

China Finance Online Co. LTD

Form 424B1

October 15, 2004

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Prospectus

Filed Pursuant to Rule 424(b)(1)

Registration No. 333-119166

***6,200,000 American Depositary Shares
representing 31,000,000 Ordinary Shares***

China Finance Online Co. Limited

This is an initial public offering of American Depositary Shares, or ADSs, representing ordinary shares of China Finance Online Co. Limited. We are selling 5,000,000 ADSs and the selling shareholders identified in this prospectus are offering an additional 1,200,000 ADSs. Each ADS will represent the right to receive five ordinary shares, par value HK\$0.001 (US\$0.00013) per share. The ADSs are evidenced by American Depositary Receipts, or ADRs. We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.

The ADSs have been approved for listing on the Nasdaq National Market under the symbol JRJC.

	Per ADS	Total
Initial public offering price	\$ 13.00	\$ 80,600,000
Underwriting discounts and commissions	\$ 0.91	\$ 5,642,000
Proceeds to us, before expenses	\$ 12.09	\$ 60,450,000
Proceeds to selling shareholders, before expenses	\$ 12.09	\$ 14,508,000

The selling shareholders have granted the underwriters an option for a period of 30 days from the date of this prospectus to purchase from the selling shareholders up to 930,000 ADSs solely to cover over-allotments.

Investing in the ADSs involves a high degree of risk. See Risk factors beginning on page 12.

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

JPMorgan

Jefferies Broadview

WR Hambrecht + Co

October 15, 2004

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Conventions which apply to this prospectus

Unless we indicate otherwise, all information in this prospectus reflects the following:

no exercise by the underwriters of their option to purchase up to an additional 930,000 ADSs representing 4,650,000 ordinary shares;

conversion of all outstanding preference shares to ordinary shares upon the closing of this offering; and

none of the outstanding stock options has been exercised.

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

we, us, our company and our refer to China Finance Online Co. Limited, or CFO Hong Kong, its subsidiary, China Finance Online (Beijing) Co., Ltd., or CFO Beijing, and in the context of describing our operations, also include our PRC-incorporated affiliate, Fuhua Innovation Technology Development Co., Ltd., or Fuhua;

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

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

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

This prospectus contains translations of Renminbi amounts into U.S. dollars at specified rates. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from Hong Kong dollars to U.S. dollars were made at the noon buying rates in The City of New York for cable transfers in Renminbi per U.S. dollar and in Hong Kong dollars per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York, or the noon buying rates, as of June 30, 2004, which were RMB8.2766 to US\$1.00 and HK\$7.8000 to US\$1.00. We make no representation that the Renminbi and the Hong Kong dollar amounts referred to in this prospectus could have been or could be converted into U.S. dollars at any particular rate or at all. On October 13, 2004, the noon buying rates were RMB8.2765 to US\$1.00 and HK\$7.7946 to US\$1.00.

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Prospectus summary

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in the ADSs discussed under Risk factors, before deciding whether to buy our ADSs.

Our business

We believe we are one of the leading companies that specialize in providing online financial and listed company data and information in China in terms of popularity among Internet users that invest in stocks and access online financial information, as measured by their frequency of visits and user spending. According to a survey conducted by Taylor Nelson Sofres, an independent market intelligence provider:

our website at www.jrj.com.cn was one of the most frequently visited websites that specialize in providing financial data and information in China during the six month period ended May 31, 2004 among a total of 47 websites identified by the participants in the survey that also specialize in providing financial data and information; and

during the twelve month period ended December 31, 2003, Internet users in China spent more money purchasing financial products and services offered through our website than any other website in China that also specializes in providing financial data and information. We commissioned this survey, which was conducted independently by Taylor Nelson Sofres using its own survey methodologies, in part to support our belief stated in this prospectus that we are one of the leading companies that specialize in providing online financial and listed company data and information in China. Among the approximately 120,000 random telephone calls made by Taylor Nelson Sofres, during the period from June 10 to July 15, 2004, in six major cities throughout China, 270 individuals identified themselves as both Internet users and stock investors that used websites that specialize in providing financial data and information, and participated in the survey.

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

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

current and historical financial data and information for China's listed company stocks, bonds and mutual funds;

categorized news and research reports; and

online forums and bulletin boards,
and, together with our screen layout and menu options, display them in a manner designed for ease of use. The content and technology comprising our integrated information platform is also designed to be adaptable so that as we develop new research tools and adopt new

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content and features, these new research tools, content and features can be easily integrated with our existing platform. Our service offerings permit users to subscribe to one or more of the six service packages we currently offer. Each service package contains one or more research tools. Our research tools include a number of features and functions that, we believe, are innovative and are not widely available in financial markets outside of China. Our service offerings can be accessed using our research tools and through our website at www.jrj.com.cn. JRJ is the abbreviation of Jin Rong Jie, which means financial industry in Chinese. As of June 30, 2004, we had a total of approximately 1.7 million registered users, and during the twelve months ended June 30, 2004, we had approximately 26,400 new subscribers and 11,400 repeat subscribers. Our registered users are Internet users who maintain a registered account with our website, and our subscribers are our registered users who also subscribe to one or more of our subscription-based services for a fee. New subscribers for a specified period are subscribers who subscribed to any of our service packages during that period who were not subscribers at the beginning of that period. Repeat subscribers for a specified period are subscribers who either have purchased more than one service package from us during that period, or have purchased our service packages in the past and have purchased at least one service package during that period.

Our service offerings are used by and targeted at a broad range of investors in China, from individual investors managing their own money to professional investors, which consist of institutional investors managing large sums of money on behalf of their clients and high net worth individuals. In addition, our service offerings are targeted at other financial professionals such as investment bankers, stock analysts and financial reporters. Our research tools are designed for and tailored toward investors in China, allowing them to make informed investment decisions with respect to all of China's listed company stocks, bonds and mutual funds according to specifications and analyses determined by them.

Our website users are not charged for visiting our website and obtaining basic financial information from our website, including 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. Our integrated information platform, which allows users to select from a range of downloadable and web-based research tools, is available only through subscription. Our service offerings are designed to enhance our users' and subscribers' experience based on a number of factors:

Comprehensive. We offer a broad range of data and information regarding China's listed company stocks, bonds and mutual funds, including basic financial data such as price and trading information, breaking economic and financial news, detailed historical data and information, financial analysis tools, market coverage and listed company analysis and online forums that facilitate our subscribers' investment analysis efforts.

Integrated. Our information platform integrates all of the research tools, data and other information we have developed or gathered, and displays them in a manner designed for ease of use. The content and technology comprising our integrated information platform is also designed to be adaptable so that as we develop new research tools, content and features, these new research tools, content and features can be easily integrated with our existing platform.

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Interactive. We have established online bulletin boards and discussion forums and have introduced stock alert services that send messages to our users' mobile phones, allowing our users to extend their experience with our services beyond the Internet.

Timely. We provide our subscribers and users access to real-time stock quotes, breaking financial news and updated research reports to allow them to stay current with the latest market developments.

Unbiased. Our website presents third-party content, analysis and commentary, and computer generated quantitative analyses to provide our subscribers and users with a broad view of the financial markets in China. Because we do not formulate or publish any of our own views on this content, analysis or commentary, we believe that our subscribers and users view us as an unbiased provider of financial information.

Easy to use. Our research tools and our website are designed with a screen layout, menu options and displays that we believe any user familiar with a computer will find easy to use. Research results are also displayed in a manner we designed for ease of use. Our website is designed to accommodate low bandwidth access to the Internet.

We attract our users and subscribers through establishing and maintaining sponsorship arrangements with high-traffic Chinese Internet portals such as those operated by NetEase.com, Inc., Yahoo! Inc., Century Dragon Information Network Company Limited, Sohu.com Inc. and Sichuan Public Information Industry Company Limited (*netease.com, yahoo.com.cn, 21cn.com, sohu.com* and *tfol.com*), search engines such as those operated by Baidu.com, Inc. and Beijing 3721 Technology Co. Ltd. (*baidu.com* and *3721.com*), online stock brokerage websites and news and financial information websites. Through these sponsorship arrangements, we place our website link on the financial web pages of our sponsors. In some cases, our website content is directly presented on their web pages. When users click for additional information on these financial web pages, they are redirected to our website. We believe that, as we develop brand awareness of our website and service offerings, we will be able to increasingly attract users directly to our website.

To assist us in the delivery of comprehensive, timely and easy to use service offerings, we have developed a technology platform that utilizes the capabilities of the Internet. Our technology platform allows us to retrieve real-time stock quotes from both the Shanghai and Shenzhen Stock Exchanges, historical financial data and information on listed companies, bonds and mutual funds from data providers, research reports from 42 securities advisory companies and 36 securities brokerage companies each licensed to provide securities advisory services, commentaries from approximately 160 licensed individual securities advisors and news feeds from 267 news publishers and media companies.

Our subscribers pay us an annual subscription fee ranging from RMB99 (US\$12) for our most basic service package to RMB12,000 (US\$1,450) for our most comprehensive service package, depending on the service package and features selected by the subscriber. Our subscription price for each of our six current service packages varies between these amounts. Substantially all of our revenue is derived from annual subscription fees for our service offerings. We receive subscription fees at the beginning of the subscribers' subscription periods. We recognize these subscription fees as revenues ratably over a twelve month period.

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Our industry

We are in China's financial data and information services industry. We offer our services through downloadable and web-based research tools and over the Internet. We believe that, if China's financial markets grow in the future, our base of users and subscribers will increase. We also believe the Internet is rapidly establishing itself as an effective channel for investors to manage their portfolios, research investments and trade securities in China. It is our view that the immediacy and interactive nature of the Internet, when combined with in-depth but easy-to-use analytical tools, can deliver to investors the information they need, on a timely basis, to help them with their specific investment needs.

The Internet industry in China has experienced rapid growth during the past several years and is expected to continue to expand at a fast rate over the next few years. According to the China Internet Network Information Center, or CNNIC, the Chinese government body in charge of China's Internet infrastructure and domain names, in its 5th Statistical Survey on the Internet Development in China (January 2000) and 14th Statistical Survey on the Internet Development in China (July 2004), the number of Internet users in China has grown from approximately 9 million users in December 1999 to approximately 87 million on June 30, 2004, making China the second largest Internet market in the world in terms of total number of Internet users as of June 30, 2004. As a result of the Internet's growing popularity, we believe more people in China are looking beyond traditional media to the Internet as a source of information.

We believe the prospect of long-term growth in China's financial markets and the need of investors for timely and trustworthy data and information, as well as the proliferation in the use of the Internet to search and process data and information, define our opportunity and will act as drivers of growth for our business.

Our strengths and strategies

Our goal is to become the leading provider of comprehensive financial data and information relating to securities and other financial instruments in China. Our success to date has been achieved by establishing and capitalizing on the following competitive strengths:

We believe we have built a comprehensive database of historical financial data and information on China's listed companies, bonds and mutual funds with data and information dating back to December 1990, when the Shanghai and Shenzhen Stock Exchanges first opened for trading.

Our service offerings are based on a single integrated information platform, which enables our subscribers to access and utilize a combination of financial analysis tools, real-time and historical data and information, news, research reports and online forums.

The interactive nature of our website and service offerings allows our users and subscribers to personalize the information they access and analyze and, through our active monitoring, allows us to better understand their behavior and needs.

We have brought together a management team with diverse experiences that we believe enables us to approach problems innovatively and creatively.

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In order to achieve our long-term goal and to increase our subscriber base, we intend to pursue the following strategies:

increase our growing base of high-end subscribers, determined by us as subscribers who pay us an annual subscription fee of RMB2,400 (US\$290) or more, by developing additional research tools, content and features targeted at their needs and by creating a sales and marketing team dedicated to them;

expand our service offerings to additional financial products by developing research tools, features and content relating to other financial instruments such as currencies, futures and commodities, as these instruments become established in China's financial markets;

continue to enhance our subscribers' experience by expanding the amount and sources of information available to our subscribers, such as by adding new stock research sources and additional news feeds, and by introducing new and innovative research tools;

strengthen our brand name recognition by maintaining and expanding our sponsorship arrangements with China's top Internet portals such as those operated by NetEase.com, Inc. and Yahoo! Inc. (*netease.com* and *yahoo.com.cn*), and by enhancing our existing format, content and service offerings, and utilize our brand name and user base to increase our online advertising revenues; and

accelerate the introduction of new service offerings and add capabilities that we do not currently have through partnerships, joint ventures and acquisitions.

We intend to use the net proceeds from this offering to implement our strategies outlined above, including by acquisitions and investments and by enhancing our existing operations. While as of the date of this prospectus, we have not allocated any specific portion of the net proceeds from this offering for any particular purpose, we expect to consider a number of factors for our use of proceeds, including our changing business needs, market developments, the availability of acquisition and investment opportunities and our ability to utilize funds from other sources, including our operating profits.

Our challenges

Our ability to realize our business objectives and execute our strategies is subject to certain risks and uncertainties, including the following:

our business and our results of operations' high dependency on the performance of China's securities markets. If China's securities markets were to decline, investors' interest in China's securities markets could dampen, which could materially and adversely affect our revenue and profitability;

potential competition from present and future competitors due to few substantial barriers to entry to China's online financial data and information services market, including potential competition from websites we currently maintain sponsorship arrangements with;

the possibility that the PRC government could determine that the agreements that establish our operating structure do not comply with PRC government restrictions on foreign investment in the Internet industry, which could potentially subject us to severe penalties;

the possibility that the PRC government could find that our current business operations do not comply with PRC regulations on securities advisory service providers, which could potentially subject us to severe penalties;

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our limited operating history, as our service offerings have only been commercially available since April 2001, and the challenge our limited operating history presents in evaluating our business and prospects;

our dependence on the Shanghai and Shenzhen Stock Exchanges for real-time stock quotes and our dependence on other historical data providers for historical information;

a significant portion of our gross revenues is generated from subscription fees for our more comprehensive service packages such as Grand Reference. For example, for the six months ended June 30, 2004, fees generated from sales of Grand Reference, our most comprehensive service package, were \$2.8 million, representing 68.3% of our total subscription fees during the same period. Our future revenue growth depends on our ability to attract sufficient numbers of new and repeat subscribers to our more comprehensive service packages; and

our dependence on our ability to develop or introduce new features and new research tools and the possibility that these new features and research tools may not be accepted by users.

Our corporate structure

Since we commercially launched our service offerings in April 2001, we have conducted substantially all of our operations in China through our wholly-owned subsidiary, CFO Beijing. As a wholly foreign-owned enterprise, CFO Beijing is not permitted under PRC law to provide Internet information content, which requires special licenses from the Ministry of Information Industry or its local branches. In addition, CFO Beijing, as a wholly foreign-owned enterprise, does not have the necessary licenses and permits under PRC law to operate an online advertising business. In order to comply with foreign ownership restrictions, we operate our website in China through Fuhua, which holds the licenses required to be an Internet content provider under the relevant PRC laws. Fuhua also holds the licenses and approvals required to operate our online advertising business. Wu Chen, a financial manager at International Data Group China, Ltd., a PRC company affiliated with IDG Technology Venture Investment, Inc. and IDG Technology Venture Investments, LP, two of our principal shareholders, and Jun Ning, our chairman and chief executive officer, hold 55% and 45% of the equity interests in Fuhua, respectively. We have entered into exclusive strategic alliance and servicing agreements with Fuhua in connection with the delivery of our financial data and information content through our website, *www.jrj.com.cn*, hosted by Fuhua. These exclusive agreements include agreements relating to the promotion of our service offerings through our website hosted by Fuhua, the license of our domain name to Fuhua, the lease of our equipment to Fuhua, the provision by us of technical support to Fuhua for the maintenance of servers and networks as well as other arrangements, providing us with the substantial ability to control Fuhua. We have been and are expected to continue to be dependent on Fuhua to host our website.

We made a loan to each of Wu Chen and Jun Ning solely for purposes of capitalizing Fuhua. Pursuant to the loan agreements, Wu Chen and Jun Ning can only repay these loans by transferring all of their interests in Fuhua to us or a third party designated by us. In addition, we have entered into an option agreement with Wu Chen and Jun Ning pursuant to which we have been granted an exclusive option to purchase all of the equity of Fuhua if not prohibited from doing so by PRC laws. If and when the PRC government lifts current restrictions on foreign ownership of Internet content providers, we will exercise our right to purchase all of the equity interests in Fuhua, and to cancel the loans made to Wu Chen and Jun Ning in connection with that purchase. Messrs. Ning and Chen are not deriving any material personal benefits from these arrangements and will not receive any consideration, other than

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cancellation of the existing loans, upon future transfer of their entire equity interests in, or all of the assets of, Fuhua to us. When Jun Ning and Wu Chen transfer their interests in Fuhua to us or our designee, if the actual transfer price is higher than the principal amount of the loans, the amount exceeding the principal amount of the loans will be deemed as interest accrued on such loans and repaid by Jun Ning and Wu Chen to us. While Hong Kong law limits the maximum interest payment chargeable under a loan to 60% of the outstanding principal amount per annum, we do not believe this limitation will have a material effect on our business and operations, or will result in a material amount being paid to the shareholders of Fuhua if and when they are permitted to transfer their interests in Fuhua to us.

In May 2004, we repaid \$60,000 to Jun Ning and Wu Chen for funds advanced by Jun Ning and Wu Chen, on our behalf, to capitalize Fuhua when Fuhua was initially incorporated in December 2000.

Our offices

Our principal executive office is located at Room 610B, 6/F Ping an Mansion, No. 23 Financial Street, Xicheng District, Beijing, 100032, China, and our telephone number is (86-10) 6621-0631. Our website address is www.jrj.com.cn. The information on our website is not a part of this prospectus.

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The offering

The following assumes that the underwriters do not exercise their option to purchase additional ADSs in the offering, unless otherwise indicated.

ADSs offered by China Finance Online 5,000,000 ADSs

ADSs offered by the selling
shareholders 1,200,000 ADSs

ADSs outstanding after the offering 6,200,000 ADSs

Ordinary shares outstanding after the
offering 99,329,933 shares

ADS to ordinary share ratio 1:5

Nasdaq National Market symbol JRJC

The ADSs Each ADS represents five ordinary shares, par value HK\$0.001 (US\$0.00013) per share. The ADSs will be evidenced by American Depositary Receipts, or ADRs.

The depositary will be the holder of the ordinary shares underlying your ADSs and you will have rights as provided in the deposit agreement.

Although we do not expect to pay dividends in the foreseeable future, in the event we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our ordinary shares, after deducting its fees for exchanges.

You may turn in your ADSs to the depositary in exchange for ordinary shares underlying your ADSs. The depositary will charge you fees for exchanges.

We may amend or terminate the deposit agreement without your consent, and if you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended.

You should carefully read the section in this prospectus entitled "Description of American Depositary Shares" to better understand the terms of the ADSs. You should also read the deposit agreement, which is an exhibit to the registration statement that includes this prospectus.

Depositary JPMorgan Chase Bank

Over-allotment option The selling shareholders have granted the underwriters an option, exercisable within 30 days from the date of this prospectus, to purchase up to an additional 930,000 ADSs.

Timing and settlement for ADSs The ADSs are expected to be delivered against payment on October 20, 2004. The ADRs evidencing the ADSs will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company, or

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DTC, in New York, New York. In general, beneficial interests in the ADSs will be shown on, and transfers of these beneficial interests will be effected only through, records maintained by DTC and its direct and indirect participants.

Use of proceeds

Our net proceeds from this offering are expected to be approximately \$58.2 million. We anticipate using approximately \$30.0 million for acquisitions or investments in businesses, products or technologies, and the balance of approximately \$28.2 million for the enhancement of our existing business and operations and for general corporate purposes.

We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.

Risk factors

See Risk factors and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in the ADSs.

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The following summary consolidated financial information has been derived from our consolidated financial statements. Our consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. Our statements of operations and comprehensive income (loss) for the years ended December 31, 2001, 2002 and 2003 and our balance sheets as of December 31, 2001, 2002 and 2003 derived from our audited financial statements which have been audited by Deloitte Touche Tohmatsu Certified Public Accountants Ltd., an independent registered public accounting firm. The report of Deloitte Touche Tohmatsu Certified Public Accountants Ltd. on those financial statements is included elsewhere in this prospectus. Our summary consolidated financial information for each of the six month period ended June 30, 2003 and 2004 and as of June 30, 2003 and 2004 have been derived from our unaudited consolidated financial statements which are included in the prospectus and which have been prepared on substantially the same basis as our audited consolidated financial statements and contain normal recurring adjustments which are, in the opinion of our management, necessary for a fair presentation of the results for such unaudited period. Our results of operations in any period may not necessarily be indicative of the results that may be expected for any future period. The summary consolidated financial information for those periods and as of those dates should be read in conjunction with those statements and the accompanying notes and Management's discussion and analysis of financial condition and results of operations.

The pro forma per share data give effect to the conversion of our outstanding preference shares into ordinary shares that will occur upon the consummation of this offering.

(In thousands of U.S. dollars, except per share and per ADS data) ⁽¹⁾	For the year ended December 31,			For the six months ended June 30,	
	2001	2002	2003	2003	2004
				(unaudited)	
Consolidated statements of operations and comprehensive income (loss) data:					
Gross revenues ⁽²⁾	\$ 102	\$ 1,098	\$ 2,354	\$ 1,097	\$ 2,285
Business tax	(5)	(48)	(83)	(50)	(16)
Net revenues	97	1,050	2,271	1,048	2,269
Cost of revenues	(265)	(254)	(298)	(155)	(188)
Gross (loss) profit	(168)	796	1,973	893	2,081
Total operating expenses	(571)	(685)	(833)	(437)	(747)
Income (loss) from operations	(738)	111	1,140	456	1,334
Interest income	100	95	51	28	43
Interest expense	(6)				
Other income (expense)		(4)	(1)	(1)	(0)
Income (loss) before income taxes	(644)	203	1,190	483	1,377
Income tax					83
Net income (loss)	\$ (644)	\$ 203	\$ 1,190	\$ 483	\$ 1,461
Dividends on preference shares			(351)		
Income (loss) attributable to ordinary shareholders	\$ (644)	\$ 203	\$ 838	\$ 483	\$ 1,461
Income (loss) per share-basic	\$ (0.04)	\$ 0.01	\$ 0.04	\$ 0.03	\$ 0.07
Income (loss) per share-diluted	\$ (0.04)	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.02
Pro forma basic income per share			\$ 0.01		\$ 0.02
Pro forma diluted income per share			\$ 0.01		\$ 0.02
Income per ADS equivalent-basic ⁽³⁾	\$ (0.18)	\$ 0.06	\$ 0.21	\$ 0.13	\$ 0.33
Income per ADS equivalent-diluted ⁽³⁾	\$ (0.18)	\$ 0.01	\$ 0.06	\$ 0.03	\$ 0.09

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Dividends declared per ordinary share	\$	\$	\$ 0.01	\$	\$
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(In thousands of U.S. dollars) ⁽¹⁾	As of December 31,			As of June 30,	
	2001	2002	2003	2003	2004
				(unaudited)	
Consolidated balance sheets data:					
Cash and cash equivalents	\$3,487	\$4,451	\$5,806	\$5,183	\$8,655
Current working capital ⁽⁴⁾	3,366	3,565	4,306	4,053	5,670
Total assets	3,994	4,929	6,606	5,746	9,618
Deferred revenue	186	934	1,278	1,168	3,133
Total current liabilities	249	982	1,875	1,222	3,329
Total shareholders' equity	\$3,745	\$3,947	\$4,731	\$4,525	\$6,289

(in thousands except for ASF data)	As of or for the twelve months ended December 31,			As of or for the six months ended June 30,	
	2001	2002	2003	2003	2004
Unaudited selected operating data:⁽⁵⁾					
Registered users ⁽⁶⁾	292.3	567.5	1,111.9	782.8	1,735.8
New subscribers ⁽⁷⁾	4.4	16.4	17.3	9.7	18.8
ASF per new subscriber ⁽⁸⁾	\$ 45	\$ 69	\$ 93	\$ 75	\$ 144
Repeat subscribers ⁽⁹⁾	1.3	7.1	10.1	6.7	7.9
ASF per repeat subscriber ⁽¹⁰⁾	\$ 62	\$ 111	\$ 111	\$ 92	\$ 188

(1) For the results of operations of 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, 2001, 2002 and 2003, all translations from Renminbi to U.S. dollars were calculated at RMB8.2770, RMB8.2770 and RMB8.2770 per US\$1.00, respectively. For the six months ended June 30, 2003 and 2004, the translations were calculated at RMB8.2770 and RMB8.2767 per US\$1.00, respectively.

For consolidated balance sheet data, all translations from Renminbi to U.S. dollars were calculated at the exchange rate at the end of that period. The exchange rates as at December 31, 2001, 2002 and 2003 were RMB8.2766, RMB8.2800 and RMB8.2769 per US\$1.00, respectively. For June 30, 2003 and June 30, 2004, the exchange rates were RMB8.2774 and RMB8.2766 per US\$1.00, respectively.

(2) 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 subscription period.

(3) Each ADS represents five ordinary shares.

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

(5) Unaudited selected operating data has been derived from our operating records.

(6) Registered users as of a specified date reflect the total number of users who are registered with our website as of that date.

(7) New subscribers for a specified period are subscribers who subscribed to any of our service packages during that period who were not subscribers at the beginning of that period.

(8) ASF per new subscriber for a specified period represents the average subscription fee per new subscriber for that period.

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(9) Repeat subscribers for a specified period are subscribers who either have purchased more than one service package from us during that period, or have purchased our service packages in the past and have purchased at least one service package during that period.

(10) ASF per repeat subscriber for a specified period represents the average subscription fee per repeat subscriber for that period.

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Risk factors

You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our ADSs. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our ADSs could decline, and you may lose all or part of your investment.

Risks relating to our business

We have a limited operating history, which may make it difficult for you to evaluate our business.

Our business was organized in November 1998, and our current operations were established in April 2000. Our service offerings have only been commercially available since April 2001. Our senior management and employees have worked together at our company for only a relatively short period of time. For example, our chief executive officer, Jun Ning, joined us in January 2000 and our chief financial officer and our chief operating officer, Messrs. Sam Qian and Bo Wu, joined us recently in April 2004 and June 2004, respectively. Accordingly, we have a limited operating history upon which you can evaluate our business and prospects.

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

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

In addition to our subscription-based service offerings, we also intend to increase our online advertising revenue from our website by increasing the number of sponsors for some of our website content and by developing other forms of Internet advertisement. Our current online advertising business has been very limited and, to date, we do not have significant experience with selling Internet-based advertising. Moreover, we would need to hire additional employees and incur costs relating to any efforts to increase our advertising revenues, which could adversely affect our financial condition and operating results. We cannot assure you that we will be able to efficiently or effectively implement and grow our online advertising business, or that online advertising on our website will not detract from our users' experience and thereby adversely affect our brand name or our subscription-based service offerings.

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

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Our business is substantially dependent on the level of trading activity in China's securities markets. Volatility and the lack of hedging instruments in China's securities markets could dampen investors' interest in investing in China's securities markets and adversely affect our revenue and profitability.

Our business is substantially dependent on user demand for market intelligence on China's securities markets. Such demand has fluctuated with the level of trading activity in China's securities markets. During the past several years, China's securities markets have experienced significant volatility. The Shanghai Stock Exchange A-Share Index and the Shenzhen Stock Exchange A-Share Index declined 34.0% and 46.7%, respectively, from January 2, 2001 to June 30, 2004. During the same period, total daily trading volume of the Shanghai Stock Exchange and the Shenzhen Stock Exchange decreased by 56.0% and 66.1%, respectively, reflecting a declining level of interest among China's investors during that period. Due to weak stock market performance in China in 2003, during the six months ended June 30, 2003, we offered some of our service packages to our existing subscribers at discounted prices in order to stimulate demand for these service packages. These discounts partially offset the effect of our efforts to introduce more comprehensive service packages at higher prices and to migrate subscribers to these packages.

China's securities market is further limited by a lack of hedging instruments that would assist investors in hedging against market volatility. For example, investors are not permitted to sell short in China's securities markets. Because our business is dependent on investors' interest in China's securities markets, our business could be significantly and adversely affected if market volatility and the lack of hedging instruments continue to affect China's securities markets and dampen investors' interest in China's securities markets.

We rely principally on the acceptance of the Internet as a source of information and as a means to perform investment research and analysis, and our success will depend on the continuation of this trend.

The Internet, as a source of information and as a means to perform investment research and analysis, has only recently begun to be accepted by users and investors in China. Our future revenues and profits are substantially dependent upon the growth in acceptance by users and investors of our service offerings and the use of Internet-based information and investment research tools. We cannot assure you that our service offerings or the Internet as a means to perform investment research and analysis will continue to experience growth in user acceptance, if at all.

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

The online financial data and information services market in China is relatively new, has few substantial barriers to entry and is competitive and rapidly changing. More broadly, the number of financial news and information sources competing for consumers' attention and spending has increased since we commenced operations and we expect that competition will continue to intensify. We currently compete, directly and indirectly, for paying subscribers and viewers with companies in the business of providing financial data and information services, including publishers and distributors of traditional media, Internet portals providing information on business, finance and investing, dedicated financial information websites, personal stock research software vendors and stock brokerage companies, especially stock brokerage

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companies with online trading capabilities. Some of the sponsors with which we currently maintain sponsorship arrangements could also become our competitors in the future.

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

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

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

We depend on the Shanghai and Shenzhen Stock Exchanges and may depend on any future securities exchanges in China to provide us with real-time stock, bond and mutual fund quotes and other trading related information. We have contractual arrangements with China's two current stock exchanges pursuant to which we pay the stock exchanges service fees in exchange for receiving real-time price quotes and other trading related information through satellite communication. Our contract with the Shanghai Stock Exchange will expire in May 2008, and our contract with the Shenzhen Stock Exchange will expire in March 2006. We also depend on other data and information providers to supply us with historical data and information on listed companies, bonds and mutual funds, in accordance with our specifications and requirements. The contractual arrangement we have with our primary data provider, Shanghai Wind Information Co., Ltd., will expire in September 2005.

We cannot assure you that we will be able to enter into business arrangements with either of the stock exchanges on commercially reasonable terms, or at all, after our current contracts expire. We cannot assure you that the stock exchanges will not charge us service fees substantially higher than the service fees we are currently paying. Our business, financial condition and results of operations could be materially and adversely affected if either of the

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stock exchanges imposes on us service fees substantially higher than the service fees we are currently paying. Even if we are able to maintain our business arrangements with the stock exchanges on commercially reasonable terms, either of these stock exchanges may fail to deliver us reliable price quotes or other trading related information on a real-time basis. In either case, it would be difficult for us to receive reliable real-time price quotes and other trading related information from a different source, which could materially and adversely affect our business.

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

We depend on establishing and maintaining sponsorship arrangements with high-traffic websites as one of our primary means for attracting users. Our business could be adversely affected if we cannot maintain these relationships or establish new relationships on commercially reasonable terms or if these relationships do not result in increased use of our website.

We depend on establishing and maintaining sponsorship arrangements with high-traffic Internet portals, search engines, online stock brokerage websites, and news and financial information websites for a significant portion of our website traffic. We have established 28 such sponsorship arrangements, whereby we place our website link on our sponsors' financial web pages or, in some cases, provide our content directly on their web pages. There is intense competition for website link placements on many of these sites, and we may not be able to enter into or maintain such relationships on commercially reasonable terms or at all. If any of our sponsors determines to enter into direct competition against us, we may lose its sponsorship. Even if we enter into or are able to maintain sponsorship arrangements with these websites, these arrangements may not attract significant numbers of users to our website. Our business could be adversely affected if these relationships do not result in increased use of our website. Moreover, we may have to pay significant fees to establish or maintain these relationships. Our business could be adversely affected if we do not establish and maintain these relationships on commercially reasonable terms.

Our revenues and profits could decline if we fail to attract sufficient numbers of subscribers to our more comprehensive service packages or if we fail to retain our existing subscribers.

We depend on the sale of our more comprehensive service packages such as Grand Reference for a significant portion of our total revenues. For the six months ended June 30, 2004, fees generated from sales of Grand Reference were \$2.8 million, representing 68.3% of our total subscription fees during the same period. For the six months ended June 30, 2004, we had a total number of 8,156 subscribers to Grand Reference, representing 36.0% of our total number of subscribers during the same period. As our service packages become more comprehensive and higher priced, we expect that our future revenues and revenue growth will increasingly depend on sales of our more comprehensive service packages to a much greater extent than sales of our other service packages. If we fail to attract a sufficient number of subscribers to

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our more comprehensive service packages, our revenues and profits could decline. Moreover, our financial success depends on our ability to retain our subscribers and migrate them to newer, more comprehensive and higher priced service packages. We may not be able to continue to develop newer and more comprehensive service packages that our subscribers will be willing to purchase. Moreover, from time to time we may offer discounts and promotional rates, such as our current one-time renewal for a non-upgraded subscription to Grand Reference at RMB480 (US\$58). If we are unsuccessful at developing new service packages that are attractive to our users, or if our users elect to renew at our promotional rate, rather than purchase newer or more comprehensive service offerings, our revenues and profits could decline.

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

We market our service offerings through our website, as well as through our customer service center, which has 38 full-time and trained customer support personnel. We depend on our customer support force to explain our service offerings to our existing and potential subscribers and resolve our subscribers' technical problems. Many of our customer support personnel have only worked for us for a short period of time, and some of them may not have received sufficient training or gained sufficient experience to effectively serve our customers. In addition, we will need to further increase the size of our customer support force as our business continues to grow. We may not be able to hire, retain, integrate or motivate additional customer support personnel without any short-term disruptions of our operations. As a result, our business could be adversely affected if we do not continue to expand and maintain an effective customer support force.

We may face difficulties implementing our acquisition strategy, including identifying suitable opportunities and integrating them with our existing operations, which could have a material adverse effect on our business, financial condition and results of operations, or which could dilute your interest in us.

As part of our business strategy, we intend to use partnerships and acquisitions to facilitate the introduction of new service offerings as well as to add capabilities that we do not currently have. For example, we may consider acquiring or entering into partnerships with firms that specialize in non-exchange traded financial products where expertise is not easily obtained. However, our ability to implement this strategy will depend on the availability of suitable acquisition candidates at an acceptable cost, our ability to compete effectively to attract and reach agreement with acquisition candidates or joint venture partners on commercially reasonable terms, the availability of financing to complete larger acquisitions or joint ventures, as well as our ability to obtain any required governmental approvals. In addition, the benefits of a partnership, acquisition or joint venture transaction may take considerable time to develop, and we cannot assure you that any particular partnership, acquisition or joint venture will produce the intended benefits. For example, we may experience difficulties in integrating acquisitions with our existing operations and personnel. The identification and completion of these transactions may require us to expend significant management time and resources. Moreover, the partnership, acquisition and joint venture strategies we pursue could also cause earnings or ownership dilution to our shareholders interests, which could result in losses to investors.

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

In the past, our website has experienced significant increases in traffic when there are significant business developments or financial news and activities. For example, on June 24, 2002, the prices of many Chinese stocks traded on the PRC stock exchanges increased by 10%, reaching their mandatory ceiling for trading gains on PRC exchanges during one trading day. The total number of visitors to our website on that day nearly doubled, which resulted in an increase in our average response time of nearly one second that day. In addition, the number of our users has continued to increase over time and we are seeking to further increase our user base. Therefore, our website must accommodate a high volume of traffic to meet peak user demand and deliver frequently updated information. Our website has in the past experienced and may in the future experience slower response time or login delays for a variety of reasons. It is essential to our success that our website is able to accommodate our users in an efficient manner so that our users' experience with us is viewed favorably and without frequent delays.

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

Our business could be materially and adversely affected if we fail to develop or introduce new features and new research tools or if these new features and research tools are not accepted by users.

We currently offer to our subscribers a small number of service packages with different features and functionalities. We intend to introduce additional research tools or enhanced features in the future in order to retain our current subscribers and attract new subscribers. If we introduce a new feature or a new research tool that is not favorably received, our current subscribers may not continue to use our service as frequently as before. New subscribers could also choose a competitive or different service offering over ours.

We may also experience difficulties that could delay or prevent us from introducing new research tools or features. Furthermore, these research tools or features may contain errors that are discovered after the services are introduced. We may need to significantly modify the design of these research tools or features to correct these errors. Our business could be materially and adversely affected if we experience difficulties or delays in introducing new features and research tools or if these new features and research tools are not accepted by users.

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

The online financial data and information services market is characterized by rapid advancements in technology, evolving industry standards and changes in customer needs. New services

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or technologies may render our existing services or technologies less competitive or obsolete. Responding and adapting to technological developments and standard changes in our industry, the integration of new technologies or industry standards or the upgrading of our networks may require substantial time, effort and capital investment. In the event that we are unable to respond successfully to technological industry developments, this may materially and adversely affect our business, results of operations and competitiveness.

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

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

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

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

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

We regard our copyrights, trademarks, trade secret and other intellectual property as critical to our success. Unauthorized use of the intellectual property used in our business may adversely affect our business and reputation. We rely on trademark and copyright law, trade secret protection and confidentiality agreements with our employees, customers, business partners and others to protect our intellectual property rights. Despite our precautions, it may be possible for third parties to obtain and use our intellectual property without authorization. The validity, enforceability and scope of protection of intellectual property in Internet-related

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industries are uncertain and still evolving. In particular, the laws and enforcement procedures in the PRC do not protect intellectual property rights to the same extent as do the laws and enforcement procedures in the United States. Moreover, litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources, and could disrupt our business, as well as have a material adverse effect on our financial condition and results of operations.

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

Our future success is dependent upon the continued service of our key executives and employees. We rely on their expertise in our business operations. In particular, we rely heavily on Jun Ning, our chairman and chief executive officer, for his business vision, management skills, technological expertise, experience in the Internet industry and working relationship with many of our key business relationships. If one or more of our key executives, in particular, Jun Ning, were unable or unwilling to continue in their present positions, or if they joined a competitor or formed a competing company in violation of their employment agreements, we may not be able to replace them easily. As a result, our business may be significantly disrupted and our financial condition and results of operations may be materially and adversely affected.

Furthermore, since our industry is characterized by high demand and intense competition for talent, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future. Our employees are required to enter into one-year employment agreements with us. We seek to enter into employment and non-competition agreements with our senior executives for longer terms. We cannot assure you that we will be able to attract or retain the key personnel that we will need to achieve our business objectives. We do not maintain key-man life insurance for any of our key personnel.

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

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

The discontinuation of any of the preferential tax treatments currently available to us in the PRC could materially and adversely affect our business, financial condition and results of operations.

Our PRC wholly-owned subsidiary CFO Beijing enjoys preferential tax treatments, including reduced tax rates, tax holidays and tax refunds, provided by either the PRC government or its local agencies or bureaus. For example, as a foreign invested software development company, CFO Beijing was granted by the Beijing branch of the PRC tax bureau three tax incentives that have the effect of:

exempting the company from enterprise income tax for 2003 and 2004; and

providing the company a preferential enterprise income tax rate of 12% from 2005 to 2007, 25.5% from 2008 to 2012 and 27% for taxable years thereafter, the rate currently applicable to wholly foreign-owned enterprises based in Beijing and not subject to other tax holidays.

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In the absence of these incentives, CFO Beijing would be subject to an enterprise income tax rate of 33% applicable to domestic PRC companies generally. For example, if we had not received these preferential tax treatments in 2003 and during the six months ended June 30, 2004 and were required to pay enterprise income tax at the same rate as a domestic PRC company, our net incomes for these two periods would have been \$1.1 million and \$869,000, respectively, representing decreases of 4.5% and 40.5% from the reported amounts, respectively. Our preferential tax treatments had less impact on our net income for 2003 primarily because we had net operating losses carried forward from prior years, which significantly reduced our taxable income for 2003. As a result, our effective tax rate for 2003 would have been substantially lower than the statutory enterprise tax rate of 33%, even if we had not received any preferential tax treatments in 2003. These net operating losses were fully utilized in 2003 and, as a result, we did not have any similar reduction in our taxable income for the six months ended June 30, 2004.

In addition, with respect to revenue generated from the sale of certain approved software products, including our service packages, CFO Beijing obtains value-added-tax, or VAT, refunds to reduce its effective VAT rate from 17% to 3%. We cannot assure you that we will continue to enjoy any of these preferential tax treatments in the future. The discontinuation of any of these preferential tax treatments could materially and adversely affect our financial condition.

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

Depending upon the value of our shares and ADSs and the nature of our income over time, we could be classified as a passive foreign investment company, or PFIC, by the United States Internal Revenue Service, or IRS, for U.S. federal income tax purposes. The determination of whether or not we are a PFIC will be made on an annual basis. The first annual PFIC determination that will be relevant to our U.S. investors will be for the 2004 taxable year. A determination that we are a PFIC could result in adverse U.S. tax consequences to you if you are a U.S. investor, in the form of increased tax liabilities and burdensome reporting requirements. For example, if we were a PFIC in 2004, you would generally be taxed at higher ordinary income, rather than lower capital gain rates, if you dispose of ADSs at a gain in a later year, even if we are not a PFIC in that year. In addition, a portion of the tax imposed on your gain would be increased by an interest charge. Moreover, if we were classified as a PFIC in any taxable year, you would not be able to benefit from any preferential tax rate with respect to any dividend distribution that you may receive from us in that year or in the following year.

The two most consequential factors affecting the outcome of annual PFIC determinations in 2004 and future taxable years will be our market capitalization and how, and how quickly, we and our subsidiary spend the cash we raise in this offering. For example, we would be a PFIC for the taxable year 2004 if the sum of our average market capitalization, which is our share price multiplied by the total amount of our outstanding shares, and our liabilities over the taxable year is not more than twice the value of our cash, cash equivalents, and other assets that are readily converted into cash. In this respect, while we intend over time to spend the proceeds raised in the offering to grow our business operations as of the time of this offering, we have not identified specific uses for our proceeds. We could also be a PFIC for the taxable year 2004 if the gross income that we and our subsidiary will earn from investing the portion of the cash raised in this offering that exceeds the capital needs of our active online business is substantial in comparison with the gross income from our business operations.

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Because it is possible that our share price could decrease, resulting in a lower average market capitalization, at a time when we continue to hold a substantial portion of the cash raised in this offering and because our business and assets may change over time in ways that are different from what we currently anticipate, we cannot assure you that we will not be a PFIC for 2004 or any future taxable year.

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

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products and do not, to our knowledge, offer business liability insurance. While business disruption insurance is available to a limited extent in China, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance make having such insurance impractical for us. As a result, except for fire insurance, we do not have any business liability, disruption or litigation insurance coverage for our operations in China. Any business disruption or litigation might result in our incurring substantial costs and the diversion of resources.

Risks relating to our industry

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

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

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

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

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

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

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

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

We have limited backup systems and have previously experienced system failures, which have disrupted our operations. For example, in March 2002, a transmission cable failure forced temporary shutdown of our servers for approximately thirty minutes and in November 2003, a computer virus caused network disruptions affecting several provinces in northern China for approximately forty minutes. Any failure to maintain the satisfactory performance, reliability, security and availability of our network infrastructure may cause significant harm to our reputation and our ability to attract and maintain users. Major risks involved in such network infrastructure include:

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

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

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

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

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

Risks relating to regulation of our business and to our structure

If the PRC government finds that the financial data and information services we provide do not comply with Chinese laws and regulations relating to the provision of securities investment advisory services, we may suffer severe disruption to our business operations and lose substantially all of our revenue.

PRC laws require entities providing securities investment advisory services to the public to obtain a securities advisory business permit from the China Securities Regulatory Commission, or the CSRC. On May 30, 2002, we received a notice from the CSRC requesting that we stop promotional activities of our service offerings involving investment advisory content and alter the relevant content of our website and offerings so that we are no longer deemed to be providing investment advisory related offerings. Promptly after receipt of such notice, we entered into a business cooperation agreement with a securities advisory company licensed to provide securities advisory services, pursuant to which we receive modeling advice and data processing advice for the development of all of our research tools. We subsequently filed a written report with the CSRC on July 18, 2002, explaining our business arrangements with the securities advisory company. Since that time, we have entered into similar business cooperation agreements with five other licensed securities advisory companies. We have not received any further notices from the CSRC since the filing and have been providing financial data and information services under this business framework since that time. We cannot assure you that the CSRC will not revisit this issue and take a position contrary to our interests.

If we, CFO Beijing or Fuhua are found to be in violation of Chinese laws and regulations relating to the provision of securities investment advisory services, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including imposing monetary penalties on us, ordering us to shut down our website or forcing us to pursue alternative business objectives other than offering financial data and information services. We may alternatively seek to apply for a securities advisory permit, but we cannot be sure that we will be able to secure one. As a result of the possible penalties imposed on us, if the CSRC were to conclude that we provide securities investment advisory services, we could suffer severe disruption to our business operations and lose substantially all of our revenue.

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

PRC regulations currently limit foreign ownership of companies that provide Internet content services, which include operating financial data and information services through the Internet, to be no more than 50%. PRC regulations also limit foreign ownership of advertising agencies that provide online advertising services to be no more than 70%. Accordingly, foreign and wholly foreign-owned enterprises are currently not able to apply for the required licenses for operating such services in China. We are a Hong Kong company and we conduct our operations in China solely through CFO Beijing, our wholly owned subsidiary. We are a foreign enterprise and CFO Beijing is a wholly foreign-owned enterprise under PRC law, and accordingly, neither we nor CFO Beijing is eligible to apply for licenses to operate our website or to provide online advertising services. In order to comply with foreign ownership restrictions, we operate our website in China through Fuhua, which holds the licenses required to be an Internet information content provider and the licenses and approvals required to provide online advertising services under the relevant PRC laws. Wu Chen, a financial manager at International Data Group China, Ltd., a PRC company affiliated with IDG Technology Venture Investment, Inc. and IDG Technology Venture Investments, LP, two of our principal shareholders, and Jun Ning, our chairman and chief executive officer, hold 55% and 45% of the equity interests in Fuhua, respectively. We have been and are expected to continue to be dependent on Fuhua to host our website, www.jrj.com.cn, and to provide online advertising services through our website. We have entered into contractual arrangements with Fuhua, pursuant to which we provide operational support to Fuhua. In addition, we have entered into agreements with Fuhua and Wu Chen and Ning Jun, the shareholders of Fuhua, which provide us with the substantial ability to control Fuhua.

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

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

revoking CFO Beijing's or Fuhua's business and operating licenses;

discontinuing or restricting our, CFO Beijing's or Fuhua's operations;

imposing conditions or requirements with which we, CFO Beijing or Fuhua may not be able to comply;

requiring us, CFO Beijing or Fuhua to restructure the relevant ownership structure or operations;

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

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

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

Our contractual arrangements with Fuhua may be subject to scrutiny by the PRC tax authorities and create a potential double layer of taxation for our revenue-generating services conducted by Fuhua.

We could face material and adverse tax consequences if the PRC tax authorities determine that the contracts between CFO Beijing and Fuhua were not entered into based on arm's-length negotiations. Although we based these contractual arrangements on those of similar businesses, if the PRC tax authorities determine that these contracts were not entered into on an arm's-length basis, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by CFO Beijing, which could adversely affect us by increasing the tax liabilities of CFO Beijing without reducing the tax liabilities of Fuhua, because Fuhua currently does not operate profitably. If we are successful in growing our online advertising business, a transfer pricing adjustment could also result in a reduction, for PRC tax purposes, of expense deductions recorded by Fuhua, which could adversely affect us by increasing the tax liabilities of Fuhua as Fuhua derives increased revenue from advertising fees, without reducing the tax liabilities of CFO Beijing. These increased tax liabilities could further result in late payment fees and other penalties to CFO Beijing and Fuhua for under-paid taxes.

Moreover, our corporate structure and arrangements with Fuhua result in a 5% PRC business tax being levied on both Fuhua's revenues derived from online advertising and CFO Beijing's revenues derived from its contractual arrangements with Fuhua. As a result, if our advertising business were to increase, we could be subject to double taxation on our revenues from online advertising.

We rely on contractual arrangements with Fuhua and its shareholders for our China operations, which may not be as effective in providing operational control as direct ownership. If Fuhua fails to perform its obligations under these contractual arrangements, we may have to legally enforce such arrangements and our business, financial condition and results of operations may be materially and adversely affected if these arrangements cannot be enforced.

We rely on contractual arrangements with Fuhua and its shareholders for operating our website and conducting our advertising business. These contractual arrangements may not be as effective in providing us with control over Fuhua as direct ownership.

If we had direct ownership of Fuhua, we would be able to exercise our rights as shareholders to effect changes in the board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, as a legal matter, if Fuhua fails to perform its obligations under these contractual arrangements, we may have to (i) incur substantial costs and resources to enforce such arrangements, and (ii) rely on legal remedies under PRC law, which we cannot be sure would be effective. For example, if Jun Ning were to terminate his employment with us, he would be obligated pursuant to these contractual arrangements to transfer his share ownership in Fuhua to us or our designee. If he were to refuse to effect such a transfer, or if he were otherwise to act in bad faith toward us, then we may have to take legal action to compel him to fulfill his contractual obligations.

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

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

We are a holding company, and we rely principally on dividends and other distributions on equity paid by CFO Beijing for our cash requirements, including the funds necessary to service any debt we may incur. If CFO Beijing incurs debt on its own behalf in the future, the instruments governing the debt may restrict CFO Beijing's ability to pay dividends or make other distributions to us. In addition, PRC tax authorities may require us to amend the contractual arrangements CFO Beijing currently has in place with Fuhua in a manner that would materially and adversely affect CFO Beijing's ability to pay dividends and other distributions to us. Furthermore, PRC legal restrictions permit payments of dividends by CFO Beijing only out of its net income, if any, determined in accordance with PRC accounting standards and regulations. Under PRC law, CFO Beijing is also required to set aside a portion of its net income each year to fund specified reserve funds. These reserves are not distributable as cash dividends. Any limitation on the ability of CFO Beijing to make dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

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

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

In addition, the MII has published regulations that subject website operators to potential liability for content included on their websites and the actions of users and others using their systems, including liability for violations of PRC laws prohibiting the distribution of content deemed to be socially destabilizing. The PRC's Ministry of Public Security has the authority to order any local Internet service provider, or ISP, to block any Internet website maintained outside China at its sole discretion. Periodically, the Ministry of Public Security has stopped the distribution over the Internet of information which it believes to be socially destabilizing. The

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PRC's State Secrecy Bureau, which is directly responsible for the protection of State secrets of the PRC government, is authorized to block any website it deems to be leaking State secrets or failing to meet the relevant regulations relating to the protection of State secrets in the distribution of online information.

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

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

Risks relating to the People's Republic of China

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

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

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

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also

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exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Most recently, the PRC government implemented a number of measures, such as raising bank reserve against deposit rates to place additional limitations on the ability of commercial banks to make loans, in order to slow down certain segments of the Chinese economy which it believed to be overheating. These actions, as well as future actions and policies of the PRC government, could materially affect the financial markets in China and our business and operations.

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

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past 25 years has significantly enhanced the protections afforded to various forms of foreign investment in China. Our PRC operating subsidiary, CFO Beijing, is a wholly foreign-owned enterprise, which is an enterprise incorporated in China and wholly-owned by foreign investors. CFO Beijing is subject to laws and regulations applicable to foreign investment in China in general and laws and regulations applicable to wholly foreign-owned enterprises in particular. However, these laws, regulations and legal requirements are constantly changing, and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to the Internet, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws.

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

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

Currently, CFO Beijing may purchase foreign exchange for settlement of current account transactions, including payment of dividends to us and payment of license fees and service fees to foreign licensors and service providers, without the approval of the State Administration for Foreign Exchange. CFO Beijing may also retain foreign exchange in its current account to satisfy foreign exchange liabilities or to pay dividends. However, we cannot assure you that the relevant PRC governmental authorities will not limit or eliminate our ability to purchase and retain foreign currencies in the future.

Since a significant amount of our future revenues will be in the form of Renminbi, the existing and any future restrictions on currency exchange may limit our ability to utilize revenues generated in Renminbi to fund our business activities outside China, if any, or expenditures denominated in foreign currencies.

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

Because our earnings and cash and cash equivalent assets are denominated in Renminbi and that the net proceeds from this offering will be denominated in U.S. dollars, fluctuations in exchange rates between U.S. dollars and Renminbi will affect the buying power of these proceeds and our balance sheet and earnings per share in U.S. dollars following our listing of ADSs on the Nasdaq National Market. In addition, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue after this offering which will be exchanged into U.S. dollars and earnings from and the value of any U.S. dollar denominated investments we make in the future.

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

The recurrence of SARS may materially and adversely affect our business and operating results.

In early 2003, several economies in Asia, including Hong Kong and China, were affected by the outbreak of the Severe Acute Respiratory Syndrome, or SARS. As of April 30, 2004, a total of nine confirmed or suspected SARS cases had been reported in China, which included seven cases in Beijing and two cases in Anhui Province. All of the patients were known to have been linked to chains of transmission involving close personal contact with an identified patient who worked at the National Institute of Virology Laboratory of China's Center of Disease Control in Beijing. No further cases of SARS in China or anywhere else in the world have been reported since April 29, 2004. If there is a recurrence of an outbreak of SARS, it may adversely affect our business and operating results. For instance, a recurrence of SARS or any other epidemic may reduce the level of economic activity in affected areas and negatively impact China's stock markets, which may lead to dampened investors interest in the stock markets and, as a result, have a material and adverse effect on our business. In addition, health or other government regulations may require temporary closure of our offices, or the offices of our advertisers, content providers or sponsors, which will severely disrupt our business operations and have a material adverse effect on our financial condition and results of operations.

Risks relating to this offering

An active trading market for our ordinary shares or our ADSs may not develop and the trading price for our ADSs may fluctuate significantly.

Prior to this offering, there has been no public market for our ADSs or our ordinary shares underlying the ADSs. If an active public market for our ADSs does not develop after this offering, the market price and liquidity of our ADSs may be adversely affected. Our ADSs have been approved for listing on the Nasdaq National Market. We can provide no assurances that a liquid public market for our ADSs will develop. The initial public offering price for our ADSs will be determined by negotiation between us and the underwriters based upon several factors, and we can provide no assurance that the price at which the ADSs are traded after this offering will not decline below the initial public offering price. As a result, investors in our

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securities may experience a decrease in the value of their ADSs regardless of our operating performance or prospects. In the past, following periods of volatility in the market price of a company's securities, shareholders have often instituted securities class action litigation against that company. If we were involved in a class action suit, it could divert the attention of senior management, and, if adversely determined, could have a material adverse effect on our business, financial condition and results of operations.

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

The trading prices of our ADSs are likely to be volatile and could fluctuate widely in response to factors beyond our control. The market prices of the securities of Internet-related companies have been especially volatile.

In particular, the performance and fluctuation of the market prices of other technology companies with business operations mainly in China that have listed their securities in the U.S. may affect the volatility in the price of and trading volumes for our ADSs. Recently, a number of PRC companies have listed their securities, or are in the process of preparing for listing their securities, on U.S. stock markets. Some of these companies have experienced significant volatility, including significant price declines in connection with their initial public offerings. The trading performances of these Chinese companies' securities at the time of or after their offerings may affect the overall investor sentiment towards PRC companies listed in the U.S. and consequently may impact the trading performance of our ADSs. These broad market and industry factors may significantly affect the market price and volatility of our ADSs, regardless of our actual operating performance.

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

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

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

There will be 99,329,933 ordinary shares outstanding immediately after this offering. In addition, there are outstanding options to purchase 12,517,988 ordinary shares, including options to purchase 8,507,988 ordinary shares that are immediately exercisable. All of the ADSs sold in this offering will be freely tradable without restriction or further registration under the U.S. Securities Act of 1933, or the Securities Act, unless held by our affiliates as that term is defined in Rule 144 under the Securities Act. The 82,837,921 ordinary shares outstanding prior to this offering (assuming the conversion of all outstanding preference shares into ordinary shares and the exercise of all outstanding options to acquire ordinary shares) are restricted

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securities as defined in Rule 144 and may not be sold in the absence of registration other than in accordance with Rule 144 under the Securities Act or another exemption from registration.

In connection with this offering, we and our directors, officers and shareholders have agreed, subject to some exceptions, not to sell any ordinary shares or ADSs for 180 days after the date of this prospectus without the written consent of the underwriters. However, the underwriters may release these securities from these restrictions at any time. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs.

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

Following this offering, four of our existing shareholders, including IDG Technology Venture Investments, LP, IDG Technology Venture Investment, Inc., Vertex Technology Fund (III) Ltd. and Tongma Network Co. Ltd., beneficially own, collectively, approximately 58.1% of our outstanding ordinary shares (assuming the conversion of all outstanding preference shares into ordinary shares) or 53.6% if the underwriters exercise their option to purchase additional ADSs in full. Each of these four shareholders is expected to be an affiliate within the meaning of the Securities Act after the offering, due to the size of their respective shareholdings in us after the offering. Following this offering, IDG Technology Venture Investments, LP and IDG Technology Venture Investment, Inc. are together expected to have one board representative on our five-director board, and will beneficially own, collectively, approximately 27.5% of our outstanding ordinary shares (assuming the conversion of all outstanding preference shares into ordinary shares) or 25.4% if the underwriters exercise their option to purchase additional ADSs in full. Accordingly, these shareholders have had, and may continue to have, significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. In addition, without the consent of these shareholders, we could be prevented from entering into transactions that could be beneficial to us.

Because the initial public offering price is substantially higher than the pro forma net tangible book value per share, you will incur immediate and substantial dilution.

If you purchase ADSs in this offering, you will pay more for your ADSs than the amount paid by existing shareholders for their ordinary shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately \$9.80 per ADS (assuming the conversion of all outstanding preference shares into ordinary shares and no exercise of outstanding options to acquire ordinary shares), representing the difference between our pro forma net tangible book value per ADS as of June 30, 2004, after giving effect to this offering and the initial public offering price of \$13.00 per ADS. In addition, you may experience further dilution to the extent that our ordinary shares are issued upon the exercise of stock options. Substantially all of the ordinary shares issuable upon the exercise of currently outstanding stock options will be issued at a purchase price on a per ADS basis that is less than the initial public offering price per ADS in this offering.

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

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

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

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

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

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

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

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In addition, our obligations under change in control agreements we entered into with each of our chief executive officer, chief financial officer and chief operating officer could discourage an acquisition by a third party that you may consider favorable. Under the change in control agreements, if after a change-of-control of our company has occurred, the executive is terminated without cause or resigns for good reason, we are obligated to provide severance benefits to that executive. The current severance benefits under the change in control agreements amount to approximately \$6 million, which could discourage or limit the ability of potential third party acquirers to engage in change-of-control transactions with us. Furthermore, in the event any of the severance payments would be deemed to give rise to excess parachute payments under section 280G of the U.S. Internal Revenue Code for any of our executives subject to U.S. tax, we would be required under the change in control agreements to gross-up the payments to such executive to take account of any such excess parachute payments. This gross-up payment obligation could further discourage potential third-party acquirers.

These provisions and obligations could have the effect of depriving you of an opportunity to sell your ADSs at a premium over prevailing market prices by discouraging third parties from seeking to acquire control of us in a tender offer or similar transactions.

The severance benefits under the change in control agreements we have with our chief executive officer, chief financial officer and chief operating officer may create conflicts of interest for these executives in transactions involving a change of control of our company, which transactions could deprive us the benefit of more favorable strategic opportunities.

Under the severance payment arrangements we have with each of our chief executive officer, chief financial officer and chief operating officer, the occurrence of certain change-of-control events may permit these executives to receive severance benefits up to the greater of \$2 million and three times the executives' annual salary plus bonuses. These executives may determine that their severance benefits provide better economic alternatives than their continued employment with us and, as such, they may be incentivized by these severance benefits to encourage the company to enter into transactions involving a change-of-control of our company which may not be as favorable as other strategic alternatives available to us. If these executives choose to act in their self-interests as opposed to the interests of our company and investors, this could deprive us the benefit of more favorable strategic opportunities.

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

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

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more costly and difficult to take legal action against us or our directors in the Hong Kong courts.

The Hong Kong courts are also unlikely:

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

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

As a result of all of the above, minority public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, directors or controlling shareholders than they would as minority public shareholders of a U.S. corporation.

Moreover, substantially all of our assets are located outside of the United States and all of our current operations are conducted in the PRC. In addition, most of our directors and officers are nationals and residents of countries other than the United States. All or a substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons.

We have not determined a specific use for the net proceeds from this offering and we may use these proceeds in ways with which you may not agree.

We are undertaking this offering to fund future growth, to retain employees by creating a public market for our registered ADSs, so that we may in the future register shares issued to our employees upon exercise of their options to allow liquidity, and to provide benefits to our shareholders by creating a public market for our ADSs. We have not yet determined a specific use for any portion of the net proceeds of this offering. Our management will have considerable discretion in the application of these proceeds received by us. For example, we will generally not need to obtain shareholder approval to use the net proceeds of the offering to:

increase or expand existing operations and employees;

fund new projects or service offerings;

make investments in or acquire third parties for cash; or

to invest the net proceeds before we allocate amounts to specific projects.

In some circumstances, we may be required to obtain your approval for specific uses, including transactions that also contemplate share issuances for which our articles of association or Nasdaq listing rules require shareholder approval. Unless our articles of association or Nasdaq listing rules require, you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. We may pursue acquisition, partnership and joint venture strategies which could use a significant portion of these proceeds and, as a result, cause dilution to your interests in us in the short term. The net proceeds may also be used for corporate purposes that do not improve our

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profitability or increase our ADS price. The net proceeds from this offering may also be placed in investments that do not produce income or that lose value.

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

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

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

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

You may not be able to participate in rights offerings and may experience dilution of your holdings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell such undistributed rights to third parties in this situation. We can give no assurances that we will be able to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

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

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

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

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

Your ADSs represented by American Depositary Receipts are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its

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books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

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Forward-looking statements

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

our goals and strategies, including how we use the proceeds of this offering to effect our goals and strategies;

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

our future pricing strategies or policies;

our plans to expand our service offerings;

our plans to diversify our sources of revenues, including by expanding our online advertising business;

competition in the PRC financial data and information services industry;

the expected growth in the number of Internet users in China, growth of personal computer penetration and developments in the ways most people in China access the Internet;

the future development of Internet consumers in China;

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

PRC governmental policies relating to the distribution of content, especially the distribution of financial content over the Internet, or to the provision of advertising services over the Internet, including PRC governmental pronouncements concerning a proposal by the PRC government to extend the provision of advertising services to foreign invested enterprises.

These forward-looking statements involve various risks, assumptions and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, we cannot assure you that our expectations will turn out to be correct. Our actual results could be materially different from and worse than our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in the Risk factors, Management's discussion and analysis of financial condition and results of operations and Business sections and elsewhere in this prospectus.

This prospectus also contains data related to the online financial data and information services market and the Internet. These market data include projections that are based on a number of assumptions. The online financial data and information services market may not grow at the rates projected by market data, or at all. The failure of these markets to grow at the projected rates may have a material adverse effect on our business and the market price of our ADSs. In addition, the relatively new and rapidly changing nature of the online financial data and information services industry subjects any projections or estimates relating to the growth prospects or future condition of our markets to significant uncertainties. Furthermore, if any one or more of the assumptions underlying the market data turns out to be incorrect, actual

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results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.

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Our corporate structure

We were incorporated in Hong Kong in November 1998. Prior to April 2000, we did not conduct any business operations. In April 2000, we purchased all of the equity interests of Fortune Software (Beijing) Limited and renamed it China Finance Online (Beijing) Co., Ltd., or CFO Beijing, whereby we acquired our website, *www.jrj.com.cn* and commenced our online financial and listed company data and information operations. Since we commercially launched our service offerings in April 2001, we have conducted substantially all of our operations in China through our wholly-owned subsidiary, CFO Beijing. As a wholly foreign-owned enterprise, CFO Beijing is not permitted under PRC law to provide Internet information content, which requires special licenses from the Ministry of Information Industry or its local branches. In order to comply with foreign ownership restrictions, we operate our website in China through Fuhua, which holds the licenses required to be an Internet information content provider under the relevant PRC laws. Fuhua also holds the licenses and approvals required to operate our online advertising service business. Wu Chen, a financial manager of International Data Group China, Ltd., a PRC limited liability company affiliated with IDG Technology Venture Investment, Inc. and IDG Technology Venture Investments, LP, two of our principal shareholders, and Jun Ning, our chairman and chief executive officer, hold 55% and 45% of the equity interests in Fuhua, respectively. We have been and are expected to continue to be dependent on Fuhua to host our website.

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The following diagram illustrates our corporate and share ownership structure after giving effect to this offering, and assuming that: (1) all of our outstanding preferred shares are converted into ordinary shares upon completion of this offering, (2) the underwriters do not exercise their over-allotment option, and (3) none of our outstanding options have been exercised:

(1) Includes Mastery Corporate Limited, which is controlled by Jun Ning, our chairman and chief executive officer, and Sam Qian, our chief financial officer, owning 5.2% and less than 1.0%, respectively, of our ordinary shares (assuming full conversion of preference shares), after giving effect to this offering.

(2) Includes entities controlled by IDG Technology Venture Investments, LP, IDG Technology Venture Investment, Inc., Vertex Technology Fund (III) Ltd. and Tongma Network Co. Ltd., owning 6.8%, 20.7%, 14.6% and 16.0%, respectively, of our ordinary shares (assuming full conversion of preference shares), after giving effect to this offering.

(3) Wu Chen is a financial manager at International Data Group China, Ltd., a PRC company affiliated with IDG Technology Venture Investment, Inc. and IDG Technology Venture Investments, LP, two of our principal shareholders.

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PRC regulations currently limit foreign ownership of companies that provide Internet content provider services, or ICP services, which include our business of providing financial information and data to Internet users, to 50%. PRC regulations also limit foreign ownership of advertising agencies that provide online advertising services to be no more than 70%. We are a Hong Kong company and we conduct our operations solely in China through CFO Beijing, our wholly owned subsidiary. We are a foreign enterprise and CFO Beijing is a foreign invested enterprise under PRC law and accordingly, neither we nor CFO Beijing is eligible for a license to operate ICP services or provide online advertising services. In order to comply with foreign ownership restrictions, in December 2000, we formed our affiliated Chinese entity, Fuhua, with Wu Chen and Xinzheng Wang, our former chairman who later transferred his holdings in Fuhua to Jun Ning, our chairman and chief executive officer. Both Wu Chen and Jun Ning are PRC citizens and own 55% and 45% of the equity interests in Fuhua, respectively. Fuhua holds the licenses and approvals that are required to operate our website and CFO Beijing owns the domain name of our website. Fuhua also holds the licenses and approvals required to operate our online advertising business. We and CFO Beijing have entered into a series of contractual arrangements with Fuhua and its shareholders. As a result of these contractual arrangements, we are considered the primary beneficiary of Fuhua and accordingly, we consolidate Fuhua's results of operations in our financial statements.

Pursuant to our contractual arrangements with Fuhua, we provide equipment, services and a domain name license to Fuhua in exchange for fees. The principal equipment lease, services and domain name license agreements that we have entered into with Fuhua include:

an equipment leasing agreement, pursuant to which 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 Fuhua's operations;

an amended and restated strategic consulting agreement, pursuant to which CFO Beijing provides strategic consulting services to Fuhua, including consulting services in relation to Fuhua's online advertising business; and

a domain name licensing agreement, pursuant to which CFO Beijing licenses to Fuhua its domain name, *www.jrj.com.cn*.

We made a loan to each of the shareholders of Fuhua, Wu Chen and Jun Ning, solely for the purposes of capitalizing Fuhua. Pursuant to the loan agreements, Wu Chen and Jun Ning can only repay the loans by transferring all of their interests in Fuhua to us or a third party designated by us. While Hong Kong law limits the maximum interest payment chargeable under a loan to 60% of the outstanding principal amount per annum, we do not believe this limitation will have a material adverse effect on our business and operations, or will result in a material amount being paid to the shareholders of Fuhua if and when they are permitted to transfer their interests in Fuhua to us.

In addition, we have entered into agreements with Fuhua and its shareholders that provide us with the substantial ability to control Fuhua. Pursuant to these contractual arrangements:

the shareholders of Fuhua have granted us or individuals designated by us an irrevocable proxy to exercise all their voting rights as shareholders of Fuhua, including the right to appoint directors, the general manager and other senior management of Fuhua;

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Fuhua will not enter into any transaction that may materially affect its assets, liabilities, equity or operations without our prior written consent;

Fuhua will not distribute any dividends;

we may purchase the entire equity interest in, or all the assets of, Fuhua when and if such purchase is permitted by PRC law or the current shareholders of Fuhua cease to be directors or employees of Fuhua;

the shareholders of Fuhua have pledged their equity interest in Fuhua to CFO Beijing to secure the payment obligations of Fuhua under the equipment leasing agreement, the technical support agreement and the amended and restated strategic consulting agreement between CFO Beijing and Fuhua; and

the shareholders of Fuhua will not transfer, sell, pledge, dispose of or create any encumbrance on their equity interest in Fuhua without the prior written consent of CFO Beijing.

Each of the contractual arrangement with Fuhua and its shareholders can only be amended with the approval of our audit committee or another independent body of our board of directors. Messrs. Ning and Chen are not deriving any material personal benefits from these arrangements and are not expected to receive any consideration, other than cancellation of the existing loans, upon future transfer of their entire equity interests in, or all of the assets of, Fuhua to us.

For more information on these agreements, see Related party transactions.

In the opinion of Jincheng and Tongda Law Firm, our PRC legal counsel:

the ownership structures of our company, CFO Beijing and Fuhua, both currently and after giving effect to this offering, are in compliance with existing PRC laws and regulations;

our contractual arrangements with Fuhua and its shareholders are valid, binding and enforceable, and will not result in any violation of PRC laws and regulations currently in effect; and

the business operations of our company, CFO Beijing and Fuhua, as described in this prospectus, are in compliance with existing laws and regulations in all material aspects.

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

Moreover, these contractual arrangements may not be as effective in providing us with control over Fuhua as direct ownership. If we were the controlling shareholder of Fuhua with direct ownership, we would be able to exercise our rights as shareholders to effect changes in the board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, as a legal matter, if Fuhua fails to perform its obligations under these contractual arrangements, we may have to (i) incur substantial costs and resources to enforce such arrangements, and (ii) rely on legal remedies under PRC law, which we cannot be sure would be effective. For example, if Jun Ning were to terminate his employment with us, he would be

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obligated pursuant to these contractual arrangements to transfer his share ownership in Fuhua to us or our designee. If he were to refuse to effect such a transfer, or if he were otherwise to act in bad faith toward us, then we may have to take legal action to compel him to fulfill his contractual obligations. In the event that we are unable to enforce these contractual arrangements, our business, financial condition and results of operations could be materially and adversely affected.

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Use of proceeds

We estimate that we will receive net proceeds from this offering of approximately \$58.2 million after deducting underwriting discounts and the estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.

We currently intend to use the net proceeds of this offering as follows, although the allocation of the net proceeds may change along with changing business conditions and other management considerations:

approximately \$30.0 million for acquisitions or investments in businesses, products or technologies; and

the balance of approximately \$28.2 million for the enhancement of our business operations and for general corporate purposes.

In addition, the purposes of this offering also include the retention of employees by the creation of a public market for our registered ADSs, so that we may in the future register shares issued to our employees upon exercise of their options to allow liquidity, and the creation of a public market for our ADSs for the benefit of our shareholders. We do not currently have any agreements or understandings to make any material acquisitions of, or investments in, other businesses.

We do not anticipate needing to utilize the proceeds of this offering in the immediate future to fund the operations of either CFO Beijing or Fuhua. We may, however, need to utilize the proceeds to fund CFO Beijing or Fuhua in the future if they require additional cash resources due to changes in business conditions or to fund their future developments. In that regard, we may make loans to these entities. Any loans to these entities in China would be subject to PRC regulations and approvals. For example:

loans by us to CFO Beijing, a foreign invested enterprise, to finance its activities cannot in the aggregate exceed \$2 million, which is the difference between CFO Beijing's currently approved total investment amount and its currently approved registered capital amount, and must be registered with the State Administration of Foreign Exchange for the loans to be effective; and

loans by us to Fuhua, which is a domestic PRC enterprise, must be approved by the relevant government authority and must also be registered with the State Administration of Foreign Exchange, although in practice we could make loans to CFO Beijing and CFO Beijing could in separate transactions make loans to Fuhua through financial intermediaries, without approval from any PRC governmental agencies.

We may also determine to finance CFO Beijing by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce. Because Fuhua is a domestic PRC enterprise, we are not likely to finance its activities by means of a capital contribution due to regulatory issues relating to foreign investment in domestic PRC enterprises, as well as the licensing and other regulatory issues discussed in Regulation elsewhere in this prospectus. We cannot assure you that we can obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to CFO Beijing or Fuhua.

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The foregoing represents our current intentions with respect of the use and allocation of the net proceeds of this offering based upon our present plans and business conditions, but our management will have significant flexibility and discretion in applying the net proceeds of the offering. Prior to use, we intend to place the net proceeds from this offering in short-term investments, which may include short-term investment grade debt securities or money market instruments, and place the remaining net proceeds in bank deposits. The occurrence of unforeseen events or changed business conditions may result in application of the proceeds of this offering in a manner other than as described in this prospectus.

Pending use of the net proceeds pursuant to the allocation described above, our investments may have a material adverse effect on the U.S. federal income tax consequences of your investment in our ADSs. It is possible that we may become a passive foreign investment company for United States federal income tax purposes, which could result in negative tax consequences for you. These consequences are described in more detail in Risk factors.

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Dividend policy

We declared a dividend of \$500,000 in the first quarter of 2004 in respect of the financial year ended December 31, 2003. This dividend was payable pro rata to our registered shareholders as of December 31, 2003, of which \$450,000 was paid in the first quarter of 2004 and the balance was paid in July 2004. In May 2004, we repaid \$60,000 to the shareholders of Fuhua for funds advanced by the shareholders of Fuhua, on our behalf, to capitalize Fuhua when Fuhua was initially incorporated in December 2000. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends on our ordinary shares, or indirectly on our ADSs, for the foreseeable future. Investors seeking cash dividends should not purchase our ADSs.

Future cash dividends, if any, will be at the discretion of our board of directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors as our board of directors may deem relevant. In addition, we can pay dividends only out of our profits or other distributable reserves. Any dividend we declare will be paid to the holders of ADSs, subject to the terms of the deposit agreement, to the same extent as holders of our ordinary shares, less the fees and expenses payable under the deposit agreement. Other distributions, if any, will be paid by the depository to holders of our ADSs in any means it deems legal, fair and practical. Any dividend will be distributed by the depository, in the form of cash or additional ADSs, to the holders of our ADSs. Cash dividends on our ADSs, if any, will be paid in U.S. dollars. See Description of American Depositary Shares.

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The following table sets forth, as of June 30, 2004:

our actual capitalization;

our capitalization on a pro forma basis to reflect the conversion of our outstanding preference shares into ordinary shares that will occur upon the consummation of this offering; and

our pro forma capitalization as adjusted to give effect to the issuance and sale of 5,000,000 ADSs offered hereby at an initial public offering price of \$13.00 per ADS, after deducting underwriting discounts, commissions and estimated offering expenses.

You should read this table in conjunction with Management's discussion and analysis of financial condition and results of operations and our consolidated financial statements and related notes, included elsewhere in this prospectus. The information presented below is unaudited.

(in thousands of U.S. dollars, except for per share data)	As of June 30, 2004		
	Actual	Pro forma	Pro forma as adjusted ⁽¹⁾
Shareholders' equity:			
Convertible preference shares (HK\$0.001 (US\$0.00013) par value, 65,000,000 shares authorized):			
Series A convertible preference shares (30,643,000 shares issued and outstanding as of June 30, 2004, and nil issued and outstanding on a pro forma and pro forma as adjusted basis) (liquidation value \$4)	\$ 4.0		
Series B convertible preference shares (20,833,333 shares issued and outstanding as of June 30, 2004, and nil issued and outstanding on a pro forma and pro forma as adjusted basis) (liquidation value \$5,000)	2.7		
Ordinary shares, HK\$0.001 (US\$0.00013) par value; 36,000,000 shares authorized, 22,853,600 shares issued and outstanding as of June 30, 2004, 74,329,933 shares issued on a pro forma basis ⁽²⁾ and 99,329,933 shares issued and outstanding on a pro forma as adjusted basis	2.9	\$ 9.6	\$ 12.8
Additional paid-in capital	5,645.5	5,645.5	63,802.4
Deferred stock compensation	(455.7)	(455.7)	(455.7)
Accumulated other comprehensive income	0.4	0.4	0.3
Retained earnings	1,089.1	1,089.1	1,089.1
Total shareholders' equity	6,288.8	6,288.8	64,448.9
Total capitalization	\$6,288.8	\$6,288.8	\$64,448.9

(1) Assumes that the underwriters do not exercise their over-allotment option.

(2) The number of ordinary shares outstanding as of June 30, 2004 does not include 12,517,988 ordinary shares subject to options outstanding as of June 30, 2004.

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Our net tangible book value as of June 30, 2004 was approximately \$6,238,243, or \$0.08 per ordinary share outstanding at that date, and \$0.42 per ADS, assuming conversion of 51,476,333 preference shares. Net tangible book value per ordinary share is determined by dividing our net tangible book value by the number of outstanding ordinary shares. Our net tangible book value is determined by subtracting the value of our intangible assets and total liabilities from our total assets. Dilution is determined by subtracting net tangible book value per ordinary share from the assumed public offering price per ordinary share. The number of ordinary shares used to calculate dilution assumes the conversion of our outstanding preference shares into ordinary shares that will occur upon the consummation of this offering.

Without taking into account any other changes in such net tangible book value after June 30, 2004, other than to give effect to (1) the conversion of all our preference shares into ordinary shares that will occur upon the consummation of this offering, and (2) our sale of the 5,000,000 ADSs offered in this offering at the initial public offering price of \$13.00 per ADS, with estimated net proceeds of \$58.2 million after deducting underwriting discounts and commissions and estimated offering expenses, our pro forma net tangible book value at June 30, 2004 would have been \$64,398,347, \$0.64 per outstanding ordinary share, including ordinary shares underlying our outstanding ADSs, and \$3.20 per ADS. This represents an immediate increase in pro forma net tangible book value of \$0.56 per ordinary share, or \$2.80 per ADS, to existing shareholders and an immediate dilution in pro forma net tangible book value of \$1.96 per ordinary share, or \$9.80 per ADS, to new investors in this offering.

The following table illustrates this dilution on a per ordinary share basis:

Assumed initial public offering price per ordinary share	\$2.60
Pro forma tangible book value per ordinary share at June 30, 2004, assuming conversion of 51,476,333 preference shares	\$0.08
Increase in net tangible book value per ordinary share attributable to price paid by new investors	\$0.56
Pro forma net tangible book value per ordinary share after the offering	\$0.64
Dilution in net tangible book value per ordinary share to new investors in the offering	\$1.96
Dilution in net tangible book value per ADS to new investors in the offering	\$9.80

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The following table summarizes on a pro forma basis the differences as of June 30, 2004 between our shareholders as of June 30, 2004 and our new investors purchasing ADSs in this offering with respect to the number of ordinary shares purchased from us, the total consideration paid and the average price per ordinary share equivalent and per ADS paid. The total ordinary shares do not include any exercise of the share options to purchase up to 12,517,988 of our ordinary shares outstanding as of June 30, 2004. To the extent that any of the outstanding and vested options are exercised, there will be further dilution to new investors.

	Ordinary shares purchased		Total consideration		Average price per ordinary share equivalent	Average price per ADS
	Number	Percent	Amount	Percent		
Existing shareholders	74,329,933	74.8%	\$ 5,655,100	8.0%	\$0.08	\$ 0.40
New investors	25,000,000	25.2	65,000,000	92.0	2.60	13.00
Total	99,329,933	100%	\$70,655,100	100%	\$0.71	\$ 3.55

The foregoing discussion and table assume that none of the outstanding stock options has been exercised. As of June 30, 2004, there were stock options outstanding to purchase an aggregate of 12,517,988 of our ordinary shares of which 8,507,988 were exercisable at a weighted average exercise price of \$0.16 per share. If all these options had been exercised on June 30, 2004 before giving effect to this offering, our pro forma net tangible book value would have been approximately \$0.46 per ADS, or \$0.09 per ordinary share, the increase in net tangible book value attributable to new investors would have been \$0.52 per ordinary share, or \$2.59 per ADS and the dilution in pro forma net tangible book value to new investors would have been \$1.99 per ordinary share or \$9.95 per ADS.

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Our business is currently conducted in China and denominated in Renminbi. Periodic reports will be made to shareholders and will be expressed in U.S. dollars using the then-current exchange rates. The conversion of Renminbi into U.S. dollars in this prospectus is based on the noon buying rate in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from Renminbi to U.S. dollars in this prospectus were made at \$1.00 to RMB8.2766, which was the prevailing rate on June 30, 2004. The prevailing rate at October 13, 2004 was \$1.00 to RMB8.2765. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes controls over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade.

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

Renminbi per U.S. dollar noon buying rate	Average	High	Low	Period-End
1999	8.2783	8.2800	8.2770	8.2795
2000	8.2784	8.2799	8.2768	8.2774
2001	8.2770	8.2786	8.2676	8.2766
2002	8.2770	8.2800	8.2669	8.2800
2003	8.2770	8.2800	8.2765	8.2769
2004				
January	8.2770	8.2772	8.2767	8.2768
February	8.2771	8.2773	8.2768	8.2769
March	8.2771	8.2774	8.2767	8.2770
April	8.2769	8.2772	8.2768	8.2771
May	8.2771	8.2773	8.2768	8.2769
June	8.2767	8.2768	8.2766	8.2766
July	8.2767	8.2769	8.2766	8.2769
August	8.2768	8.2770	8.2766	8.2766
September	8.2767	8.2768	8.2766	8.2766
October (through October 13)	8.2766	8.2768	8.2765	8.2765

Source: Federal Reserve Bank of New York

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The following summary consolidated financial information has been derived from our consolidated financial statements. Our consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. Prior to April 2000, we did not conduct any business operations. During 2000, we acquired all of the equity interests of Fortune Software (Beijing) Limited and renamed it China Finance Online (Beijing) Co., Ltd., or CFO Beijing, and commenced our current online financial and listed company data and information operations. We did not generate any revenue in connection with our current business until April 2001, when we commercially launched our subscription services. Our statements of operations and comprehensive income (loss) for the years ended December 31, 2001, 2002 and 2003 and our balance sheets as of December 31, 2001, 2002 and 2003 are derived from our audited financial statements which have been audited by Deloitte Touche Tohmatsu Certified Public Accountants Ltd., an independent registered public accounting firm. The report of Deloitte Touche Tohmatsu Certified Public Accountants Ltd. on those financial statements is included elsewhere in this prospectus. Our summary consolidated financial information for the years ended December 31, 1999 and 2000, and for each of the six months ended June 30, 2003 and 2004 and as of December 31, 1999 and 2000, and June 30, 2003 and 2004 have been derived from our unaudited consolidated financial statements, of which our unaudited consolidated statements as of or for the six months ended June 30, 2003 and 2004 are included in this prospectus. The unaudited consolidated financial statements have been prepared on substantially the same basis as our audited consolidated financial statements and, in the case of the interim statements as of or for the six months ended June 30, 2003 and 2004, contain normal recurring adjustments which are in the opinion of management necessary for a fair presentation of the results for such unaudited period. Our results of operations in any period may not necessarily be indicative of the results that may be expected for any future period. The selected consolidated financial information for those periods and as of those dates should be read in conjunction with those statements and the accompanying notes and Management's discussion and analysis of financial condition and results of operations.

The pro forma per share data give effect to the conversion of our outstanding preference shares into ordinary shares that will occur upon the consummation of this offering.

(In thousands of U.S. dollars, except per share and per ADS data) ⁽¹⁾	For the year ended December 31,					For the six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
	(unaudited)					(unaudited)	
Consolidated statement of operations and comprehensive income (loss) data:							
Gross revenues ⁽²⁾	\$	\$ 5	\$ 102	\$ 1,098	\$ 2,354	\$ 1,097	\$ 2,285
Business tax		(1)	(5)	(48)	(83)	(50)	(16)
Net revenues		4	97	1,050	2,271	1,048	2,269
Cost of revenues		(249)	(265)	(254)	(298)	(155)	(188)
Gross (loss) profit		(245)	(168)	796	1,973	893	2,081
Operating expenses:							
General and administrative	(5)	(227)	(258)	(253)	(304)	(146)	(165)
Product development		(116)	(185)	(157)	(149)	(77)	(80)
Sales and marketing		(132)	(128)	(275)	(284)	(118)	(346)
Stock based compensation					(96)	(96)	(157)
Total operating expenses	(5)	(475)	(571)	(685)	(833)	(437)	(747)

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(In thousands of U.S. dollars, except per share and per ADS data) ⁽¹⁾	For the year ended December 31,					For the six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
	(unaudited)					(unaudited)	
Income (loss) from operations	(5)	(720)	(738)	111	1,140	456	1,334
Interest income	1	120	100	95	51	28	43
Interest expense		(17)	(6)				
Other income (expense)				(4)	(1)	(1)	(0)
Income (loss) before income taxes	(4)	(617)	(644)	203	1,190	483	1,377
Income tax							83
Net income (loss)	\$ (4)	\$ (617)	\$ (644)	\$ 203	\$ 1,190	\$ 483	\$ 1,461
Dividends on preference shares					(351)		
Income (loss) attributable to ordinary shareholders	(4)	(617)	(644)	203	838	483	1,461
Income (loss) per share-basic	\$ (0.04)	\$ (0.05)	\$ (0.04)	\$ 0.01	\$ 0.04	\$ 0.03	\$ 0.07
Income (loss) per share-diluted	\$ (0.04)	\$ (0.05)	\$ (0.04)	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.02
Pro forma basic income per share					\$ 0.01		\$ 0.02
Pro forma diluted income per share					\$ 0.01		\$ 0.02
Income per ADS equivalent-basic ⁽³⁾			\$ (0.18)	\$ 0.06	\$ 0.21	\$ 0.13	\$ 0.33
Income per ADS equivalent-diluted ⁽³⁾			\$ (0.18)	\$ 0.01	\$ 0.06	\$ 0.03	\$ 0.09
Dividend declared per ordinary share					\$ 0.01		

(In thousands of U.S. dollars) ⁽¹⁾	As of December 31,					As of June 30,	
	1999	2000	2001	2002	2003	2003	2004
	(unaudited)					(unaudited)	
Consolidated balance sheets data:							
Cash and cash equivalents	\$ 1	\$ 4,516	\$ 3,487	\$ 4,451	\$ 5,806	\$ 5,183	\$ 8,655
Current working capital ⁽⁴⁾	(1)	3,979	3,366	3,565	4,306	4,053	5,670
Total assets	1	5,137	3,994	4,929	6,606	5,746	9,618
Deferred revenue			186	934	1,278	1,168	3,133
Total current liabilities	2	749	249	982	1,875	1,222	3,329
Total shareholders' equity	\$ (1)	\$ 4,388	\$ 3,745	\$ 3,947	\$ 4,731	\$ 4,525	\$ 6,289

As of or for the

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(in thousands except for ASF data)	As of or for the twelve months ended December 31,			six months ended June 30,	
	2001	2002	2003	2003	2004
Unaudited selected operating data:⁽⁵⁾					
Registered users ⁽⁶⁾	292.3	567.5	1,111.9	782.8	1,735.8
New subscribers ⁽⁷⁾	4.4	16.4	17.3	9.7	18.8
ASF per new subscriber ⁽⁸⁾	\$ 45	\$ 69	\$ 93	\$ 75	\$ 144
Repeat subscribers ⁽⁹⁾	1.3	7.1	10.1	6.7	7.9
ASF per repeat subscriber ⁽¹⁰⁾	\$ 62	\$ 111	\$ 111	\$ 92	\$ 188

(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, 1999, 2000, 2001, 2002 and 2003, all translations from Renminbi to U.S. dollars were calculated at RMB8.2783, RMB8.2784, RMB8.2770, RMB8.2770 and RMB8.2770 per US\$1.00, respectively. For the six months ended June 30, 2003 and 2004, the translations were calculated at RMB8.2770 and RMB8.2767 per US\$1.00, respectively.

For consolidated balance sheet data, all translations from Renminbi to U.S. dollars were calculated at the exchange rate at the end of that period. The exchange rates as at December 31, 2001, 2002 and 2003 were RMB8.2766, RMB8.2800 and RMB8.2769 per US\$1.00, respectively. For June 30, 2003 and June 30, 2004, the exchange rates were RMB8.2774 and RMB8.2766 per US\$1.00, respectively.

(2) 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 subscription period.

(3) Each ADS represents five ordinary shares.

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

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- (5) Unaudited selected operating data has been derived from our operating records.
- (6) Registered users as of a specified date reflect the total number of users who are registered with our website as of that date.
- (7) New subscribers for a specified period are subscribers who subscribed to any of our service packages during that period who were not subscribers at the beginning of that period.
- (8) ASF per new subscriber for a specified period represents the average subscription fee per new subscriber for that period.
- (9) Repeat subscribers for a specified period are subscribers who either have purchased more than one service package from us during that period, or have purchased our service packages in the past and have purchased at least one service package during that period.
- (10) ASF per repeat subscriber for a specified period represents the average subscription fee per repeat subscriber for that period.

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**Management's discussion and analysis
of financial condition and results of operations**

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. For additional information regarding these risks and uncertainties, please see "Risk factors" .

Overview

We believe we are one of the leading companies that specialize in providing online financial and listed company data and information in China in terms of popularity among Internet users that invest in stocks and access online financial information, as measured by frequency of visits and user spending. 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 website at www.jrj.com.cn.

Our service offerings are used by and targeted at a broad range of investors in China, from individual investors managing their own money to professional investors, which consist of institutional investors managing large sums of money on behalf of their clients and high net worth individuals. In addition, our service offerings are targeted at other financial professionals such as investment bankers, stock analysts and financial reporters. As a result of our efforts to develop and offer more comprehensive service packages to our subscribers, we have created a growing base of high-end subscribers, determined by us as subscribers who pay us an annual subscription fee of RMB2,400 (US\$290) or more. High-end subscribers tend to require our more comprehensive service packages and we have increasingly focused our product development efforts at high-end subscribers' complex needs. The number of our high-end subscribers with active subscriptions grew significantly from approximately 900 for the twelve months ended June 30, 2003 to approximately 3,800 for the twelve months ended June 30, 2004.

We have experienced significant revenue and earnings growth since the commercial launch of our service offerings in April 2001. Our net revenues increased by 116.3% to \$2.3 million in 2003 from \$1.0 million in 2002 and by 116.6% to \$2.3 million for the six months ended June 30, 2004 from \$1.0 million for the same period in 2003. Our net income increased by 487.6% to \$1.2 million in 2003 from \$0.2 million in 2002 and by 202.6% to \$1.5 million for the six months ended June 30, 2004 from \$483,000 for the same period in 2003. 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 \$3.1 million as of June 30, 2004, representing a 168.3% increase from our deferred revenues of \$1.2 million as of June 30, 2003.

Gross revenues

We derive revenues primarily from annual subscription fees from subscribers to our financial data and information services. To a significantly lesser extent, we also derive revenues from the

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provision of short messaging services and through advertisement sales on our website, which together accounted for less than 1.7% and 3.1% of our gross revenues in 2003 and for the six months ended June 30, 2004, respectively. We expect our revenues from online advertisement sales to increase in future periods as we plan to increase our ability to place unobtrusive advertisements on our website. For example, we intend to increase the number of website sponsors for some of our website content, co-branding arrangements we have with online advertisers in China, and the number of banner advertising and direct-links arrangements we have with companies in China.

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 \$40,000 and \$221,000 in revenue for VAT refunds in 2003 and for the six months ended June 30, 2004, respectively.

We generate subscription fee revenues from the sales of six service packages we currently offer, which are comprised of downloadable and web-based research tools. Our subscribers pay us a subscription fee ranging from RMB99 (US\$12) for the most basic service we offer to as much as RMB12,000 (US\$1,450) for our most complete software package, depending on the research tools and premium features selected by our subscribers. Our subscription price for each of our six current service packages varies between these amounts, depending on the package. 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 users to our website;

the number of new subscribers purchasing our subscription services;

the number of our repeat 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. Substantially all of our revenues are currently derived from our subscription services. New subscribers for a specified period are subscribers who subscribed to any of our service packages during that period who were not subscribers at the beginning of that period. The number of new subscribers in a period is a measure of our revenue growth in that period attributable to the expansion of our customer base. Repeat subscribers for a specified period are subscribers who either have purchased more than one service package from us during that period, or have purchased our service packages in the past and have purchased at least one service package during that period. We view increases in repeat 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. Because we charge more for our newer and more comprehensive

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service packages, as the number of subscribers for a given period select one of our more comprehensive service packages, our average subscription fee per subscriber, or ASF, would be expected to increase for that period. 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. For example, in April 2004, in connection with the launch of our newest version of Grand Reference we began offering Grand Reference subscribers a one-time renewal for a non-upgraded subscription to Grand Reference at RMB480 (US\$58). If the number of repeat subscribers in a period elect to subscribe to one of our more comprehensive service packages, such as Grand Reference, at discount or promotional rates, ASF for that period would be expected to decrease.

The following table sets forth our registered users, new subscribers, ASF per new subscriber, repeat subscribers and ASF per repeat subscriber as of or for the years ended December 31, 2001, 2002 and 2003 and the six months ended June 30, 2003 and 2004.

(in thousands except for ASF data)	As of or for the twelve months ended December 31,			As of or for the six months ended June 30,	
	2001	2002	2003	2003	2004
Unaudited selected operating data: ⁽¹⁾					
Registered users ⁽²⁾	292.3	567.5	1,111.9	782.8	1,735.8
New subscribers ⁽³⁾	4.4	16.4	17.3	9.7	18.8
ASF per new subscriber ⁽⁴⁾	\$ 45	\$ 69	\$ 93	\$ 75	\$ 144
Repeat subscribers ⁽⁵⁾	1.3	7.1	10.1	6.7	7.9
ASF per repeat subscriber ⁽⁶⁾	\$ 62	\$ 111	\$ 111	\$ 92	\$ 188

(1) Unaudited selected operating data has been derived from our operating records.

(2) Registered users as of a specified date reflect the total number of users who are registered with our website as of that date.

(3) New subscribers for a specified period are subscribers who subscribed to any of our service packages during that period who were not subscribers at the beginning of that period.

(4) ASF per new subscriber for a specified period represents the average subscription fee per new subscriber for that period.

(5) Repeat subscribers for a specified period are subscribers who either have purchased more than one service package from us during that period, or have purchased our service packages in the past and have purchased at least one service package during that period.

(6) ASF per repeat subscriber for a specified period represents the average subscription fee per repeat subscriber for that period.

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 and Fuhua operate in China, their gross revenues from sales that are not subject to VAT are subject to a business tax at a rate of 5%. We expect to pay business tax in the PRC on online advertising revenues we expect to generate in the future. Accordingly, we expect our business tax payments to increase in line with the increase in our advertising revenues in future periods.

Revenue recognition

We charge our subscribers a subscription fee for the right to use our service packages for a one-year period. Since we accept cash as the only payment method, 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 subscribers. Upon receipt of payment in full, we activate our subscriber s

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account, marking the start of the one-year subscription period, and promptly provide the subscriber with that account's access code. We begin to recognize subscription fees as revenue upon activation of the subscriber's account and then ratably over the twelve month period corresponding with the subscriber's subscription 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 twelve month 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.

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 data, salary and compensation, depreciation and rent.

Cost of data. Our cost of data consists of fees we pay to the stock exchanges and our other data providers pursuant to our commercial agreements with those parties. These contracts are typically for a fixed rate, without regard to the level of use, for a term, typically between one and three years, depending on the provider. Our cost of data is the largest component of our cost of revenues and is likely to be our most variable element of cost of revenues. Our cost of data is expected to increase (1) 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 (2) 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.

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.

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, sales and marketing expenses and stock-based compensation expenses. Our operating expenses have decreased as a percentage of net revenues for each of the past three years and for the six months ended June 30, 2004, due to economies of scale we have achieved allowing us to increase our revenues without significantly increasing our operating expenses, the

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majority of which are relatively fixed relative to the level of our operations. The most significant factors affecting our operating expenses are:

advertising expenses relating to our sponsorship arrangements with portals, search engines and other websites; and

salary and benefits for our employees, particularly our sales and marketing personnel and our management team.

We expect our operating expenses as a percentage of net revenues will continue to decrease for the foreseeable future, but the rate of such decrease will depend primarily on our personnel needs, our advertising needs and our computer, network and server capacity relative to the growth or expansion of our business, 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, rent, professional expenses and other expenses, including travel and other general business expenses, office supplies and general office furniture and equipment.

Product development expenses. Our product development expenses primarily consist of salary and compensation expenses of personnel engaged in the research, development and implementation of our new service offerings, rent and depreciation of equipment attributable to our product development efforts. We expect that our product development expenditures will remain relatively flat for at least the next twelve months, which we believe will be sufficient to meet our expected product development needs during that period. However, we may apply a portion of our net proceeds from this offering for product development purposes in the future.

Sales and marketing expenses. Our sales and marketing expenses primarily consist of salary and compensation for our sales and marketing personnel and advertising expenses that we pay to portals, search engines and other websites that we view as important for attracting users for our services. In 2002, advertising expenses also included payments we made to an Internet advertising agent who was primarily responsible for the negotiation and placement of our advertisements on other websites. However, since November 2002, we have directly negotiated with portals, search engines and other websites and have now fully internalized our advertising efforts. Growth in our sales and marketing expenses will depend on the ability of our advertising department to reach agreements with additional portals and websites and the rate such third parties will charge us to advertise on their websites. We expect to continue to increase our sales and marketing efforts in the foreseeable future, including our plan to hire up to ten additional sales and marketing personnel to focus on online advertising sales for our website. While we currently expect our sales and marketing expenses to increase at a slower rate than we expect our net revenues to increase, expenses relating to our online advertising sales efforts that we expect to incur in future periods could cause our sales and marketing expenses to increase at a faster rate than we have previously experienced.

Our acquisition cost per new subscriber for any given period is our total sales and marketing expenses for that period, divided by the number of new subscribers for the same period. Our acquisition cost per new subscriber fluctuates from period to period, depending on the effectiveness of our sales and marketing efforts, as well as other factors such as the performance of the stock markets in China. For example, for the six months ended June 30,

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2004, our acquisition cost per new subscriber increased to \$18.4 from \$12.1 for the same period in 2003, primarily due to an increase in sales and marketing expenses.

Stock-based compensation expenses. In May 2003, we issued 2,666,600 ordinary shares at par value, which were valued at \$0.036 per share, to Jun Ning, our chairman and chief executive officer, resulting in a stock-based compensation expense of \$96,000. During the six month period ended June 30, 2004, we granted options to purchase a total of 12,517,988 of our ordinary shares to our directors, officers and employees, and some of our consultants and advisors, for which we recorded \$53,000 of deferred stock compensation during the six months ended June 30, 2004, of which we amortized \$25,000 and incurred \$71,000 of stock-based compensation expense for the same period. In April 2004, we issued 730,000 ordinary shares at par value to Sam Qian, our chief financial officer, which vest over a two year period and were valued at \$0.67 per share, resulting in deferred stock compensation of \$489,000 during the six months ended June 30, 2004, of which we amortized \$61,000 over the same period as stock-based compensation expense.

Stock option plan and option agreements

We adopted the 2004 Stock Incentive Plan, or the Plan, in January 2004, under which we could issue share options with the right to purchase up to 5,688,488 ordinary shares to our directors, officers, employees, individual consultants and advisors. We amended the Plan in September 2004 to permit the issuance of options to purchase up to an additional 5,000,000 ordinary shares. We have granted options under the Plan with the right to purchase a total of 5,688,488 ordinary shares (including 90,000 options to eligible individual consultants and advisors), and we may in the future grant options to purchase up to an additional 5,000,000 ordinary shares under the Plan. For options granted under the Plan to directors, officers and employees, we recorded deferred stock compensation of \$53,000 during the six months ended June 30, 2004, of which we amortized \$25,000 over the same period as stock-based compensation expense.

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. For options granted under these option agreements, and the 90,000 options granted under the Plan to individual consultants and advisors, we incurred deferred stock compensation of \$74,000 during the six months ended June 30, 2004, of which we amortized \$71,000 over the same period as stock-based compensation expense.

We have a total number of 8,507,988 options that are vested and immediately exercisable for ordinary shares. All of the options we granted in January 2004 have an exercise price of \$0.16 per share and expire on March 5, 2009, while the options we granted in June 2004 have an exercise price of \$1.04 per share and expire on March 5, 2009. All of the options granted under the Plan to our directors and managers have a vesting period of one to four years, while options granted under the Plan to our other employees vest over a period of five years. The options we granted to consultants and advisers vested immediately upon grant or within two years.

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

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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. We record a valuation allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. In the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of their recorded amount, an adjustment to our deferred tax assets would increase income in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to our deferred tax assets would be charged to income in the period such determination was made.

Stock-based compensation. In 2003, we issued 2,666,600 ordinary shares at par value to our chief executive officer, which were valued at \$0.036 per share. We obtained a valuation analysis by an independent appraiser which confirmed the determination of the fair value of our ordinary shares as of the date the ordinary shares were issued. The valuation analysis utilized generally accepted valuation methodologies such as the income and market approach and discounted cash flow approach to value our business. Changes in the assumptions used in the valuation can materially affect the fair value estimate.

We granted 5,278,488 stock options to our directors, officers and employees in January 2004 under the Plan, at an exercise price of \$0.16 per share. The fair value of our ordinary shares as of the grant date of these options on January 5, 2004 was determined by a valuation analysis conducted by an independent appraiser. As a result of this valuation, the independent appraiser determined the fair value of our ordinary shares to be \$0.17 as of January 5, 2004. The valuation analysis utilized generally accepted valuation methodologies such as the income and market approach and discounted cash flow approach to value our business. Changes in the assumptions used in the valuation can materially affect the fair value estimate. We recorded a deferred stock compensation amount for the excess of the fair value of the options at the measurement date over the amount an employee must pay to acquire the ordinary shares upon exercise of the options. The deferred stock compensation will be amortized on a straight-line basis and charged to stock-based compensation expense over the vesting period of underlying options, which is generally over one to five years. We recorded deferred stock compensation of \$53,000 for stock options granted to employees during the six months ended June 30, 2004, of which we amortized \$25,000 over the same period as stock-based compensation expense.

In January 2004, we also granted 6,919,500 share options to purchase ordinary shares to non-employees, who are our consultants and advisors, of which 6,829,500 share options were granted outside the Plan and 90,000 share options were granted under the Plan. We used a Black-Scholes option-pricing model to compute the fair value of these options as of the grant date. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions, including the expected volatility rates experienced by comparable public companies. Changes in the assumptions used in the

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valuation can materially affect the fair value estimate. Based on these results and the valuation report from an independent appraiser, we recorded \$74,000 of deferred stock compensation relating to these options for the six months ended June 30, 2004, of which we amortized \$71,000 over the same period as stock-based compensation expense.

In April 2004, we issued 730,000 ordinary shares at par value to Sam Qian, our chief financial officer, which vest over two years and were valued at \$0.67 per share. Our determination of the fair value for our ordinary shares on April 1, 2004 was calculated assuming a steady increase in the fair value of our ordinary shares between January 5, 2004 and June 11, 2004, for which we had readily determinable fair value amounts. We determined that the fair value of our ordinary shares had steadily increased during this period based on several factors, including:

market volatility experienced by comparable Chinese Internet companies traded on Nasdaq during the period between January 2004 and June 2004;

the increase in our gross revenues by 46.5% from \$645,000 for the three months ended December 31, 2003 to \$945,000 for the three months ended March 31, 2004, and by an additional 41.8% to \$1.3 million for the three months ended June 30, 2004;

the increase in our gross profit by 48.9% from \$562,000 for the three months ended December 31, 2003 to \$837,000 for the three months ended March 31, 2004, and by an additional 48.6% to \$1.2 million for the three months ended June 30, 2004;

the launch of Grand Reference v.5, our most comprehensive service package, in April 2004;

the strengthening of our senior management team through the hiring of our chief financial officer and chief operating officer in April and June 2004, respectively; and

the increase in the number of our sponsorship arrangements from 23 as of December 31, 2003 to 27 as of June 30, 2004, and the increase in the number of our cooperation arrangements with Chinese news publishers and media companies from 6 as of December 31, 2003 to 77 as of June 30, 2004.

We recorded deferred stock compensation of \$489,000 for the six months ended June 30, 2004, of which we amortized \$61,000 over the same period as stock-based compensation expense.

In June 2004, we also granted 320,000 options under our Plan to our directors at an exercise price of \$1.04 per share, the fair value of our ordinary shares as of the date of grant. We determined the deemed fair value of our ordinary shares based on several factors, including a contemporaneous sale of preference shares by one of our shareholders to an unrelated third party, which valued our preference shares at the same per share price of \$1.04.

Recently issued accounting standards

In June 2002, the Financial Accounting Standards Board, or FASB, issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, or SFAS No. 146, which requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Costs covered by SFAS No. 146 include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant closing, or other exit or disposal activity. SFAS No. 146 replaces the previous accounting guidance provided by the Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructur-*

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ing). SFAS No. 146 will be applied prospectively to exit or disposal activities initiated after December 31, 2002 and adoption of this statement did not have a material impact on our financial position, results of operations or cash flows.

In December 2002, FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. SFAS No. 148 amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. Statement 148 also amends the disclosure provisions of SFAS No. 123 and APB Opinion No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. While SFAS No. 148 does not amend SFAS No. 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of SFAS No. 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of SFAS No. 123 or the intrinsic value method of APB Opinion No. 25. As allowed by SFAS No. 123, we have elected to utilize the accounting method prescribed by APB Opinion No. 25 and will adopt the disclosure requirements of SFAS No. 148 commencing January 1, 2004. Prior to 2004, we did not grant stock options.

In May 2003, FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, or SFAS No. 150., establishes standards for how an issuer classifies and measures certain financial instruments. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 requires that certain financial instruments that, under previous guidance, issuers could account for as equity be classified as liabilities (or assets in some circumstances) in statement of positions or consolidated balance sheets, as appropriate. The financial instruments within the scope of SFAS No. 150 are: (1) mandatorily redeemable shares that an issuer is obligated to buy back in exchange for cash or other assets; (2) financial instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets; and (3) financial instruments that embody an obligation that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuer's shares, excluding certain financial instruments indexed partly to the issuer's equity shares and partly, but not predominantly, to something else. SFAS No. 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety. SFAS No. 150 also requires disclosures about alternative ways of settling the instruments and the capital structure of entities, all of whose shares are mandatorily redeemable. The adoption of SFAS No. 150 did not have a material impact on our financial position, cash flows or results of operations.

In November 2002, FASB issued FIN No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. This interpretation requires certain disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN No. 45 are effective for interim and annual periods ending after December 15, 2002 and have been adopted in the financial statements. The initial recognition and initial measurement

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requirements of FIN No. 45 are effective prospectively for guarantees issued or modified after December 31, 2002. The adoption of the recognition and initial measurement requirements of FIN No. 45 did not have a material impact on our financial position, cash flows or results of operations.

In January 2003, FASB issued FIN 46. FIN 46 clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements and provides guidance on the identification of entities for which control is achieved through means other than voting rights, called variable interest entities or VIEs and how to determine when and which business enterprise should consolidate the VIEs. This new model for consolidation applies to an entity in which either: (1) the equity investors (if any) lack one or more characteristics deemed essential to a controlling financial interest or (2) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. FIN 46 was applicable for periods ending December 15, 2003. In December 2003, FASB issued FIN 46 (revised) which provides for the deferral of the implementation date to the end of the first reporting period after December 15, 2004 unless we have a special purpose entity, in which case the provisions must be applied for fiscal years ended December 31, 2003. However, we have retroactively adopted the provisions from the inception of the VIE.

In November 2002, the Emerging Issue Task Force, or EITF, reached a consensus on Issue No. 00-21, or EITF No. 00-21, Revenue Arrangements with Multiple Deliverables. EITF No. 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which the vendor will perform multiple revenue generating activities. EITF No. 00-21 will be effective for fiscal periods beginning after June 15, 2003. We have adopted EITF No. 00-21 and it did not have a material impact on our financial position, cash flows or results of operations.

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The following table presents certain unaudited consolidated quarterly financial data for each of the six quarters in the period from January 1, 2003 to June 30, 2004. You should read the following table in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited consolidated quarterly financial information on substantially the same basis as our audited consolidated financial statements and using information derived from our unaudited consolidated financial statements which are not included in this prospectus. The following information contains normal recurring adjustments which are, in the opinion of our management, necessary for a fair presentation of the results for such unaudited period.

(in thousands of U.S. dollars) ⁽¹⁾	For the three months ended					
	March 31, 2003	June 30, 2003	September 30, 2003	December 31, 2003	March 31, 2004	June 30, 2004
(unaudited)						
Consolidated statement of operations and comprehensive income data:						
Gross revenues ⁽²⁾	\$ 541	\$ 557	\$ 611	\$ 645	\$ 945	\$ 1,340
Business tax	(26)	(24)	(19)	(14)	(11)	(5)
Net revenues	515	533	592	631	934	1,335
Cost of revenues	(78)	(77)	(75)	(69)	(97)	(91)
Gross profit	437	456	517	562	837	1,244
Operating expenses:						
General and administrative	(57)	(89)	(60)	(98)	(72)	(93)
Product development	(38)	(39)	(34)	(38)	(37)	(43)
Sales and marketing	(56)	(62)	(80)	(86)	(124)	(221)
Stock based compensation		(96)			(90)	(67)
Total operating expenses	(151)	(286)	(174)	(222)	(323)	(424)
Income from operations	286	170	343	340	514	820
Interest income	14	14	12	12	14	30
Interest expenses						
Other income (expense)	(1)					(1)
Income before income tax expense	299	184	355	352	528	849
Income tax					(9)	93
Net income	\$ 299	\$ 184	\$ 355	\$ 352	\$ 519	\$ 942

(1) For a specified period, all translations from Renminbi to U.S. dollars were calculated at the average exchange rate for that period. The exchange rates for the three months ended March 31, June 30, September 30, December 31, 2003 and for the three months ended March 31 and June 30, 2004 were RMB8,2770, RMB8,2771, RMB8,2774, RMB8,2770, RMB8,2769 and RMB8,2766, respectively.

(2) 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 subscription period.

Our operating results for any quarter are not necessarily indicative of results that may be expected for any future period. In particular, our operating results in any quarterly period may be affected by a number of factors, including the following:

Because our operating results are highly dependent on China's stock markets, our operating results will be subject to the volatility and performance of China's stock markets during the period.

We may experience seasonal variations in investor activity in China. Investors in China tend to be more active during the third quarter due to, among other reasons, the absence of any

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major Chinese holidays and market closings in that quarter relative to the other quarters. As a result, our results of operations would be expected to be relatively higher during periods with fewer market closings.

The online financial data and information services industry in China and our business are both relatively new and rapidly evolving, which has resulted in significant volatility in our operating results.

One of our strategies is to increase revenues through online advertisement sales. We can give no assurance that we will be able to establish and maintain an online advertisement sales business or increase our revenues as a result of such efforts. Moreover, even if we are successful in those efforts, before we will be able to improve our results of operations from online advertisement sales in the future, we may incur additional expenses, such as compensation expenses, relating to expanding our online advertising business in the near-term before we would expect to see increased revenues from these efforts.

Because we have experienced significant revenue and earnings growth since we commercially launched our service offerings in April 2001, the impact of these factors on our operating results have been offset to a more significant degree than we may experience in the future. See Risk factors and Forward-looking statements for other factors that may affect our future operating results.

Results of operations

The following table sets forth certain information relating to our results of operations for the periods indicated:

(in thousands of U.S. dollars) ⁽¹⁾	For the year ended December 31,			For the six months ended June 30,	
	2001	2002	2003	2003	2004
				(unaudited)	
Consolidated statement of operations and comprehensive income (loss) data:					
Gross revenues ⁽²⁾	\$ 102	\$ 1,098	\$ 2,354	\$ 1,097	\$ 2,285
Business tax	(5)	(48)	(83)	(50)	(16)