<u>15,250,488</u>	<u>\$ 0.52</u>	<u>14,843,688</u>	<u>\$ 0.56</u>	<u>10,557,568</u>	<u>\$ 0.84</u>
Shares exercisable at end of year	<u>9,986,488</u>	<u>\$ 0.29</u>	<u>11,705,508</u>	<u>\$ 0.43</u>	<u>5,939,888</u>	<u>\$ 0.68</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**10. STOCK OPTIONS AND NONVESTED SHARES — continued**

**2004 Stock incentive plan — continued**

Summary of stock options to employees and non-employees — continued

The following table summarizes information with respect to stock options outstanding at December 31, 2007:

	Options outstanding			Option exercisable			
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Aggregate intrinsic value as of December 31 2007	Number exercisable	Weighted average exercise price	Aggregate intrinsic value as of December 31 2007
Ordinary shares							
\$0.16	3,373,988				3,069,988		
\$1.04	200,000				200,000		
\$1.31	1,846,580				1,700,900		
\$1.32	27,000				19,000		
\$1.12	400,000				400,000		
\$1.16	200,000				200,000		
\$1.07	700,000				350,000		
\$0.96	3,240,000				—		
\$1.25	100,000				—		
\$1.32	150,000				—		
\$2.03	317,000				—		
\$2.19	3,000				—		
	<u>10,557,568</u>	<u>5.97 years</u>	<u>\$ 0.83</u>	<u>\$ 3.55</u>	<u>5,939,888</u>	<u>\$ 0.68</u>	<u>\$ 3.70</u>

The weighted-average grant-date fair value of options granted during the years 2005, 2006 and 2007 was \$0.75, \$0.63 and \$0.64, respectively. The total intrinsic value of options exercised during the years ended December 31, 2005, 2006 and 2007 was \$1,797,394, \$796,348 and \$25,541,496, respectively.

As of December 31, 2007, options to purchase 2,009,640 ordinary shares were available for future grant.

Prior to January 1, 2006, the Company accounted for share-based compensation plans under Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”), and related Interpretations, as permitted by Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards (“SFAS”) No. 123, “Accounting for Stock-Based Compensation”, (“SFAS 123”). Accordingly, the Company recognized compensation expense only when options were granted with an exercise price below the fair value of the underlying shares. The compensation expense was recognized ratably over the requisite service period, which was generally the vesting period of the options.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**10. STOCK OPTIONS AND NONVESTED SHARES — continued**

**2004 Stock incentive plan — continued**

Summary of stock options to employees and non-employees — continued

Prior to January 1, 2006, the Company provided pro forma disclosure amounts in accordance with SFAS No. 148, “Accounting for Stock-Based Compensation-Transition and Disclosure” (“SFAS 148”), as if the fair value method defined by SFAS 123 had been applied to its stock-based compensation. For purpose of this reconciliation, the Company added back all stock-based employee compensation expense recorded in accordance with APB 25 in the statement of operations, then deducted the stock-based employee compensation expense determined under SFAS 123. The following table summarizes the reconciliations for the year ended December 31, 2005.

	<u>Year ended December 31, 2005</u>
Income attributable to ordinary shareholders as reported:	4,624,187
Add: Stock-based compensation as reported	13,589
Less: Stock-based compensation determined using the fair value method	<u>(1,935,649)</u>
Pro forma income attributable to ordinary shareholders	<u>2,702,127</u>
<b>Basic net income per share:</b>	
As reported	<u>\$ 0.05</u>
Pro forma	<u>\$ 0.04</u>
<b>Diluted net income per share:</b>	
As reported	<u>\$ 0.04</u>
Pro forma	<u>\$ 0.03</u>

The fair value of each option and share granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants during the applicable period.

	<u>Year ended December 31, 2005</u>
<u>Option grants</u>	
Weighted average risk-free rate of return	3.37%
Weighted average expected option life	2.94 years
Volatility	65.08%
Dividend yield	—

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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**10. STOCK OPTIONS AND NONVESTED SHARES — continued**

**2004 Stock incentive plan** — continued

Summary of stock options to employees and non-employees — continued

The Company recognizes the compensation costs net of a forfeiture rate. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of stock compensation expense to be recognized in the future periods.

The Company granted additional options under the 2004 Plan with the right to purchase ordinary shares 390,000 in January 2008 and 100,000 in March 2008 to employees.

**2007 Equity incentive plan**

In July 2007, the Company adopted the 2007 Equity incentive plan (the “2007 Plan”) and granted non-vested shares covering 10,558,493 ordinary shares of the Company to the employees who are eligible for the 2007 Plan. The vesting of the non-vested shares are subject to achieving certain financial performance targets and rendering service to the Company for the requisite service period stated in the 2007 Plan.

The grant date fair value of a non-vested share is measured at the quoted market price of the Company’s equity shares. The non-vested shares shall become vested during the three years following the grant date based on the Company’s certain annual operating performance goals for the years 2008 and 2009. The Company recognized a compensation expense of \$1,143,233 for the non-vested shares in 2007.

A summary of the status of the non-vested shares as of December 31, 2007, and changes during the year ended December 31, 2007 is presented below.

Non-vested shares	Shares	Weighted- average exercise price	Weighted- average grant date fair value	Aggregate intrinsic value
At beginning of year 2007	—		—	
Granted	10,558,493		1.84	
Vested	—		—	
Forfeited	—		—	
<b>At end of year 2007</b>	<b>10,558,493</b>	<b>—</b>	<b>1.84</b>	<b>46,246,199</b>

As of December 31, 2007, there was \$5.7 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the 2007 Plan. That cost is expected to be recognized over a weighted-average period of 2.5 years.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
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(In U.S. dollars)

**11. INCOME TAXES**

China Finance Online, CFO Team Gear, CFO Kinco and CFO Danford have not recorded tax provision for Hong Kong tax purposes as these companies have no assessable profits arising in or derived from Hong Kong. CFO Daily Growth is subject to Hong Kong Profits Tax at a rate of 17.5%. For the year ended 2007, income tax benefit \$23,757 for CFO Daily Growth has been made in consolidated financial statements.

CFO FNG, CFO Giant Bright and CFO Mount First are tax-exempted companies incorporated in the British Virgin Islands.

A summary of the tax concessions available to the PRC entities for the year ended December 31, 2007 is as follows:

PRC entities	Chinese state income tax rate	Chinese local income tax rate	Concession from Chinese State unified income tax*	Concession from Chinese local income tax	Year of commencement of tax holiday
CFO Beijing	24%	3%	Full exemption for the year 2003 and 2004; 50% tax relief from 2005 to 2007	Full exemption from 2003 to 2007	2003
CFO Software	15%	3%	Full exemption from 2005 to 2007	Full exemption from 2005 to 2007	2005
CFO Fuhua	30%	3%	N/A	N/A	N/A
CFO Meining	15%	N/A	15% in 2007	N/A	N/A
CFO Stockstar	15%	N/A	Same as CFO Meining	N/A	N/A
CFO Zhenning	15%	N/A	Same as CFO Meining	N/A	N/A
CFO Genius	15%	N/A	Same as CFO Meining	N/A	N/A
CFO Jujin	15%	N/A	Same as CFO Meining	N/A	N/A
CFO Wisdom	30%	3%	N/A	N/A	N/A
CFO Success	30%	3%	N/A	N/A	N/A
CFO Premium	30%	3%	N/A	N/A	N/A
CFO Glory	30%	3%	N/A	N/A	N/A

\* The concession from Chinese State unified income tax is shown on the assumption that the subsidiary, VIE and the VIE's subsidiaries will not be qualified as a "high and new technology enterprise strongly supported by the state" by the authorities. Based on the recently issued tax regulation after 2007.

CFO Wisdom, CFO Success, CFO Premium and CFO Glory are subject to the standard 33% tax rate in 2007, and no provision for PRC Enterprise Income Tax as these four subsidiaries or VIEs do not have any assessable profit.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
(In U.S. dollars)

**11. INCOME TAXES — continued**

Income tax (provision) benefit was as follows:

	December 31,		
	2005	2006	2007
<b>Income taxes expenses:</b>			
Current	\$ (134,739)	\$ 626	\$ 70,913
Deferred	<u>(322,289)</u>	<u>40,081</u>	<u>737,712</u>
<b>Total</b>	<b>\$ (457,028)</b>	<b>\$ 40,707</b>	<b>\$ 808,625</b>

The principal components of deferred income taxes were as follows:

	December 31,	
	2006	2007
<b>Current deferred tax assets:</b>		
Deferred revenue — current	\$ 135,658	\$ 841,315
Accrued expenses and other liability	<u>34,820</u>	<u>288,200</u>
<b>Current deferred tax assets</b>	<b>\$ 170,478</b>	<b>\$ 1,129,515</b>
<b>Non-current deferred tax assets (liabilities):</b>		
Net operating loss carry forwards	\$ 802,010	\$ 1,136,729
Intangible assets	(204,043)	(321,816)
Property and equipment	<u>—</u>	<u>(30,457)</u>
	597,967	784,456
Less: valuation allowance	<u>(743,500)</u>	<u>(1,136,729)</u>
<b>Non-current deferred tax liabilities, net</b>	<b>\$ (145,533)</b>	<b>\$ (352,273)</b>
<b>Non-current deferred tax asset:</b>		
Deferred revenue — non-current	<u>\$ —</u>	<u>\$ 14,382</u>

A valuation allowance of \$743,500 and \$1,136,729 were established as of December 31, 2006 and 2007, respectively, for the entities that have incurred losses because the Group believes that it is more likely than not that the related deferred tax assets will not be realized in the future. At December 31, 2007, tax loss carry forwards amounting to approximately \$3.8 million which will expire by 2012, and \$2 million which will carry forward indefinitely.

During the years ended December 31, 2005, 2006 and 2007, if the China Finance Online's subsidiaries in the PRC were neither in the tax holiday period nor had they been specifically allowed special tax concessions, they would have recorded additional income tax expense of \$1,448,866, \$786,385 and \$4,414,697 respectively, and both basic and diluted income per share would have been \$0.03, (\$0.01) and (\$0.09) for the years ended December 31, 2005, 2006 and 2007, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
(In U.S. dollars)

**11. INCOME TAXES — continued**

A reconciliation between the statutory PRC enterprise income tax rate of 33% and the effective tax rate is as follows:

	Years ended December 31,		
	2005	2006	2007
	%	%	%
Statutory tax rate in PRC	33.0	(33.0)	(33.0)
Effect of tax holiday	(18.0)	(92.1)	(91.8)
Non-deductible expenses	3.6	139.9	99.7
Non-taxable income	(10.3)	(54.8)	(16.7)
Effect on deferred taxes due to changes in tax rates under the new law for certain subsidiaries	—	—	18.5
Change in valuation allowance	0.7	33.7	7.0
<b>Effective tax rate</b>	<b>9.0</b>	<b>(6.3)</b>	<b>(16.3)</b>

On March 16th, 2007, the national People's Congress adopted the Enterprise Income Tax Law (the "New Income Tax Law"), which will become effective from January 1, 2008 and will replace the existing separate income tax laws for domestic enterprises and foreign-invested enterprises, which are PRC subsidiaries of the Group, by adopting unified income tax rate of 25% for most enterprises. Due to the changes in the new tax law in March 2007, the Group's deferred tax balances were calculated based on the newly enacted tax rate to be effective January 1, 2008 in accordance with applicable transitional terms of the New Income Tax Law.

In accordance with the implementation rules of New Income Tax Law, the existing preferential tax treatments granted to CFO Software, because it qualifies as a "high and new technology enterprise" may not continue to qualify as a high and new technology enterprise strongly supported by the State" under the new rules, until these subsidiaries receive official approval for this status.

Furthermore, under the New Income Tax Law, a "resident enterprise," which includes an enterprise established outside of the PRC with management located in the PRC, will be subject to the PRC income tax. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC are resident enterprises, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income tax at a rate of 25%. The Company is still evaluating its resident status under the new law and related guidance.

If the PRC tax authorities subsequently determine that the Company is non-resident enterprises, the dividends paid by the Company's PRC subsidiaries to the Company, will be subject to the withholding tax of 10% and in the case of subsidiary 25% or more directly owned by the resident in Hong Kong, the withholding tax would be 5%. However, no such withholding tax provision has been made by the Group's PRC subsidiaries as of December 31, 2007 because the aggregated undistributed earnings of the Group's PRC subsidiaries and VIEs are considered to be indefinitely reinvested under APB opinion No. 23. The Chinese tax authorities have also clarified that the distribution made out of pre January 1, 2008 retained earnings will not be subject to the withholding tax.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
(In U.S. dollars)

**12. SHAREHOLDERS' EQUITY**

In October 2005, the Group issued 2,000,000 ordinary shares to its American Depositary Receipt bank and in exchange received 400,000 American Depositary Shares (“ADSs”) for purposes of future exercise of share options by employees.

In 2006, all 400,000 ADSs had been issued to employees who exercised their options. In January 2006, the Group issued 3,000,000 ordinary shares to its American Depositary Receipt bank and in exchange received 600,000 ADSs for purposes of future exercise of share options by employees.

As of December 31, 2007, 9,051,256 ADSs had been issued to employees and the remaining 94,744 ADSs continued to be held by the Group for future exercises. These 94,744 ADSs represent 473,720 ordinary shares of the Group, which are considered as issued and outstanding as of December 31, 2007.

**Repurchased shares**

In 2005, the Group repurchased 10,708,030 ordinary shares at prices ranging from \$1.13 to \$1.41 per share, including brokerage commission, for a total consideration of \$13,200,394. In 2007, the Group granted 10,558,493 non-vested shares to BVI companies out of the repurchased shares. Therefore the remaining is about 149,537 shares.

**13. OTHER (EXPENSES) INCOME, NET**

Other (expenses) income, net consisted of:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Exchange gain, net	\$ 365,965	\$ 267,302	\$ 424,338
Gain on partial disposal of an investment in Moloon (see Note 5)	—	116,071	—
Others	—	(1,498)	8,731
	<u>\$ 365,965</u>	<u>\$ 381,875</u>	<u>\$ 433,069</u>

Exchange gain is primarily derived from intercompany transactions and cash and cash equivalents in foreign currency.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
(In U.S. dollars)

**14. INCOME (LOSS) PER SHARE**

The following table sets forth the computation of basic and diluted income (loss) per share for the years indicated:

	Years ended December 31,		
	2005	2006	2007
Net income (loss) attributable to ordinary shareholders, basic and diluted	\$ 4,624,187	\$ (600,633)	\$ (4,129,704)
Weighted average ordinary shares outstanding used in computing basic net income per share	94,341,061	93,650,653	94,500,529
Plus: Incremental shares from assumed conversions of stock options	10,440,431	—	—
Weighted average ordinary shares outstanding used in computing diluted net income per share (note)	104,781,492	93,650,653	94,500,529
Net income (loss) per share-basic	\$ 0.05	\$ (0.01)	\$ (0.04)
Net income (loss) per share-diluted	\$ 0.04	\$ (0.01)	\$ (0.04)

Actual ordinary shares issued and upon exercises of options are included when calculating weighted average ordinary shares outstanding used in computing basic net income per share.

Note:

- In 2006, the Company transferred 3,000,000 ordinary shares to its depository bank representing 750,000 ADSs to be issued to employees and non-employees upon the exercise of their vested share options. As of December 31, 2007, shares out of such 2,526,280 shares had been issued to the employees and non-employees upon exercise of their share options and 473,720 shares remained available for future issuances. As a result, 473,720 ordinary shares were excluded in computing basic net income per share.
- In July 2007, the Company adopted granted non-vested shares covering 10,558,493 ordinary shares of the Company to the employees who are eligible for the 2007 Plan. The vesting of the non-vested shares are subject to achieving certain financial performance targets stated in the 2007 Plan. Nonvested shares have not be included in the computation of basic earnings per share as such shares are considered contingently returnable shares if the employee does not render the requisite service, the shares are returned to the Company.
- The Group has options and non-vested shares outstanding which could potentially dilute basic net income/(loss) per share, but which were excluded from the computation of diluted net income/(loss) per share for the year end December 31, 2006 and 2007, as their effects would have been anti-dilutive. Such outstanding options and non-vested shares consist of 15,950,488 options for year end December 31, 2006, and 18,691,688 options and 10,558,493 non-vested shares for year end December 31, 2007.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
**(In U.S. dollars)**

**15. MAINLAND CHINA CONTRIBUTION PLAN AND PROFIT APPROPRIATION**

Full time employees of the Group in the PRC participate in a government-mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. The total provisions for such employee benefits were \$107,552, \$270,576 and \$948,100 for the years ended December 31, 2005, 2006 and 2007 respectively.

**16. COMMITMENTS**

The Group leases certain office premises and purchases data under non-cancelable leases. The office lease expires in 2012. Rent expense under operating leases for 2005, 2006 and 2007 were \$242,765, \$520,590 and \$1,057,624, respectively.

Future minimum lease payments under non-cancelable operating leases and data purchase agreements were as follows:

<u>Year ending</u>	
2008	\$ 2,007,800
2009	1,496,496
2010	1,046,944
2011	324,338
2012	<u>22,128</u>
Total	\$ <u>4,897,706</u>

**17. SEGMENT AND GEOGRAPHIC INFORMATION**

The Group has two principal operating segments (1) online financial data subscription service and other related services, (2) brokerage service. These operating segments were determined based on the nature of the services offered. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. The Group's chief executive officer and chief operating officer have been identified as the chief operating decision makers. The Group's chief operating decision makers direct the allocation of resources to operating segments based on the profitability and cash flows of each respective segment.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
(In U.S. dollars)

**17. SEGMENT AND GEOGRAPHIC INFORMATION — continued**

The Group evaluates performance based on several factors, including net revenue, cost of revenue, operating expenses, income from operation. The accounting policies of the business segments are the same as those described in “Note 2: Summary of Significant Accounting Policies.” The following tables show the operations of the Group’s operating segments:

For the year ended December 31, 2007

	Subscription services and other related services	Brokerage services	Consolidated
Net revenue	\$ 25,822,178	\$ 80,896	\$ 25,903,074
Cost of revenue	(4,403,605)	(22,997)	(4,426,602)
Operating expenses			
General and administrative	(7,599,367)	(184,301)	(7,783,668)
Product development	(2,268,878)	—	(2,268,878)
Sales and marketing	(6,911,624)	(12,712)	(6,924,336)
Total operating expenses	(16,779,869)	(197,013)	(16,976,882)
Government subsidies	135,834	—	135,834
Income (loss) from operations	4,774,538	(139,114)	4,635,424
Total assets	95,774,776	8,109,972	103,884,748

The Group started to provide brokerage service after the acquisition of CFO Daily Growth in 2007 and therefore only had one segment in 2005 and 2006.

The Group derives revenue from external customers for each of the following services during the years presented:

	Years ended December 31,		
	2005	2006	2007
Subscription fees	\$ 5,811,395	\$ 5,075,830	\$ 22,712,043
Advertising revenue	996,311	1,337,630	1,560,194
SMS revenue	—	298,232	1,339,321
Brokerage service revenue	—	—	80,896
Others	674,460	416,386	210,620
	\$ 7,482,166	\$ 7,128,078	\$ 25,903,074

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — continued**  
**FOR THE YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007**  
**(In U.S. dollars)**

**18. RESTRICTED NET ASSETS**

PRC legal restrictions permit payments of dividends by China Finance Online's PRC subsidiaries only out of their retained earnings, if any, determined in accordance with PRC accounting standards and regulations. The general reserve, which requires annual appropriations of 10% of after-tax profit should be set aside prior to the payment of dividends. As a result of these PRC laws and regulations, the Group's PRC subsidiaries and variable interest entities are restricted in their abilities to transfer a portion of their net assets to the Group. As of December 31, 2007, the amount of restricted net assets was approximately \$45,750,588.

Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, the Group's subsidiaries in the PRC must make appropriations from after-tax profit to non-distributable reserves as determined by the board of directors of these subsidiaries. These reserves include a (i) general reserve, (ii) enterprise expansion reserve, and (iii) staff bonus and welfare reserve. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profit (as determined under PRC GAAP at each year-end); amounts to be appropriated for the other two reserves are determined at the board of directors' discretion. These reserves can only be used for specific purposes and are not distributable as cash dividends. Appropriations to the staff welfare and bonus reserve are charged to general and administrative expenses and amounted to \$26,889, \$nil and \$nil in 2005, 2006 and 2007, respectively. Appropriation to the general reserve amounted to \$268,891, \$nil and \$3,709,549 in 2005, 2006 and 2007, respectively. There were no appropriations to the staff welfare and bonus reserve or the general reserve during 2006.

**19. SUBSEQUENT EVENT**

In March 2008, the Group injected further capital of \$11,565,000 (equivalent to HK\$90,000,000) in CFO Daily Growth; consequently, the Group's equity interest in CFO Daily Growth increased from 85% to 98.5%.

**Additional Information — Financial Statement Schedule I**

**Financial information of Parent Company  
Balance sheets  
(In U.S. dollars, except share-related data)**

	December 31,	
	2006	2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,758,063	\$ 19,374,617
Amounts due from subsidiaries	64,172	4,408,362
Prepaid expenses and other current assets	93,618	133,572
Dividends receivable	<u>2,473,269</u>	<u>—</u>
<b>Total current assets</b>	<b>8,389,122</b>	<b>23,916,551</b>
Investments in subsidiaries	37,615,158	43,844,335
Cost-method investment	12,606,571	1,479,571
Goodwill	50,534	50,534
Loans receivable from subsidiaries	<u>4,000,000</u>	<u>—</u>
<b>Total assets</b>	<b>\$ 62,661,385</b>	<b>\$ 69,290,991</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accrued expenses and other current liabilities	148,072	1,868,059
Amounts due to a subsidiary	<u>60,534</u>	<u>60,537</u>
<b>Total current liabilities</b>	<b>\$ 208,606</b>	<b>\$ 1,928,596</b>
Shareholders' equity		
Ordinary shares (\$0.00013 par value; 500,000,000 shares authorized; shares issued and outstanding 104,384,933 in 2006 and 109,754,433 in 2007)	13,474	14,172
Additional paid-in capital	52,555,919	58,727,378
Accumulated other comprehensive income	1,634,269	4,501,432
Retained earnings	<u>8,249,117</u>	<u>4,119,413</u>
<b>Total shareholders' equity</b>	<b>62,452,779</b>	<b>67,362,395</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 62,661,385</b>	<b>\$ 69,290,991</b>

**Financial information of Parent Company**  
**Statements of operations**  
(In U.S. dollars)

	December 31,		
	2005	2006	2007
Operating expenses:			
General and administrative	\$ 692,453	\$ 873,496	\$ 975,931
Stock-based compensation	370,781	1,183,662	2,946,340
Total operating expenses	<u>1,063,234</u>	<u>2,057,158</u>	<u>3,922,271</u>
Interest income	560,772	202,484	253,003
Equity in earnings of subsidiaries and VIEs	5,126,649	2,395,622	10,299,974
Other income	—	180,419	366,590
Loss from impairment of cost method investment	—	<u>(1,322,000)</u>	<u>(11,127,000)</u>
Net income (loss)	<u>\$ 4,624,187</u>	<u>\$ (600,633)</u>	<u>\$ (4,129,704)</u>

**Financial Information of Parent Company**  
**Statement of Shareholders' Equity and Other Comprehensive Income**  
(In U.S. dollars, except share-related data)

	Ordinary shares		Additional paid-in capital	Deferred stock-based compensation	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity	Comprehensive income
	Shares	Amount						
Balances as of								
January 1, 2005	99,329,933	\$ 12,814	\$ 64,175,132	\$ (325,221)	\$ (11)	\$ 4,225,563	\$ 68,088,277	
Repurchase of ordinary shares	—	—	(13,200,394)	—	—	—	(13,200,394)	
Issuance of ordinary shares to employees	2,000,000	263	276,713	—	—	—	276,976	
Stock options issued to non-employees	—	—	112,689	—	—	—	112,689	
Amortization of deferred stock-based compensation	—	—	—	258,092	—	—	258,092	
Foreign currency translation adjustment	—	—	—	—	671,133	—	671,133	\$ 671,133
Net income	—	—	—	—	—	4,624,187	4,624,187	4,624,187
Balance as of								
December 31, 2005	101,329,933	13,077	51,364,140	(67,129)	671,122	8,849,750	60,830,960	\$ 5,295,320
Amortization of deferred stock-based compensation	—	—	(67,129)	67,129	—	—	—	
Issuance of ordinary shares for exercise of stock option by employees	3,000,000	390	66,453	—	—	—	66,843	
Exercise of share options by non-employees	55,000	7	8,793	—	—	—	8,800	
Stock-based compensation	—	—	1,183,662	—	—	—	1,183,662	
Foreign currency translation adjustment	—	—	—	—	963,147	—	963,147	\$ 963,147
Net loss	—	—	—	—	—	(600,633)	(600,633)	(600,633)
Balance as of								
December 31, 2006	104,384,933	13,474	52,555,919	—	1,634,269	8,249,117	62,452,779	\$ 362,514
Exercise of stock option by employees	—	—	2,366,697	—	—	—	2,366,697	
Exercise of share options by non-employees	5,369,500	698	858,422	—	—	—	859,120	
Stock-based compensation	—	—	2,946,340	—	—	—	2,946,340	
Foreign currency translation adjustment	—	—	—	—	2,867,163	—	2,867,163	\$ 2,867,163
Net loss	—	—	—	—	—	(4,129,704)	(4,129,704)	(4,129,704)
Balance as of								
December 31, 2007	109,754,433	\$ 14,172	\$ 58,727,378	\$ —	\$ 4,501,432	\$ 4,119,413	\$ 67,362,395	\$ (1,262,541)

See notes to consolidated financial statements.



**Financial information of Parent Company**  
**Statements of cash flows**  
**(In U.S. dollars, except share-related data)**

	December 31,		
	2005	2006	2007
<b>Operating activities:</b>			
Net income (loss)	4,624,187	(600,633)	(4,129,704)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Stock-based compensation	370,781	1,183,662	2,946,340
Loss from impairment of cost method investment	—	1,322,000	11,127,000
Gain from disposal of cost method investment	—	(116,071)	—
Equity in earnings of subsidiaries	(4,455,510)	(958,872)	(10,299,974)
Changes in assets and liabilities:			
Dividend receivable	—	(2,473,269)	2,473,269
Prepaid expenses and other current assets	42,226	(56,221)	(39,954)
Amounts due from subsidiaries	—	(64,543)	(4,344,190)
Accrued expenses and other current liabilities	(27,234)	27,032	1,719,911
Amounts due to subsidiaries	(477,841)	41,947	3
Net cash provided by (used in) operating activities	<u>76,609</u>	<u>(1,694,968)</u>	<u>(547,299)</u>
<b>Investing activities:</b>			
Net increase in loans to subsidiaries	(13,990,000)	9,990,000	4,000,000
Proceeds from partial sale of cost method investment	—	1,187,500	—
Acquisition of businesses	—	(6,582,144)	(2,300,476)
Investments in subsidiaries	(20,500,000)	—	—
Acquisition of cost investment	<u>(15,000,000)</u>	<u>—</u>	<u>—</u>
Net cash (used in) provided by investing activities	<u>(49,490,000)</u>	<u>4,595,356</u>	<u>1,699,524</u>
<b>Financing activities:</b>			
Proceeds from stock options exercised by employees	276,976	66,843	2,366,697
Proceeds from exercise of options granted to non-employee	—	8,800	859,120
Repurchase of treasury shares	(13,200,394)	—	—
Dividend from a subsidiary	<u>5,373,182</u>	<u>—</u>	<u>9,238,436</u>
Net cash provided by (used in) financing activities	<u>(7,550,236)</u>	<u>75,643</u>	<u>12,464,253</u>
Effect of exchange rate changes	<u>(6)</u>	<u>5</u>	<u>76</u>
Net increase (decrease) in cash and cash equivalents	(56,963,633)	2,976,036	13,616,554
Cash and cash equivalents, beginning of the year	<u>59,745,660</u>	<u>2,782,027</u>	<u>5,758,063</u>
Cash and cash equivalents, end of the year	<u>\$ 2,782,027</u>	<u>\$ 5,758,063</u>	<u>\$ 19,374,617</u>

Note:

Basis for preparation

The parent-company only Financial Information of China Finance Online has been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that China Finance Online has used equity method to account for its investments in its subsidiaries and variable interest entities.

## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description</b>
1.1	Amended and Restated Memorandum and Articles of Association of China Finance Online Co. Limited (incorporated by reference to Exhibit 3.1 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on October 4, 2004)
2.1	Specimen ordinary share certificate (incorporated by reference to Exhibit 4.1 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
2.2	Specimen American depository receipt of China Finance Online Co. Limited (Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-119530) filed with the Securities and Exchange Commission with respect to American depository shares representing ordinary shares on October 5, 2004)
2.3	Shareholders Agreement of China Finance Online Co. Limited dated June 2000 among China Finance Online Co., Ltd. and certain of its shareholders (incorporated by reference to Exhibit 4.2 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.1	2004 Incentive Stock Option Plan and form of option agreement (incorporated by reference to Exhibit 4.1 from our 2006 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 29, 2007)
4.2	Restricted Stock Issuance and Allocation Agreement-2007 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 on Form 6-K (File No. 000-50975) filed with the Securities and Exchange Commission on August 24, 2007)
4.3	Form of Option Agreement with outside consultants and strategic advisors (incorporated by reference to Exhibit 10.2 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.4	Purchase Option and Cooperation Agreement dated May 27, 2004 among China Finance Online Co. Limited, Jun Ning, Wu Chen and CFO Fuhua Innovation Technology Development Co., Ltd. (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.5	Share Pledge Agreement dated May 27, 2004 among Jun Ning, Wu Chen and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 10.4 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.6	Proxy from Wu Chen to Jian Feng dated May 27, 2004 (incorporated by reference to Exhibit 10.6 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)

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<b>Exhibit Number</b>	<b>Description</b>
4.7	Framework Agreement on Exercising Purchase Option dated November 20, 2006 by and among Jun Ning, Wu Chen, Zhiwei Zhao, CFO Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.7 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.8	Share Transfer Contract (related to shares of Beijing Fuhua Innovation Technology Development Co., Ltd.) dated November 20, 2006 by and between Jun Ning and Zhiwei Zhao (incorporated by reference to Exhibit 4.8 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.9	Loan Agreement dated November 20, 2006 by and between China Finance Online Co. Limited by and Zhiwei Zhao (incorporated by reference to Exhibit 4.9 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.10	Purchase Option and Cooperation Agreement dated November 20, 2006 among China Finance Online Co. Limited, Zhiwei Zhao, Wu Chen, Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.10 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.11	Share Pledge Agreement dated November 20, 2006 among Zhiwei Zhao, Wu Chen, Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.11 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.12	Equipment Lease Agreement between China Finance Online (Beijing) Co., Ltd. and Fuhua Innovative Technology Development Co., Ltd. dated May 27, 2004 (incorporated by reference to Exhibit 10.7 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.13	Technical Support Agreement between China Finance Online (Beijing) Co., Ltd. and Fuhua Innovative Technology Development Co., Ltd. dated May 27, 2004 (incorporated by reference to Exhibit 10.8 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.14	Amended and Restated Strategic Consulting Agreement between China Finance Online (Beijing) Co., Ltd. and Fuhua Innovative Technology Development Co., Ltd. dated May 27, 2004 (incorporated by reference to Exhibit 10.9 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.15*	Framework Agreement on Exercising Purchase Option dated October 18, 2007 by and among China Finance Online Co. Limited, Wu Chen, Zhiwei Zhao, Jun Wang, CFO Fuhua Innovation Technology Development Co., Ltd and China Finance Online (Beijing) Co., Ltd.

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<b>Exhibit Number</b>	<b>Description</b>
4.16*	Loan Agreement between China Finance Online Co. Limited and Jun Wang dated October 18, 2007
4.17*	Share Transfer Contract (related to shares of Beijing Fuhua Innovation Technology Development Co., Ltd.) dated October 18, 2007 by and between Wu Chen and Jun Wang
4.18*	Share Pledge Agreement dated October 18, 2007 among Zhiwei Zhao, Jun Wang, Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd.
4.19*	Purchase Option and Cooperation Agreement dated October 18, 2007 among China Finance Online Co. Limited, Zhiwei Zhao, Jun Wang and CFO Fuhua Innovation Technology Development Co., Ltd.
4.20*	Purchase Option and Cooperation Agreement dated March 3, 2008 among China Finance Online Co. Limited, Zhiwei Zhao, Jun Wang and CFO Fuhua Innovation Technology Development Co., Ltd.
4.21*	Capital Increase Agreement relating to CFO Fuhua Innovation Technology Development Co., Ltd. dated March 3, 2008 among CFO Fuhua Innovation Technology Development Co., Ltd., Jun Wang and Zhiwei Zhao
4.22*	Loan Agreement dated March 3, 2008 among China Finance Online (Beijing) Co., Ltd., Jun Wang and Zhiwei Zhao
4.23*	Share Pledge Agreement dated March 3, 2008 among Zhiwei Zhao, Jun Wang, Fuhua Innovation Technology Development Co., Ltd. and China Finance Online (Beijing) Co., Ltd.
4.24*	Loan Agreement dated August 21, 2007 among Fortune Software (Beijing) Co., Ltd., Wei Xiong and Zhenfei Fan
4.25*	Operation Agreement among dated August 21, 2007 by and between Fortune Software (Beijing) Co., Ltd. and Beijing CFO Premium Technology Co., Ltd.
4.26*	Technical Support Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing CFO Premium Technology Co., Ltd. dated August 21, 2007
4.27*	Strategic Consulting and Service Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing Premium Technology Co., Ltd. dated August 21, 2007
4.28*	Purchase Option Agreement dated August 21, 2007 among Fortune Software. Limited, Wei Xiong, Zhenfei Fan and Beijing Premium Technology Co., Ltd.
4.29*	Framework Agreement among Fortune Software (Beijing) Co., Ltd., Wu Chen, Jun Wang and Beijing Glory Co., Ltd. dated September 10, 2007
4.30*	Loan Agreement dated September 1, 2007 among Fortune Software (Beijing) Co., Ltd., Wu Chen and Zhiwei Zhao
4.31*	Share Transfer Contract (related to shares of Beijing Glory Co., Ltd.) dated September 10, 2007 by and between Wu Chen and Jun Wang

<b>Exhibit Number</b>	<b>Description</b>
4.32*	Operation Agreement among dated September 10, 2007 by and between Fortune Software (Beijing) Co.,Ltd. and Beijing Glory Co., Ltd.
4.33*	Technical Support Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing CFO Glory Co., Ltd. dated September 10, 2007
4.34*	Strategic Consulting and Service Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing Glory Co., Ltd. dated September 10, 2007
4.35*	Purchase Option Agreement dated September 10, 2007 among China Finance Online Co. Limited, Jun Wang, Zhiwei Zhao and Beijing Glory Co., Ltd.
4.36	Shanghai Stock Exchange Level-II Quotations License Agreement dated June 15, 2006 between SSE Infonet Ltd. and Fortune Software (Beijing) Co., Ltd. (incorporated by reference to Exhibit 4.15 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.37*	License Agreement relating to the distribution of TopView between Fortune Software (Beijing) Co., Ltd. and Shanghai Stock Exchange Information Network Co., Ltd. dated December 26, 2007
4.38	Shenzhen Stock Exchange Proprietary Information License Agreement dated March 20, 2007 between Fortune Software (Beijing) Co., Ltd. and Shenzhen Securities Information Co., Ltd. (incorporated by reference to Exhibit 4.16 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.39	Domain Name Transfer Agreement dated October 30, 2006 by and among China Finance Online Co., Ltd., China Finance Online (Beijing) Co., Ltd. and Being Fuhua Innovation Technology Development Co., Ltd.(incorporated by reference to Exhibit 4.17 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.40	Domain Name Transfer Agreement dated October 30, 2006 between Stockstar Information Technology (Shanghai) Co., Ltd. and Shanghai Meining Computer Software Company Limited (incorporated by reference to Exhibit 4.18 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.41	Lease Contract for Housing Unit of Corporate Square dated January 19, 2006 between Fortune Software (Beijing) Co. Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.20 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 23, 2006)
4.42	Lease Contract for Housing Unit of Corporate Square dated January 19, 2006 between Beijing Fuhua Innovation Technology Co., Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.20 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 23, 2006)

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<b>Exhibit Number</b>	<b>Description</b>
4.43	Lease Contract for Housing Unit of Corporate Square dated January 19, 2006 between China Finance Online Co., Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.20 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 23, 2006)
4.44	Lease Contract for Housing Unit of Corporate Square dated December 29, 2006 between Beijing Fuhua Innovation Technology Co., Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.22 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.45	Lease Contract for Housing Unit of Corporate Square dated December 29, 2006 between Fortune Software (Beijing) Co. Ltd. and China Galaxy Securities Company Limited (incorporated by reference to Exhibit 4.23 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.46*	Lease Contract for Housing Unit of Corporate Square dated August 9, 2007 between Fortune Software (Beijing) Co. Ltd. and China Galaxy Securities Company Limited
4.47*	Lease Contract for Housing Unit of Corporate Square dated August 9, 2007 between Beijing Fuhua Innovation Technology Co., Ltd. and China Galaxy Securities Company Limited
4.48*	Lease Contract for Housing Unit of Corporate Square dated August 1, 2007 between China Finance Online (Beijing) Co., Ltd. and China Galaxy Securities Company Limited
4.49*	Lease Contract for Housing Unit of Corporate Square dated August 1, 2007 between Beijing Fuhua Innovation Technology Co., Ltd. and China Galaxy Securities Company Limited
4.50*	Lease Contract for Housing Unit of Corporate Square dated August 1, 2007 between Fortune Software (Beijing) Co. Ltd. and China Galaxy Securities Company Limited
4.51*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among William Wang, FNG International Holdings Limited and China Finance Online Co. Limited
4.52*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Tsang Kin-Woo, FNG International Holdings Limited and China Finance Online Co., Limited
4.53*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Wong Chan Miu-Wan Stella, FNG International Holdings Limited and China Finance Online Co. Limited
4.54*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Shun Kin Enterprises Limited, FNG International Holdings Limited and China Finance Online Co. Limited

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<b>Exhibit Number</b>	<b>Description</b>
4.55*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Midopa Enterprises Limited, FNG International Holdings Limited and China Finance Online Co. Limited
4.56*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Hung Yung, FNG International Holdings Limited and China Finance Online Co. Limited
4.57*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Chu Ping-Im, FNG International Holdings Limited and China Finance Online Co. Limited
4.58*	Agreement for the Sale and Purchase of Shares in Daily Growth Investment Company Limited dated September 7, 2007 among Eternal Growth Investment Limited, FNG International Holdings Limited and China Finance Online Co. Limited
4.59	Form of indemnification agreement for directors and officers (incorporated by reference to Exhibit 10.18 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.60	Labor Contract of Jeff Wang dated May 24, 2006 (incorporated by reference to Exhibit 4.25 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.61	Labor Contract of Zhao Zhiwei dated June 21, 2005 (incorporated by reference to Exhibit 4.26 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 23, 2006)
4.62	[Intentionally Omitted]
4.63	[Intentionally Omitted]
4.64	Form of Change in Control Agreement (incorporated by reference to Exhibit 10.1 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on October 4, 2004)
4.65	Shanghai Meining Computer Software Company Limited Share Transfer Agreement dated August 15, 2006 among Shanghai Kemei Taidi Telecommunication Equipment Co., Ltd., Beijing Fuhua Innovation Technology Development Co., Ltd., China Finance Online (Beijing) Co., Ltd.(incorporated by reference to Exhibit 4.30 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.66	Stockstar Information Technology (Shanghai) Co., Ltd. Share Transfer Agreement dated August 15, 2006 by and among Stockstar.com, Inc. and China Finance Online Co., Ltd.(incorporated by reference to Exhibit 4.31 from our 2006 Annual Report on Form 20-F (File No.000-50975 ) filed with the Securities and Exchange Commission on May 29, 2007)
4.67*	Engagement Letter between China Finance Online Co., Ltd. and Deloitte Touche Tohmatsu CPA. Ltd dated February 26, 2008
8.1*	List of subsidiaries

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<b>Exhibit Number</b>	<b>Description</b>
10.1*	Consent of Deloitte Touche Tohmatsu CPA Ltd.
10.2*	Written Consent of American Appraisal China Limited
12.1*	CEO Certification Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)) (17 CFR 240.13a-14(a)) or Rule 15d-1(a) (17 CFR 240.15d-14(a))
12.2*	CFO Certification Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-1(a) (17 CFR 240.15d-14(a))
13.1*	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 10.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement No. 333-139192 on Form S-8/A and Registration Statements No. 333-139192 and No 333-123802 on Form S-8 of our reports (which report expresses an unqualified opinion and includes an explanatory paragraph, effective on January 1, 2007, relating to the adoption of the recognition and measurement methods under Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109" and effective on January 1, 2006, changing its method of accounting for stock-based compensation to conform to Statement of Financial Accounting Standard No. 123 (revised 2004), "Share-Based Payment") relating to the consolidated financial statements and financial statement schedule of China Finance Online Co. Limited and its subsidiaries and variable interest entities (the "Company"), and the effectiveness of the Company's internal control over financial reporting dated May 30, 2008, appearing in the Annual Report on Form 20-F, as amended, of the Company for the year ended December 31, 2007.

Deloitte Touche Tohmatsu CPA Ltd.  
Beijing, the People's Republic of China  
February 23, 2009

Exhibit 10.2

American Appraisal China Limited  
1506 Dah Sing Financial Centre  
108 Gloucester Road / Wanchai / Hong Kong  
美國評值有限公司  
香港灣仔告士打道108號大新金融中心1506室  
Tel +852 2511 5200 / Fax +852 2511 9626

Leading / Thinking / Performing



China Finance Online Co. Limited  
9th Floor of Tower C, Corporate Square  
No. 35 Financial District  
Xicheng District, Beijing 100140  
People's Republic of China

**Subject: WRITTEN CONSENT OF AMERICAN APPRAISAL CHINA LIMITED**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8/A (File No. 333-139192) and Forms S-8 (File No. 333-139192, File No 333-123802) filed with the Securities and Exchange Commission on September 18, 2007, December 8, 2006 and April 4, 2005 of the references to our name and our financial appraisal reports, dated March 22, 2007 and April 15, 2008 addressed to the board of directors of China Finance Online Co. Ltd, and to references to our valuation methodologies, assumptions and conclusions associated with such reports, in the annual reports on Form 20-F of China Finance Online Co. Limited and any amendments thereto (the "Registration and Exchange Commission. We further consent to the filing of this letter as an exhibit to the annual report on Form 20-F for the year ended December 31, 2007.

The Reports relates to valuation of China Finance Online Co. Ltd.'s cost International Inc. as of December 31, 2006 and 2007. In reaching our value conclusions, we relied on the accuracy and completeness of the financial statements and other data provided by China Finance Online Co. Ltd. and its representatives. We did not audit or independently verify such financial statements or other data and take no responsibility for the accuracy of such information. The Company determined the fair value of the cost investment and our valuation reports were used to assist China Finance Online Co. Ltd. in reaching its determinations.

In giving such consent, we do not hereby admit that we come within the category of persons whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the rules and regulations adopted by the Securities and Exchange Commission thereunder admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "experts" as used in the Act.

Yours faithfully,

A handwritten signature in black ink that reads 'American Appraisal' in a cursive, flowing script.

**AMERICAN APPRAISAL CHINA LIMITED**

Valuation / Transaction Consulting / Real Estate Advisory / Fixed Asset Management

## CERTIFICATION

I, Zhao Zhiwei, certify that:

1. I have reviewed this annual report on Form 20-F/A of China Finance Online Co. Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 23, 2009

/s/ Zhao Zhiwei

Name: Zhao Zhiwei

Title: Chief Executive Officer

## CERTIFICATION

I, Jeff Wang, certify that:

1. I have reviewed this annual report on Form 20-F/A of China Finance Online Co. Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 23, 2009

/s/ Jeff Wang

Name: Jeff Wang

Title: Chief Financial Officer

CERTIFICATION OF PERIODIC FINANCIAL REPORT  
Pursuant to 18 U.S.C. Section 1350

In connection with the Annual Report of China Finance Online Co. Limited (the "Company") on Form 20-F/A for the fiscal year ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Zhiwei Zhao, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2009

/s/ Zhao Zhiwei

Name: Zhao Zhiwei

Title: Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF PERIODIC FINANCIAL REPORT  
Pursuant to 18 U.S.C. Section 1350

In connection with the Annual Report of China Finance Online Co. Limited (the "Company") on Form 20-F/A for the fiscal year ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeff Wang, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2009

/s/ Jeff Wang

Name: Jeff Wang

Title: Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.