China Finance Online Co. LTD
Form 20-F
April 26, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2018

OR

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

OR

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

Date of event requiring this shell company report

Commission file number: 000-50975

CHINA FINANCE ONLINE CO. LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant’s name into English)

Hong Kong
(Jurisdiction of incorporation or organization)

17th Floor of Fuzhuo Plaza A,
No. 28 Xuanwai Street, Xicheng District,

Beijing, China 100052
(Address of principal executive offices)

Lin Yang, Vice President

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17th Floor of Fuzhuo Plaza A,

No. 28 Xuanwai Street, Xicheng District,

Beijing, China 100052

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

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

Title of each class	Name of each exchange on which registered
None	None

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

American Depositary Shares, each representing 5 ordinary shares*

(Title of Class)

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

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

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 118,098,018 ordinary shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transaction report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

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

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

CHINA FINANCE ONLINE CO. LIMITED

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INTRODUCTION

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

- "we", " us", "our Company", "the Company", "our", refer to China Finance Online Co. Limited, or CFO Hong Kong and its subsidiaries, and, in the context of describing our operations include consolidated affiliates in China, Hong Kong or British Virgin Islands;
- "shares" and "ordinary shares" refer to our ordinary shares, "preferred shares" refers to our preferred shares, all of which were converted into our ordinary shares upon the completion of our initial public offering on October 20, 2004. "ADSs" refers to our American depositary shares, each of which represents five ordinary shares, and "ADRs" refers to the American depositary receipts which evidence our ADSs;
- "China" or "PRC" refers to the People's Republic of China, and solely for the purpose of this annual report, excluding Taiwan, Hong Kong and Macau;
- "Hong Kong" or "H.K." refers to the Hong Kong Special Administrative Region of the People's Republic of China;
- "U.S. GAAP" refers to generally accepted accounting principles in the United States; and
- all references to "Renminbi", "RMB" or "yuan" are to the legal currency of China, all references to "U.S. dollars", "dollars", " or "US$" are to the legal currency of the United States and all references to "Hong Kong dollars" or "HK$" are to the legal currency of Hong Kong. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

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

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FORWARD-LOOKING INFORMATION

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

- our goals and new strategies, including how we effect our goals and new 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 and upgrade our business strategies;
- our plans to use acquisitions and investments as part of our corporate strategy;
- our strategic transformation initiative;
- cost-cutting initiatives and their effect on efficiency and operational performance;
- competition in the PRC financial data and information services industry, securities investment advisory, wealth management and financial services industry;
    - the market prospect of the online financial data and information services market;
- the market prospect of the securities investment advisory and wealth management services markets;
- the market prospect and competition in other business areas that we have expanded or ventured into, including without limitation, futures contracts brokerage business and commodities brokerage business;
- performance of China’s securities markets, Hong Kong’s securities markets and global financial markets;
- global macroeconomic uncertainties;
- wavering investor confidence that could impact our business;
- our ability to retain key personnel and attract new talents;
- possible non-cash goodwill, intangible assets and investment impairment may adversely affect our net income;
- PRC and Hong Kong governmental policies relating to taxes and how they will impact our business;
- PRC governmental policies relating to the Internet and Internet content providers;
- PRC governmental policies relating to securities investment advisory companies to provide advisory services on securities and related products;
    - PRC governmental policies relating to wealth management services and our commodities brokerage business;
- PRC governmental policies relating to the distribution of content, especially the distribution of financial content over the Internet; and
- PRC governmental policies relating to mobile value-added services.

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

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, securities investment advisory, wealth management and financial services industry subjects any projections or estimates relating to the growth prospects or future condition of our markets to significant uncertainties. Furthermore, if any one or more of the assumptions underlying the market data turn out to be incorrect, actual results may differ from the projections based on these assumptions.

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

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

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ITEM 3. KEY INFORMATION

A. Selected financial data.

The selected historical consolidated financial statement of operations data for the years ended December 31, 2016, 2017 and 2018 and the selected historical consolidated balance sheet data as of December 31, 2017 and 2018 set forth below are derived from our audited historical consolidated financial statements included elsewhere in this annual report. The selected historical consolidated statement of operations data for the years ended December 31, 2014 and 2015 and the selected historical consolidated balance sheet data as of December 31, 2014, 2015 and 2016 set forth below are derived from our audited historical consolidated financial statements, which are not included in this annual report. This data may not be indicative of our future condition or results of operations and should be read in conjunction with "Operating and Financial Review and Prospects" and the consolidated financial statements and accompanying notes.

(in thousands of U.S. dollars, except per share or per ADS data)	For the year ended December 31, 2014	2015	2016	2017	2018
Consolidated statement of operations and comprehensive income (loss) data:					
Net revenues	$83,696	$107,405	$83,058	$42,623	$45,478
Cost of revenues	(20,353)	(19,739)	(20,380)	(21,934)	(16,842)
Gross profit	63,343	87,666	62,678	20,689	28,636
Operating expenses:					
General and administrative	(17,592)	(17,994)	(19,837)	(15,250)	(14,254)
Product development	(11,148)	(10,739)	(14,485)	(16,208)	(13,924)
Sales and marketing	(43,761)	(46,474)	(50,083)	(29,467)	(22,066)
Loss from impairment of intangible assets	(1,802)	(250)	(1,111)	(292)	—
Loss from impairment of goodwill	(8,150)	—	(6,660)	—	—
Total operating expenses	(82,453)	(75,457)	(92,176)	(61,217)	(50,244)
Government subsidies	659	252	1,195	230	—
Income (loss) from operations	(18,451)	12,461	(28,303)	(40,298)	(21,608)
Interest income	4,044	2,648	1,051	487	97
Interest expense	(12)	(1)	(2)	(3)	(1)
Exchange gain (loss), net	(112)	(766)	(55)	(131)	247
Gain (loss) on the interest sold and retained noncontrolling investments	—	10,000	20,568	(1,997)	(1,187)
Gain from sale of cost method investment	4,338	4,648	—	—	—
Gain from sale of equity method investment	—	—	—	111	—
Loss from equity method investment	—	(67)	(138)	(13)	—
Short-term investments income	58	216	379	63	(73)
Other income (expense), net	18	(937)	(305)	(283)	107
Income (loss) before income tax expense	(10,117)	28,202	(6,805)	(42,064)	(22,418)

Income tax expense	(514)	(1,384)	(4,161)	(324)	(52)
Net income (loss)	(10,631)	26,818	(10,966)	(42,388)	(22,470)
Less: net income (loss) attributable to the noncontrolling interests	(3,463)	4,335	(9,287)	(5,652)	(2,520)
Net income (loss) attributable to China Finance Online Co. Limited	$(7,168)	$22,483	$(1,679)	$(36,736)	$(19,950)
Net income (loss) per share attributable to China Finance Online Co. Limited					
-basic	$(0.07)	$0.20	$(0.01)	$(0.32)	$(0.18)
-diluted	$(0.07)	$0.18	$(0.01)	$(0.32)	$(0.18)
Net income (loss) per ADS equivalent attributable to China Finance Online Co. Limited					
-basic (1)	$(0.33)	$1.01	$(0.07)	$(1.62)	$(0.88)
-diluted (1)	$(0.33)	$0.90	$(0.07)	$(1.62)	$(0.88)

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(in thousands of U.S. dollars)	As of December 31,				
	2014	2015	2016	2017	2018
Consolidated balance sheet data:					
Cash and cash equivalents	$32,539	$85,734	$66,151	$38,693	$12,493
Current working capital (2)	55,771	76,976	64,701	33,106	16,797
Total current assets	92,214	120,735	148,461	101,617	70,973
Total assets	113,903	144,065	167,624	114,604	80,689
Deferred revenue, current	4,936	6,659	6,526	9,371	8,127
Total current liabilities	36,443	43,759	84,894	68,511	54,176
Deferred revenue, non-current	1,373	692	609	144	149
Total China Finance Online Co. limited shareholders' equity	64,615	88,038	86,165	54,047	35,446

(1) Each ADS represents five ordinary shares.
(2) Current working capital is the difference between total current assets and total current liabilities.

Exchange Rate Information

We have published our financial statements in U.S. dollars. Our business is primarily conducted in China and is denominated in Renminbi. Periodic reports will be made to shareholders and will be expressed in U.S. dollars using the then-current exchange rates. The conversion of Renminbi into U.S. dollars in this annual report is based on the official base exchange rate published by the People's Bank of China. Unless otherwise noted, all translations from Renminbi to U.S. dollars in this annual report were made at $1.00 to RMB6.8632, which were the prevailing exchange rate on December 31, 2018. The prevailing exchange rate on April 5, 2019 was $1.00 to RMB6.7055. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes controls over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade.

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

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

	Average(1)	High	Low	Period-end
	(RMB per U.S.$1.00)			
December 31, 2014	6.1453	6.1710	6.0930	6.1190
December 31, 2015	6.2401	6.4936	6.1079	6.4936
December 31, 2016	6.6529	6.9508	6.4565	6.9370
December 31, 2017	6.7518	6.9526	6.4997	6.5342
December 31, 2018	6.6174	6.9670	6.2764	6.8632
Most recent six months:				
October 2018	6.9264	6.9646	6.8957	6.9646
November 2018	6.9351	6.9670	6.8976	6.9357
December 2018	6.8853	6.9431	6.8476	6.8632
January 2019	6.7897	6.8631	6.7025	6.7025
February 2019	6.7364	6.7765	6.6857	6.6901
March 2019	6.7093	6.7335	6.6850	6.7335
April 2019 (through 5th)	6.7151	6.7194	6.7055	6.7055

(1) Annual averages are calculated using the average of month-end rates of the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant period.

B. Capitalization and indebtedness.

Not Applicable.

C. Reasons for the offer and use of proceeds.

Not Applicable.

D. Risk factors.

Risks relating to our business

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

Our business can be adversely affected by the general macroeconomic environment. Global economic, securities market and financial developments all could significantly influence the overall interests and engagement of Chinese investors in the stock market. China macro-economic growth has also slowed down due to various factors, including

concerns over China's economic transformation and the bleak corporate earnings prospects and deteriorating global economic conditions. The recent trade war between U.S. and China may adversely affect the economic growth in China and the global market, which may result in a negative impact on Chinese securities market, which could in turn have a significantly negative impact on our business. Any prolonged or substantial slowdown in the global or Chinese economy could adversely affect Chinese investors' interests and engagement in the securities market, which may in turn have a significant negative impact on our business.

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Increasing challenges in China's securities markets, economic conditions, inflation, regulatory policies, interest rates, the availability of hedging instruments and other factors that could affect investors' interests in investing in China's securities markets could have an adverse effect on our business.

We believe that the level of investors' interest in investing in China's securities market could significantly influence the demand for market intelligence on China's securities markets and our products and services. Such demand could be affected by the level of trading activities in China's securities markets. However, irregular activities involving China's securities markets, including, without limitation, insider trading, large-scale selling shares by executive officers of newly listed companies, over issuance of IPOs and inadequate legal protections of individual investors, have become increasingly intense in recent years and resulted in market weakness and decreased investor confidence in China's securities markets. Any factors that lead to weakness or intensified volatility in China's securities markets in the future may diminish investors' interest in China's securities markets, and our business could be adversely affected accordingly.

The China Securities Regulatory Commission, or the CSRC, officially approved the trial margin trading and short selling rules at Shanghai and Shenzhen Stock Exchanges in late 2011, which indicates that margin trading and short selling have become the regular trading activities within China's securities market. On July 1, 2015, CSRC announced regulations that capped the volume of brokerages' margin trading businesses as part of an effort to minimize the risks associated with highly leveraged stock market. And in the wake of the stock market's dramatic fall in early July 2015, CSRC took another step to curb volatility, launching investigations into "malicious short selling" in the equity futures market. Both the Shanghai and Shenzhen stock exchanges published new rules on their websites in early August 2015 barring investors from borrowing and repaying stocks on the same day. In November 2015, the Shanghai and Shenzhen stock exchanges further announced rule changes that would double the required base ratio for margin financing as the government looks to reduce excessive leverage. Despite the measures by the government, it is possible that these hedging instruments, among other things, could cause increased volatility in China's securities market, which, in turn, may have a negative impact on Chinese investors' participation in the securities market, and materially and adversely affect our business.

The Interim Measures on Administration of the Business Activities of Peer-to-Peer Lending Information Intermediaries may adversely affect our business, financial conditions and results of operations.

The laws and regulations governing the peer-to-peer ("P2P") lending service industry in China are developing and evolving and subject to changes. On December 28, 2015, the China Banking Regulatory Commission (the "CBRC") revealed proposed rules on the regulation of online P2P lending platform for public comment. The proposed rules require P2P lending platforms to publicly disclose aggregate loan information and performance. All P2P lenders are required to register with local financial authorities to improve transparency. Online lenders will not be allowed to use any outside funding.

On August 24, 2016, the CBRC, the Ministry of Industry and Information Technology ("MIIT"), the Ministry of Public Security and the Cyber Administration of China ("CAC") jointly released the Interim Measures on Administration of the Business Activities of Peer-to-Peer Lending Information Intermediaries (the "Interim Measures"). The Interim Measures comprise the first comprehensive legal framework specifically regulating P2P lending activities in China. The Interim Measures provide a 12-month transitional period for existing P2P lending platforms to achieve compliance. Any violation of the Interim Measures by a P2P lending platform may subject such platform to certain penalties as determined by applicable laws and regulations, or by relevant government authorities if the applicable laws and regulations are silent on the penalties. The applicable penalties may include, but are not limited to, criminal liabilities, warning, rectification, tainted integrity record and fines of up to RMB30,000 (approximately US$4,000).

The Interim Measures require, among other things, that (i) the information intermediary must apply to the MIIT or other relevant telecommunications authority for a telecommunications business permit; (ii) the information intermediary intending to provide P2P lending information agency services (excluding to its own subsidiaries and branches) must make relevant filings and registrations with local financial regulatory authorities with which it is registered after obtaining its business license; and (iii) the information intermediary must separate its own funds from the funds of lenders and borrowers and engage a qualified financial institution as a third-party banking custodian. Yinglibao is in the process of making the relevant filings, registrations and custodian arrangements. However, we cannot guarantee that we will be able to obtain and/or establish any or all of the required permit, license, and custodian arrangements prior to the expiration of the 12-month transitional period for existing P2P lending platforms to achieve compliance under the Interim Measures. Yinglibao's operations may be suspended or terminated if we fail to comply with the filing and custodian requirements of the Interim Measures and our business, financial conditions and results of operations would be materially and adversely affected.

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The Interim Measures prohibit information intermediaries from engaging in activities including taking deposits from members of the public or creating asset pools, conducting offline promotion of financing projects, providing guarantees for borrowers (unless facilitated through a third party), or selling wealth management products. The Interim Measures also imposed limits on the size of the online borrowing transactions. Under the Interim Measures, the total amount that an individual can borrow on a single platform must not exceed RMB200,000, and RMB1 million on multiple platforms. The respective caps for a corporate entity are RMB1 million and RMB5 million. Currently, a significant number of borrowers using Yinglibao borrow money in amounts that exceed such caps. Yinglibao is planning to take measures to comply with the size limits the size of the online borrowing transactions within the 12-month transitional period. As a result, we may incur extra costs (especially if we are to monitor the borrowing amounts of on multiple platforms), and the size of Yinglibao's business will be adversely effected unless we can attract more users to make up for the decrease in individual borrowing amounts.

In February 2017, the CBRC released the Guidelines to Regulate Funds Custodian for Online Lending Intermediaries, or the Custodian Guidelines. The Custodian Guidelines define depositories as commercial banks that provide online lending fund custodian services, and stipulate that the depositories shall not engage in offering any guarantee, including: (i) offering guarantees for lending transaction activities conducted by online lending intermediaries, or undertaking any liability for breach of contract related to such activities; or (ii) offering guarantees to lenders, guaranteeing principal and dividend payments or bearing the risks associated with fund lending operations for lenders. Apart from the requirements set forth in the Interim Measures, the Custodian Guidelines impose certain responsibilities on online lending intermediaries, including entering into fund custodian agreements with only one commercial bank to provide fund custodian services, and organizing independent audit on funds custodian accounts of borrowers and investors and various other services. The Custodian Guidelines also provide that online lending intermediaries are permitted to develop an online lending fund custodian business only after satisfying certain conditions, including: (i) completing registration, filing records and obtaining a business license from the competent industry and commerce administration authority; (ii) filing records with the local financial regulatory authority; and (iii) applying for a corresponding telecommunications service license pursuant with the relevant telecommunication authorities. The Custodian Guidelines also require online lending intermediaries to perform various obligations and prohibits them from advertising their services except in accordance with certain exposure requirements, the interpretation and applicability of which is unclear, as well as certain oversight requirements. The Custodian Guidelines also sets forth other business standards and miscellaneous requirements for depositories and online lending intermediaries as well. Online lending intermediaries and commercial banks conducting the online custodian services prior to the effectiveness of the Custodian Guidelines have a six-month grace period to rectify any activities not in compliance with the Custodian Guidelines.

In August 2017, the General Office of the CBRC released the Guidelines on Information Disclosure of Business Activities of Online Lending Information Intermediaries, or the Information Disclosure Guidelines (the "Information Disclosure Guidelines"). Consistent with the Interim Measures, the Information Disclosure Guidelines emphasize the requirement of information disclosure by an online lending intermediary and further, detail the frequency and scope of such information disclosure. Any violation of the Information Disclosure Guidelines by an online lending intermediary may be subject the online lending intermediary to certain penalties under Interim Measures. In addition, the Information Disclosure Guidelines require online lending intermediaries that do not fully comply with the Information Disclosure Guidelines in conducting their business to rectify the relevant activities within six months after the release of the Information Disclosure Guidelines.

In May 2017, CBRC, MOE and Ministry of Human Resources and Social Security issued the Notice on Further Strengthening the Regulation and Management Work of Campus Online Lending Business, or the CBRC Circular 26. The CBRC Circular 26 provides that (i) the commercial banks and the policy banks may research and develop

financial products and provide loans that provide general assistance to college students and support them in areas such as learning and training, consumption and entrepreneurship, and provide customized and quality financial services to college students with reasonable credit limits and interest rates; (ii) any entity established without approval of the relevant banking regulatory authority shall not provide any credit services to college students so as to eliminate fraud, usurious loans or violent loan collections; and (iii) all Campus Online Lending business conducted by the Online Lending Information Intermediaries shall be suspended and the outstanding balance of Online Campus Lending loans shall be gradually reduced until reaching a zero balance.

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Complying with these new requirements released in 2017 may cause Yinglibao to incur significant compliance costs and/or eventually reduce the profitability of Yinglibao.

Furthermore, the information intermediaries shall comply with the relevant provisions of national security and national information security protection system, to carry out the information system classification and grading test, with solid firewall, intrusion detection, data encryption and disaster recovery network security facilities and management system, and to establish the rule of the management of technology information, risk and audit. Information intermediaries shall record and retain the debit online log information and interactive information content for five years after the expiration date of the loan contract. At least once every two years, information intermediaries should carry out a comprehensive safety assessment, and accept the examination and review of information security by competent governments, and shall establish or use facilities application level disaster recovery system. Complying with these new requirements may cause Yinglibao to incur significant compliance costs and eventually reduce the profitability of Yinglibao.

In August 2018, the Office of the Leading Group for the Special Campaign against P2P Lending Risks issued a new policy for this purpose, conducting a large-scale and comprehensive rectification check on the P2P online lending platform, and cleaning up the platform development environment. On December 19, 2018 the Office of the Leading Group for the Special Campaign against P2P Lending Risks and the Office of the Leading Group for the Special Campaign against Internet Financial Risks jointly issued the opinion of Working Effectively on Classification and Disposal of Online Lending Agencies (“Circular 175”), which provided that relevant authorities will classify the online lending agencies according to their risk status and scale, and relevant authorities will resolutely promote the market clearing and guide the risk-free exit of the small-scale online lending agencies. We cannot ensure that Yinglibao will not be classified as a small-scale online lending agency, and if it is, our business will be materially and adversely affected.

Downturns, disruptions and volatility in Hong Kong securities markets and global financial markets, and increasing challenges in the business, economic and market conditions that could affect investors’ investments in Hong Kong securities markets and global financial markets could have a material and adverse impact on our business in the future.

We provide a diversified portfolio of brokerage and information service to our clients in connection with their investment in Hong Kong securities market and global financial markets through our subsidiaries in Hong Kong. Lower trading volumes and price levels of securities transactions in Hong Kong securities market may affect investors’ participation in Hong Kong’s securities markets and have a material and adverse impact on our business in the future.

Historically, securities trading volume and price level in Hong Kong have fluctuated considerably. After reaching one of its all-time high on October 30, 2007, the Hang Seng Index (HSI) lost approximately 65.18% of its value from October 30, 2007 through October 27, 2008. In 2018, the HSI had a decrease of 13.61% for the year, down from 29,919.15 points on December 29, 2017 to 25,845.70 points on December 31, 2018.

On November 17, 2014, the Shanghai-Hong Kong Stock Connect was formally launched granting investors mutual access to the stock market in Shanghai and Hong Kong. On December 5, 2016, the Shenzhen-Hong Kong Stock Connect was formally launched, granting investors mutual access to the stock market in Shenzhen and Hong Kong. In 2018, the average daily turnover of Shanghai-Hong Kong Stock Connect was RMB11.63 billion northbound and HK$8.17 billion southbound and the average daily turnover of the Hong Kong stock market was HK$107.41 billion, representing an increase of 21.71% as compared with HK$88.25 billion for the year 2017.

Continued significant fluctuations and weak investor confidence in the Hong Kong securities markets may materially and adversely impact our business.

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

Rifa Securities Limited (or Rifa Securities, previously named iSTAR International Securities Co. Limited), holds a Type 1 license and provides a diversified portfolio brokerage and other related services to our customers who invest in stocks listed on the Hong Kong Stock Exchanges and Clearing Limited, or HKEx. Rifa Futures Limited (or Rifa

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Futures, previously named iSTAR International Futures Co. Limited), holds a Type 2 license and commences futures contract trading business in Hong Kong. Rifa Credit Limited (or Rifa Credit, previously named iSTAR International Credit Co. Limited), holds a Money Lenders License. Rifa Asset Management Limited ("Rifa Asset Management") holds Type 9 License, Type 4 License and Type 5 License. The securities brokerage, securities advising, futures contracts trading, futures contracts advising, asset management and money lending business and operations in Hong Kong are subject to extensive regulations by Hong Kong Securities and Futures Commission ("SFC"), and Hong Kong Police Force, which may increase our cost of doing business and may be a limiting factor on the operations and development of such businesses. The regulation on our businesses in Hong Kong is also an ever-changing area of law and is subject to modification by the Hong Kong legislature, government, regulatory and judicial actions. As our business has expanded into these areas in Hong Kong, we devote more time to regulatory matters.

On April 12, 2017, Rifa Futures resolved a disciplinary action with SFC. The disciplinary action was instituted against Rifa Futures by the SFC under section 194 of the Securities and Futures Ordinance with respect to Rifa Futures' internal control deficiencies during the period between January 1, 2014 and July 31, 2014 (the "Relevant Period"). Although this disciplinary action has been resolved with SFC, we cannot guarantee that we will not be challenged by SFC or other governmental authorities in Hong Kong in the future. Failure to comply with any of the laws, rules, regulations, codes or guidelines applicable to our businesses in Hong Kong could lead to adverse consequences including, without limitation, investigations, fines, law suits and other penalties from regulatory agencies, which could materially and adversely affect our operation of such businesses.

We have incurred significant net losses in the past, and we may not be able to achieve or subsequently maintain profitability.

We incurred net losses attributable to the Company of $1.7 million, $36.7 million and $20.0 million in 2016, 2017 and 2018 respectively. Our ability to achieve and/or sustain profitability depends on a lot of factors, many of which are beyond our control, such as the continuous development of securities market in China and Hong Kong, as well as the online financial investment services industry. We may incur losses in the near future due to our continued investments in technology, research and development and our sales and marketing initiatives. Changes in macroeconomics and regulatory environment or competitive dynamics and our inability to respond to these changes in a timely and effectively manner may also impact our profitability.

We may not be able to successfully continue to innovate, improve and provide products and services to attract and retain paying subscribers and registered users, which could have a material and adverse impact on our business in the future.

In order to attract and retain users and compete against our competitors, we must continue to invest significant resources in research and development to enhance our Internet technology, improve our existing products and services and introduce additional high-quality products and services. If we are unable to anticipate user preferences or industry changes, or if we are unable to modify our products and services on a timely basis, or if we introduce a new feature or a new research tool that is not favorably received, we may lose users. Our operating results may also suffer if our innovations do not respond to the needs of our users, are not appropriately timed with market opportunities or are not effectively brought to market. Furthermore, our research tools or features may contain errors, including without limitation, programming errors, which are not discovered by our internal testing or are discovered after the services are introduced. Our business operation and our reputation shall be damaged by those errors, and we may need to significantly modify the design of these research tools or features to correct these errors, which could result in significant cost and expense. As Internet technology and products continue to develop, our competitors may be able to offer services and products including news, data, analytics and brokerage-related services through web portals,

desktop solutions and mobile handsets that are, or that are perceived to be, substantially similar to or better than those generated by our services. This may force us to expend significant resources in order to remain competitive.

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Our transition to a new business model and our recently started venture into new business areas may not be successful. We cannot guarantee that each of these businesses will be profitable, which may materially and adversely affect our performance.

Beginning in April 2012, while we continue to offer basic versions of paid individual subscription services to individual investors through our flagship portal sites and accumulated paid subscribers with basic software and information services, we no longer accept new paid subscribers or renewals for our premium individual subscription services. We implemented a strategic transition of our core businesses shifting from providing premium subscription services to individual investors to developing Internet-based financial services, including securities, wealth management products and investment advisory services. Beginning in 2013, we started providing commodity brokerage services as part of our transition to new business model. Our transition into commodities brokerage business was suspended in 2017 because we were forced to suspend such business due to the suspension of new commodities trading business according to relevant policies in China in the mid of 2017.

In 2014, the Company launched- "Investment Masters" ("iTougu"), an investment advisory service platform. In 2015, we launched the updated version 2.0 and version 3.0 of iTougu for iOS and android. In July 2017, iTougu platform along with all of its users was migrated into JRJ mobile app.

While securities investment advisory, wealth management product and commodities brokerage businesses have attractive market potential in China, such businesses are relatively new and the related business models are unproven. Our limited experience in new business areas that we may venture into also gives rise to higher unpredictability to our success in these new business areas. We face a variety of risks and uncertainties during the transition and exploration of new business opportunities, many of which will be new and unexpected. If we are unable to successfully and smoothly transition into the new principal businesses and implement our growth strategies, or, if we fail to generate profit in business areas other than our principal businesses in a timely and cost-effective manner, loss of profits may occur and our overall business and financial results may suffer.

Our Internet-based financial platforms "Yinglibao" and "Investment Masters", and our website may not be successful as they may face intensive competition and/or future regulatory hurdles.

In August 2013, the Company launched "Yinglibao", which is now a mobile-based financial platform that integrates wealth management solutions and mutual fund distribution. For users who maintain Yinglibao balances, their balances would be used to subscribe for the money market fund managed by third-party mutual fund management companies. Yinglibao users have the option of purchasing mutual fund and other wealth management products directly through their accounts.

In 2014, the Company launched a new platform, namely "Investment Masters". "Investment Masters", our web-based mobile investment advisory service platform, facilitates securities investment advisors to communicate with their clients and followers directly in real-time and for 24 hours, allowing a large number of Chinese individual investors to obtain advice and recommended portfolios from thousands of investment advisors that was inaccessible previously.

Our website http://www.jrj.com.cn/ also provides access for wealth management solutions and mutual fund distribution.

Yinglibao, Investment Masters, and our website may be subject to future additional Chinese laws and regulations relating to banking, securities and wealth management businesses. In the event that any of those platforms becomes restricted or even prohibited by Chinese laws, our customers' financial activities may be affected and there may be a

material adverse impact on our business operations.

Competitors with larger customer base and greater market visibility, such as Alibaba Group Holding Limited ("Alibaba"), Tencent Holdings Limited ("Tencent") and Baidu, Inc. ("Baidu"), also launched their respective Internet-based financial platform which provides financial services similar to that of Yinglibao. In the future, banks and fund management companies may also enter this market and offer similar services to customers. Because of such expected influx of new market entrants, competition in this industry may become more intense. Many of our competitors, especially Alibaba, Tencent and Baidu, have greater financial and marketing resources than we do. Investment Masters also faces intense competitions. Several financial websites in China have also launched similar

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services. In addition, securities brokers in China have also begun to develop their own Internet-based financial service platforms. Thus, we may not be able to compete effectively or provide compelling service alternatives to potential customers. Our financial results may suffer as a result.

Uncertain legal regulation in our new areas of business may adversely impact our business.

Laws and regulations governing the securities investment advisory and wealth management services industries in China, are developing and are subject to further changes. As a result, substantial uncertainties exist regarding the evolution of the regulatory system and the interpretation and implementation of current and any future Chinese laws and regulations applicable to such industries. In recent years, China has tightened regulations on commodities transactions in the spot market. The Ministry of Commerce, the People's Bank of China and the CSRC jointly issued Interim Provisions on Commodities Transactions in the Spot Market, effective from January 1, 2014 ("Circular 3"). New requirements imposed by Circular 3 and the uncertainties in subsequent implementations and administration of such requirements by related agencies may negatively impact our businesses and business performance.

On January 9, 2017, the joint meeting led by CSRC and joined by other relevant authorities of the State Council ("Joint Meeting") held the third conference in Beijing, reporting the current situations and problems of trading venues, studying and discussing the measures to further conduct cleaning-up and rectification of trading venues. Relevant authorities shall conduct overall clean-up and rectification of trading venues within their jurisdiction. Members, agents and authorized entities of the trading venues are also required to be cleaned up and rectified. On March 16, 2017, CSRC promulgated the Notice on Reviewing the related work in the Early Stage of the Clean-up and Rectification of All Types of Trading Venues, which required further implementation of clean-up and rectification of trading revenues. Above measures and the uncertainties in subsequent implementations and administration of such requirements by related agencies may negatively impact our businesses and business performance.

We cannot guarantee you that we will be able to obtain or maintain our existing licenses and permits, renew any of them when their current terms expire, or obtain additional licenses requisite for our strategic transition and venture into new areas of business. Any changes in the regulatory landscape may materially and adversely affect our business.

We face significant competition in the securities investment advisory and wealth management services industry as we transition into the new principal businesses, and our operations and financial condition may suffer if we fail to compete effectively.

As a new market entrant competing in the highly competitive and fragmented securities investment advisory and wealth management services industries in China, we may not be able to compete effectively or provide a compelling service alternative for potential customers. Securities investment advisory and wealth management services industries in China are at their early stages of development and are highly fragmented and competitive, but they provide vast opportunities, and thus we expect competition to persist and could even intensify in the future. We face competition from independent firms providing wealth management services, securities advisory and investment corporations providing securities investment advisory services, brokerage firms providing securities investment advisory services and domestic commercial banks with in-house sales force and private banking functions, among others. Many of our competitors, especially brokerage firms and commercial banks, have greater financial and marketing resources than we do. Many brokerage firms, trust companies and commercial banks we compete with enjoy significant competitive advantages due to their nationwide distribution network, longer operational history, broader client base, and settlement capabilities. Moreover, many of the securities investment advisory and wealth management services and product providers, such as brokerage firms, commercial banks and trust companies, are also engaged in, or may in the future, engage in the distribution of wealth management products and they may benefit from the integration of wealth

management products with their other services and product offerings, which may provide them competitive advantage in this market.

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Cash arrangements with brokers for the procurement of our overseas futures contract trading business expose us to third-party risk, which could in turn have a material adverse effect on our financial condition, reputation, client relationships, operations and prospects.

With respect to Rifa Futures' future contracts trading business, as we currently do not hold membership at overseas futures exchanges, such as the London Metal Exchange or the CME Group, we rely on third party brokers who are members of these exchanges to hold our customers' funds and execute our customers' trades. This business arrangement with third party brokers involves various risks, primarily, third party credit risks and default risks. In the event that one or more of these brokers become insolvent or bankrupt, we and our clients may have difficulty recovering money deposited with such broker. Although we enforce and implement strict risk management policies and procedures, such policies and procedures may not be fully effective in mitigating our clients' risk exposure to third party insolvency or bankruptcy. If we fail to identify any material financial weakness of any of those brokers who hold our customers' funds in a timely manner, and as a result our customers suffer financial loss or other damages resulting from such broker's insolvency or bankruptcy, then accordingly, our financial conditions, reputation, client relationships, operations and prospects will be adversely affected.

We are subject to counterparty risk whereby defaults by parties with whom we do business can have an adverse effect on our business, financial condition and results of operations and cash flows.

Rifa Securities' margin financing business requires a commitment of capital and involves risks of losses due to the potential failure of our customers to perform their obligations under their transactions with us. Our margin policy allows our margin clients to borrow cash from us to buy stocks listed in HKEx in amounts that may be significantly larger than their cash balances. While we closely monitor each customer's exposure, it does not guarantee our ability to eliminate negative customer account balances prior to the occurrence of adverse market changes relative to a customer's position(s). Moreover, we are exposed to debit/deficit risk with our customers. If our customers default on their obligations, we remain financially liable for such obligations, and although these obligations are collateralized, we are subject to market risk in the liquidation of customer collateral to satisfy such obligations since the value of our customers' positions are subject to fluctuation as market prices change. In addition, if an adverse market move relative to a customer's position(s) occurs and we are unable to collect the margin loan in a timely manner, the customer account may incur a loss resulting in a debit balance. In light of the current turbulence in the global economy, we face increasing risk of default by our customers and other counterparties. Any default by our counterparties or partners could have a material adverse effect on our business, financial condition and results of operations and cash flows.

If we are unable to hire high quality personnel for the securities investment advisory and wealth management businesses, our new business model will suffer, which may materially and adversely affect our overall business performance.

We are also facing fierce competition hiring competent licensed securities investment advisors. Highly skilled and qualified financial advisors are in high demand throughout wealth management industries in China. The total number of individuals qualified to provide securities investment advisory and wealth management services in China is limited due to the early development stage of the industry. In addition, the rate of wage inflation in most areas of the economy remains persistently high in recent years. There is no assurance that we can recruit and retain enough licensed securities investment advisors and qualified wealth management financial advisors who meet our high quality requirements to support our further growth into the new principal business, or, if we do, that the cost of doing so will permit us to realize reasonable margins. We may incur disproportional compensation, training and other administrative expenses in order to retain such recruits in light of the aggressive hiring competition from other securities investment advisory firms, brokerage firms, commercial banks and trust companies that are better situated

financially for recruitment of this kind. These factors may materially and adversely affect our business and our strategy.

We may incur higher operating expenses in connection with the ongoing business transition and expansion into other new business areas.

In transitioning into internet-based financial services, we are required to incur development, operation and potential acquisition costs in order to keep pace with the new market and technology needs for the industry. In the meantime, we have also ventured into other business areas aside from our principal businesses, which ventures may incur increased administrative costs and other input. As a result, our cost-cutting initiatives to increase efficiency and improve our operational performance may not prove to be effective in the short-term and we may experience losses in connection with our new businesses. During the transition into commodities brokerage business, we were forced

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to suspend commodities brokerage business according to relevant policies in the PRC and incurred operating expenses as a result of such suspension and may incur additional expenses in the future.

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

We provide real-time stock, bond, mutual fund and financial futures quotes and other trading related information from Shanghai Stock Exchange ("SSE") and Shenzhen Stock Exchange ("SZSE"), and, we also provide delayed trading related information from Hong Kong stock market indexes from HSI. We primarily rely on contractual arrangements with SSE Infonet Co., Ltd. which is associated with SSE, SZSE, and HSI, pursuant to which we pay fixed service fees in exchange for receiving real-time or delayed price quotes and other trading related information.

We renew our agreements with each of SSE Infonet Co., Ltd., SZSE and HSI on an annual basis, respectively. Under these agreements, each of the three data providers can terminate its respective agreement with us if we materially breach relevant terms, such as delay in payment of, or failure to pay, fees to these providers. However, we cannot assure investors that we will be able to timely renew all of these business arrangements on commercially reasonable terms, or at all, after our current terms expire. In addition, we cannot assure investors that the three securities data providers will not change their current mode of providing stock information to us, change the packages of stock information authorized to us, change their current qualification requirements on the authorized information service provider, or charge us service fees substantially higher than the service fees we are currently paying. If they did so, our business, financial condition and results of operations could be materially and adversely affected. Even if we are able to maintain our current business arrangements for data on commercially reasonable terms, either of these three securities data providers may fail to deliver us reliable price quotes or other trading related information. And it would be difficult for us to obtain reliable price quotes and other trading related information from an alternative source, which could materially and adversely affect our business.

We rely on Shenzhen Genius Information Technology, Ltd. ("CFO Genius") as the provider of all historical data and information on listed companies, bonds and mutual funds, any disruption to CFO Genius may have a material adverse effect on our business.

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

Our business would be adversely affected if we do not continue to maintain an effective telemarketing and customer support force or if our customer support staff fails to comply with applicable laws and regulations.

We market our service offerings through our websites, as well as through our telemarketing and customer service centers. In addition to sales and marketing functions, we depend on our customer support force to market our service offerings to our existing and potential customers and to resolve our subscribers' technical problems. Many of our telemarketing and customer support personnel have only worked for us for a short period of time and some of them may not have received sufficient training or gained sufficient experience to effectively serve our customers. We may not be able to hire, retain, integrate or motivate additional customer support personnel without any short-term

disruptions of our operations. As a result, our business could be adversely affected if we do not continue to maintain an effective customer support force.

The CSRC's Provisional Regulations on Securities Investment Advisory Business ("Provisional Regulations"), effective from January 1, 2011, has considerably increased requirements on pre-sale disclosures, standardized contract signing and service provisions, and after-sales product return policies in the course of providing securities investment advisory services to customers. The Interim Provisions on Strengthening the Supervision and Control of Engagement in Securities Investment Advisory Business by Utilizing "Securities Analysis Software" promulgated by the CSRC and effective on January 1, 2013 ("Circular 40") further provide that securities investment advisory

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companies shall provide contact information of companies and certain reminders to clients when promoting products or providing services via the Internet, telephone or SMS.

We require our customer support staff to study and comply with these new requirements imposed by the Provisional Regulations and the Circular 40 in their work. However, we cannot assure investors that our customer support staff would fully comply with the Provisional Regulations and the Circular 40. Our business could be subject to severe penalties if the failure of our customer support staff to comply with those requirements is detected by or complained to regulatory authorities.

Our acquisitions and investments may not recognize our strategic goals, and may result in operating difficulties and other harmful consequences that may adversely impact our business and results of operations.

Acquisitions and investments are important elements of our overall corporate strategy and we expect to continue to acquire and invest in companies, products, services and technologies in the future. In the past several years, we acquired certain businesses and intangible assets, including products, services, trademarks, customer relationships, users list and other assets such as CFO Genius, a financial information database provider mainly serving Chinese domestic institutional customers, and Rifa Securities, a licensed securities brokerage firm incorporated in Hong Kong. We intend to make other strategic investments and acquisitions in the future if suitable opportunities arise. Investments and acquisitions involve uncertainties and risks that may have a material adverse effect on our financial condition and results of operation, including:

- we may not identify suitable candidates and successfully complete acquisition and investment transactions, and may not be able to manage post-closing issues such as the integration of acquired businesses, products or employees;
- we may not fully realize all of the anticipated benefits of any acquisition and investment transaction;
    - the pricing and other terms of contracts for acquisition and investment transactions require us to make estimates and assumptions at the time we enter into these contracts, so that we may pay more than it is worth;
- we may not identify all of the problems during the course of our due diligence, such as factors necessary to estimate our costs accurately, and issues with unlicensed use of intellectual property;
- any increased or unexpected costs, unanticipated delays or failure to meet contractual obligations, and failure of investments to perform as expected, could make these transactions less profitable or unprofitable;
- if we fail to successfully complete acquisitions that further our strategic objectives, we may be required to expend resources to develop products and technology internally, and we may be at a competitive disadvantage or we may be adversely affected by negative market perceptions;
- our ongoing business may be disrupted and our management’s attention may be diverted by transition or integration issues;
- we may have legal and tax exposures or lose anticipated tax benefits as a result of unforeseen difficulties in our legal entity integration activities;
- we may face contingencies related to intellectual property, financial disclosures and accounting practices or internal controls;
- when goodwill, intangible assets and investments, in connection with potential acquisition and investment transactions become impaired, we may be required to incur additional material charges relating to the impairment of those assets;
- we may incur additional amortization expense over the useful lives of certain intangible assets acquired in connection with acquisitions;
- any acquisition and investment transactions may require a significant amount of capital investment, which would decrease the amount of cash available for working capital or capital expenditures;

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- we may issue common stock, potentially creating dilution for existing stockholders to complete acquisition and investment transactions;
- we may borrow to finance these transactions, the amount and terms of which as well as other factors could affect our liquidity and financial condition, and debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends;
- we may experience risks relating to the challenges and costs of closing acquisition and investment transactions and the risk that an announced acquisition and investment transaction may not close.

Techniques employed by manipulative short sellers may drive down the trading price of our ADSs.

Short selling is the practice of selling securities that the seller does not own but rather has, supposedly, borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is therefore in the short seller's best interests for the price of the stock to decline, many short sellers (sometimes known as "disclosed shorts") publish, or arrange for the publication of, negative opinions regarding the issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a stock short. While traditionally these disclosed shorts were limited in their ability to access mainstream business media or to otherwise create negative market rumors, the rise of the Internet and technological advancements regarding document creation, videotaping and publication by weblog, or blogging, have allowed many disclosed shorts to publicly attack a company's credibility, strategy and veracity by means of so-called research reports that mimic the type of investment analysis performed by large Wall Street firms and independent research analysts. These short attacks have, in the past, led to selling of shares in the market, on occasion in large scale and broad base. Issuers who have limited trading volumes and are susceptible to higher volatility levels than large-cap stocks, can be particularly vulnerable to such short seller attacks. These short seller publications are not regulated by any governmental, self-regulatory organization or other official authority in the U.S., are not subject to the certification requirements imposed by the U.S. Securities and Exchange Commission, or the SEC and, accordingly, the opinions they express may be based on distortions of actual facts or, in some cases, fabrications of facts. In light of the limited risks involved in publishing such information, and the enormous profit that can be made from running just one successful short attack, unless the short sellers become subject to significant penalties, it is more likely than not that disclosed short sellers will continue to issue such reports.

We have been in the past and may in the future be the subject of short seller attacks. While we intend to strongly defend our public filings against any short seller attack, oftentimes we are constrained, either by principles of freedom of speech, applicable state law (often called "Anti-SLAPP statutes"), or issues of commercial confidentiality, in the manner in which we can proceed against the relevant short seller. Investors should also be aware that in light of the relative freedom to operate that such persons enjoy, should we be targeted for such an attack, the trading price of our ADSs will likely suffer from a temporary, or possibly long term, decline should the rumors created not be dismissed by market participants.

We have recorded losses from impairment of goodwill and/or intangible assets in 2016 and 2017. We may be required to record a significant charge to earnings if we are required to reassess our goodwill or other intangible assets arising from our acquisitions.

In the course of our operating history, we have acquired assets and businesses, which have resulted in the recording of goodwill and/or intangible assets on our financial statements. We are required under U.S. GAAP to test goodwill for impairment at least annually or sooner if we determine there are indicators of impairment and to review our intangible assets for impairment when events or changes in circumstance indicate the carrying value may not be recoverable.

Factors that could lead to impairment of goodwill and intangible assets include, but not limited to, significant adverse changes in the business climate (affecting our company as a whole or affecting any particular segment), unfavorable changes in our stock price and market capitalization, and declines in the financial condition of our business.

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In 2016, the Company concluded that goodwill allocated to the commodities brokerage reporting unit was fully impaired because the estimated growth rates and profit margins for future periods were expected to be lower than that of prior years based on that assessment. The Group recognized an impairment loss of $6.7 million related to the commodities brokerage reporting unit for the year ended December 31, 2016. The Company also recorded an impairment loss on its intangible assets of Henghui (Tianjin) Precious Metals Investment Co., Ltd ("CFO Henghui"), which was fully disposed by the Company in 2016 for $1.1 million. In 2017, The Group recognized an impairment loss of $0.3 million related to the commodities brokerage businesses.

If we reassess our goodwill and intangible assets in the next years, or if we acquire new assets and businesses in the future, we may record additional goodwill and/or intangible assets. The possible write-off of the goodwill and/or intangible assets could negatively impact our future earnings and, as a result, the market price of our common stock could decline.

Stricter securities investment advisory, wealth management regulations may materially weaken the investors' desire to subscribe or renew subscription for our securities investment advisory and wealth management services.

The Provisional Regulations and the Circular 40 expressly state that the business of providing securities investment advisory or other similar service through software tools or any other terminal equipment ("Securities Analysis Software") should be subject to regulation by the CSRC. The Regulations on Securities Investment Funds (2015 Amended), which took effect on June 1, 2013, further require companies providing advisory services for investment in public funds should be registered and filed pursuant to the regulations of the CSRC.

While we have acquired requisite securities investment advisory license, in accordance with the Provisional Regulations and we will continue to devote resources to regulatory compliance, the failure to comply with such regulations could lead to adverse consequences which could materially affect our securities investment advisory business. In order to comply with the Provisional Regulations, we have considerably increased pre-sales disclosure requirements, standardized contract signing and service provisions among others. Through fully disclosing the limitation of making investment decisions based on software tools and advice provided by licensed professionals, we emphasize to clients that they must be able to bear the risks of their own investments. Combined with the continuously sluggish stock market, customers' desire to purchase new or renew existing products and services is increasingly and significantly weakened.

Although the Provisional Regulations benefits the healthy development of securities investment advisory business in China in the long run, such negative impact on our business is anticipated to remain in the foreseeable future.

China Banking and Insurance Regulatory Commission released the Measures for the Supervision and Administration of Wealth Management Business of Commercial Banks("Circular 6"), effective from September 26, 2018, pursuant to which banking regulators shall subject wealth management business to penetrative supervision, and identify the ultimate investors and the underlying assets of wealth management products, and carry out all-round dynamic supervision of the operation and management of wealth management products.

None of our group companies is a bank and therefore we are currently not subject to the provisions of Circular 6. However, we cannot assure you that China will not proceed to issue similar laws and regulations on wealth management that may become applicable to companies like us. In the event we become subject to such restrictions and regulation, our wealth management business may be materially and adversely affected.

Interruption or failure of our own electronic systems or those of third-party service providers we rely upon could impair our ability to provide our products and services, which could damage our reputation and harm our operating results.

We have limited backup systems and have previously experienced system failures that have disrupted our operations. Any damage to or failure of our systems could interrupt our service. Service interruptions could reduce our revenues and profits and damage our brand and reduce competitiveness if our system is perceived to be unreliable. Our systems are vulnerable to damage or interruption as a result of terrorist attacks, wars, earthquakes, floods, fires, power loss, telecommunications failures, undetected errors or "bugs" in our software, computer viruses, interruptions in access to our websites through the use of "denial of service" or similar attacks, hacking or other attempts to harm our systems, and similar events. 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 results of operations and financial condition.

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If we experience frequent or persistent system failures on our websites and products due to interruptions and failures of third-party service providers we rely upon, including internet content providers and securities data providers, our reputation and brand could be severely harmed. In addition, our users depend on Internet service providers, online service providers and other website operators for access to our website and they may 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.

The trading software of Rifa Securities and Rifa Futures are provided by third parties. Because our trading software and trading platforms are provided by third parties, we are unable to assure the technical stability and soundness of such trading platforms. If there are technical issues related to these third party systems, such as “bugs” or undetected errors, our services may be temporarily halted and our customers may choose to subscribe to our competitors’ services instead and our overall business and financial results may suffer as result.

If we are unable to adapt or expand our existing technology infrastructure to accommodate greater traffic or additional customer requirements, our business may be harmed.

In the past, our websites and mobile applications regularly serve a large number of daily unique visitors when there are significant business developments, financial news and activities, or stock market trading activities. In addition, the number of visitors has continued to increase over time and we are seeking to further increase our user base. Therefore, our servers must accommodate a high volume of traffic to meet peak user demand and deliver frequently updated information. Our servers have in the past experienced and may in the future experience slower response time or login delays for a variety of reasons. It is essential to our success that our servers are able to accommodate our users in an efficient manner so that our users’ experience with us is viewed favorably and without frequent delays. Therefore, we may be required to upgrade our technology infrastructure to keep up with the increasing traffic on our websites, such as increasing the capacity of our hardware servers and the sophistication of our software. If we fail to adapt our technology infrastructure to accommodate greater traffic or customer requirements, our users and customers may become dissatisfied with our services and switch to our competitors, which could harm our business.

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

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

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

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

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

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Concerns about the security and confidentiality of information on the Internet may reduce use of our network, impede our growth, and could have a material adverse effect on our reputation, business, financial condition and results of operations.

A significant barrier to confidential communications over the Internet in general has been a public concern over security and privacy, including the transmission of confidential information. To address such concerns, the Standing Committee of the National People's Congress of China issued the Decisions on Strengthening the Protection of Internet Information, effective on December 28, 2012 ("Information Protection Decisions"), which prescribe detailed measures to protect confidential information transmitted via the Internet and the liabilities for violation of the provisions. If these concerns are not adequately addressed pursuant to the Information Protection Decisions and other relevant regulations, they may inhibit the growth of the Internet and other online services generally. If a well-publicized Internet breach of security were to occur, general Internet usage could decline, which could reduce traffic to our websites and impede our growth.

Cyber Security Law came into effect on June 1, 2017. According to the Cyber Security Law, providers of services over Internet networks may not collect any personal information that is not related to the services they provide, or disclose or tamper with personal information that they have collected, unless such information is encoded to prevent identification of individuals whose information is so disclosed or tampered with. Under the Cyber Security Law, the internet service providers are required to take technical and other necessary measures to ensure the security of the personal information they have collected and prevent the personal information from being divulged, damaged or lost. Service providers who do not comply with the Cyber Security Law may be subject to fines, warnings, suspension of their businesses, confiscation of illegal gains, shutdown of their websites, and revocation of their business licenses.

The General Rules of the Civil Law of the People's Republic of China promulgated by National People's Congress in March 15, 2017 and effective as of October 1, 2017 require that any organization or individual shall legally obtain the personal information of others and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally buy or sell, provide or make public the personal information of others. On May 8, 2017, the Supreme People's Court of the PRC and the Supreme People's Procurator of the PRC issued the Interpretation of the Supreme People's Court and the Supreme People's Procurator on Several Issues Concerning the Applicable Law for Criminal Cases with respect to Infringement of Citizen's Personal Information, which defines "personal information," "the provision of personal information," and "the illegal collection of personal information." For the purpose of protecting the personal information, General Administration of Quality Supervision Inspection and Quarantine of the PRC and the Standing Committee of the National People's Congress of China issued the Information security technology-Personal information security specification, which came into effect on May 1, 2018.

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 and leakage of personal information of our subscribers could have a material adverse effect on our reputation, business, financial condition and results of operations.

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

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

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

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

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

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

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

Our future success is dependent upon the continued service of our key executives and employees. We rely on their expertise in our business operations. If one or more of our key executives are unable or unwilling to continue in their present positions, or if they join a competitor or form a competing company in violation of their employment agreements, we may not be able to easily replace them.

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. We currently do not maintain key-man life insurance for any of our key personnel. We cannot assure investors that we will be able to retain the services of our executives or key personnel, or attract and retain experienced executives or key personnel that we will need to achieve our business objectives in the future. As a result, our business may be significantly disrupted and our financial condition and results of operations may be adversely affected.

Because there is limited business insurance coverage in China, any business disruption or litigation we experience might result in us 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.

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Our results of operations may fluctuate, which makes our results difficult to predict and you should not rely on our past operating results as an indication of our future performance, because our results of operations are subject to significant fluctuations.

We may experience significant fluctuations in our operating results including but not limited to strategic transformation initiative, cost-cutting initiative and its effect on efficiency and operational performance, potential business consolidation amidst the new regulatory environment, the market prospect of the businesses of securities investment advisory and wealth management, the difficulty in forecasting revenues from our commodities brokerage services business and the transition period to adapt to the new compliance requirements, due to a variety of factors, many of which are outside our control. Significant fluctuations in our operating results could be caused by any of the factors identified in this section, including but not limited to, our ability to retain existing clients, attract new clients at a steady rate and maintain client satisfaction; technical difficulties, system downtime or Internet failures; operators' policies; changing customer needs, regulatory environment and market condition; seasonal trends in Internet use; wavering investor confidence that could impact our business; possible non-cash goodwill, intangible assets and investment impairment that may adversely affect our net income; the unpredictability of our strategic transformation and upgrade; general economic conditions and economic conditions specific to the Internet and wireless, financial information and services, securities investment advisory and wealth management, and the China and Hong Kong securities markets. As a result of these and other factors, comparing our results of operations on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual revenues and costs and expenses as a percentage of our revenues may be significantly different from our historical or projected figures. Our results of operations in the future may fall below expectations.

The effects of war, acts of terrorism, health epidemics, natural disasters or other unforeseen wide-scale events could have a material adverse effect on our operating results and financial condition.

The continued threat of terrorism and associated heightened security measures and military actions in response to acts of terrorism has disrupted commerce and has intensified uncertainties in the U.S. and international economies. Any further acts of terrorism, a future war, a widespread natural disaster, or a health epidemic, such as the influenza H7N9, may disrupt commerce, undermine consumer confidence and lead to a further downturn in China or international economies, which could negatively impact our revenues. Furthermore, an act of terrorism or war, or the threat thereof, or any natural disaster that results in unforeseen interruptions of commerce, could negatively impact our business by interfering with our ability to obtain products from our manufacturers.

Risks relating to our corporate structure

We primarily rely on contractual arrangements with our significant PRC-incorporated affiliates and their shareholders to maintain control over our China operations indirectly. If the affiliates fail to perform their obligations under these contractual arrangements or PRC laws impair the enforceability of these contracts, our business, financial condition and results of operations may be materially and adversely affected.

Because PRC regulations restrict our ability to provide Internet content directly in China, we rely on contractual arrangements, or VIE agreements, with our significant PRC-incorporated affiliates and their shareholders for the operation of our businesses. We have no direct equity ownership interest in these onshore affiliates. These contractual arrangements may not be as effective in providing control over these entities as direct ownership. For example, these entities could fail to take actions required for our business or fail to perform its obligations under these contractual arrangements.

The VIE agreements are governed by PRC law. In the event any of these significant PRC affiliates 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. The 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.

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The VIE agreements we entered into include share pledge agreements. We have registered the pledges of equity interests by nominee shareholders of some of our consolidated affiliated entities. The nominee shareholders of each of our consolidated affiliated entities have pledged all of their equity interests in the relevant consolidated affiliated entities to our subsidiaries. An equity pledge agreement becomes effective among the parties upon execution, but according to the PRC Property Rights Law, an equity pledge is not perfected as a security property right unless it is registered with the relevant local administration for industry and commerce. There is no assurance that we can have these equity pledges registered successfully. Prior to the completion of the registration, we may not be able to successfully enforce the equity pledge against any third parties who have acquired property right interests in good faith in the equity interests in the relevant consolidated affiliated entity.

If the PRC government finds that the agreements that establish the structure for operating our online financial data and information services and securities investment advisory services no longer comply with PRC government restrictions on foreign investment in the Internet content services industry, we could be subject to severe penalties.

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

We are a foreign enterprise and each of our significant subsidiaries, China Finance Online (Beijing) Co., Ltd., or CFO Beijing, Fortune Software (Beijing) Co., Ltd., or CFO Software, CFO Genius and Zhengning Information & Technology (Shanghai) Co., Ltd., or CFO Zhengning, accordingly, neither we, nor any of these significant subsidiaries is eligible to apply for licenses to operate our website. In order to comply with foreign ownership restrictions, we operated our website in China through CFO Fuhua, which holds the licenses required to be an Internet information content provider under the relevant PRC laws. Zhiwei Zhao and Jun Wang hold 45% and 55% of the equity interests in CFO Fuhua, respectively. We are expected to continue to be dependent on CFO Fuhua to host www.jrj.com. We have entered into VIE agreement with CFO Fuhua, its shareholders to maintain substantial control over CFO Fuhua. There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. And VIE agreements have been under increasing scrutiny by the relevant government authorizes in recent years. Accordingly, we cannot assure investors that the PRC regulatory authorities will ultimately take a view that our arrangements with CFO Fuhua comply with PRC law.

Although we believe we comply with current PRC laws and regulations, we cannot assure you that the PRC government would agree that our contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. The PRC government has broad discretion in determining penalties for violations of laws and regulations. If the PRC government determines that we do not comply with applicable law, it could revoke our business and operating licenses, require us to discontinue or restrict our operations, restrict our right to collect revenues, block our websites, require us to restructure our operations, impose additional conditions or requirements with which we may not be able to comply, impose restrictions on our business operations or on our customers, or take other regulatory or enforcement actions against us that could be harmful to our business. Any of these or similar occurrences could significantly disrupt our business operations or restrict us from conducting a substantial portion of our business operations, which could materially and adversely affect our business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of any of our consolidated affiliated entities that most significantly impact its economic performance, and/or our failure to receive the economic benefits from any of our consolidated affiliated entities, we may not be able to consolidate the entity in our consolidated financial statements in accordance with U.S. GAAP.

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

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

Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People's Congress approved the Foreign Investment Law, which will come into effect on January 1, 2020 and replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. Article 41 of the Foreign Investment Law provides that the management for foreign investors who invest in such financial industries as banking, securities and insurance or manage any investment in such financial markets as securities market and foreign exchange market within the territory of China, where there are any other provisions in any other regulations published by China, such provisions shall prevail. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the Stale Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to comply with any of these or similar regulations could materially and adversely affect our current VIE structure, corporate governance and business operations.

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

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

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

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

Risks relating to doing business in the People’s Republic of China

A slowdown of the Chinese economy or adverse changes in economic and political policies of the PRC government could negatively impact China’s overall economic growth, which could materially adversely affect our business.

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 annual growth rate of China’s economy increased from 6.7% in 2016 to 6.9% in 2017. In 2018, the annual growth rate of China’s economy decreased to 6.6%. According to a recent forecast by the National Bureau of Statistics of China, China’s economic growth rate targets 6.3% in 2019. A slowdown in overall economic growth, an economic downturn or recession or other adverse economic developments in China may materially reduce the demand for the Company’s services and may have materially adverse effects on 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, and control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition

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and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

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

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. Our significant PRC operating subsidiaries are enterprises incorporated in China and wholly owned by foreign investors and are subject to laws and regulations applicable to foreign investment in China in general and laws and regulations applicable to wholly foreign-owned enterprises in particular. However, these laws, regulations and legal requirements are constantly changing, and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to the Internet, securities investment advisory and wealth management, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws.

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

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

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

Under applicable PRC regulations, we may be held liable and be subject to penalties 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 through our website were deemed to have violated any of such content restrictions, we could be forced to discontinue such services and provision of financial data and be subject to penalties, including

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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.

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

The PRC Enterprise Income Tax Law, or the EIT Law which became effective on January 1, 2008, and was amended on February 24, 2017 and December 29, 2018, and its implementation regulations adopted a uniform tax rate of 25% for all enterprises (including domestically owned enterprises and foreign-invested enterprises) and revoked the previous tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, there is a five-year transitional period during which certain enterprises are allowed to continue to enjoy existing preferential tax treatments provided by the then-applicable tax laws and administrative regulations.

According to the Administrative Measures on the Recognition of “High and New Technology Enterprises”, or the Recognition Rules, issued in 2008, the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation shall jointly determine whether an enterprise is qualified as a “High and New Technology Enterprise”, or HNTE, under the EIT Law and be entitled to enjoy a preferential enterprise income tax rate of 15%. The qualification is valid for three years from the date of award, and enterprises should submit the application for renewal. CFO Genius obtained the HNTE status in 2012. There is no assurance that they will continue to be classified as the HNTE when they are subject to reevaluation in the future. In 2014, CFO Meining obtained renewal of its HNTE status successfully, which initially obtained the HNTE in 2011. In 2015, CFO Genius also obtained renewal of its HNTE status, which will be valid through November 2018. In 2016, CFO Fuhua obtained the HNTE and enjoys the preferential tax rate of 15% from 2016 to 2018. Following the closing of the sale of 90% of equity interest in CFO Meining, CFO Genius and CFO Fuhua will be the only two subsidiaries having HNTE status. In the event that the preferential tax treatment for CFO Genius and CFO Fuhua are discontinued, it will become subject to the uniform tax rate of 25%, which materially increase our tax obligations.

In addition, companies that develop their own software and register the software with relevant authorities in China were generally entitled to a value-added tax, or VAT, refund. With respect to revenue generated from the sale of certain online subscriptions, including our service packages, nine of our subsidiaries obtained VAT refunds that reduce their effective VAT rates from 17% to 3% before 2011. The VAT refund policy was reconfirmed pursuant to the Notice on VAT Policy for Software Products, effective January 1, 2011, jointly promulgated by the Ministry of Finance and the State Administration of Taxation on October 13, 2011, or Caishui Circular 100. Although the Notice on VAT Policy for Software Products does not specify policy expiration date, in the event that the VAT refund policy for our subsidiaries is discontinued, our subsidiaries will become subject to the standard tax rate at 17%, which materially increase our tax obligations.

Pursuant to the implementation rules of EIT Law in the Tibet Autonomous Region of China (“Tibet”), companies incorporated and operated in Tibet could enjoy a preferential enterprise income tax rate of 15%. In addition, a further 6% is exempted for the years ended December 31, 2016, 2017 and 2018, which reduces the enterprise income tax rate to 9%. Tibet Fortune Jinyuan Network Technology Co., Ltd. (“CFO Tibet”) and Tibet Zhisheng Gold Industry Co., Ltd. (renamed as Tibet Lieqian Network Technology Co., Ltd. in December 2017, “Tibet Lieqian”), an affiliate of the Company was in Tibet and enjoyed a preferential tax rate of 9% from 2016 and 2017, 15% from 2018 respectively.

Uncertainties in the PRC tax system may lead to penalties, termination of preferential tax treatment or change of tax levy method imposed on us because of a difference in interpretation of the applicable law by the relevant governmental authority. For example, under current tax laws and regulations, the local tax authority approved certain of our entities to file the income tax by adopting the “deemed-profit method”. Under the method, the entities filed the income tax by calculating the tax as 2.5% of the gross revenues. However, since there is no clear guidance as to the applicability of certain areas of preferential tax treatment and tax levy position, we may be found to be in violation of the tax laws and regulations based on the interpretation of local tax authorities with regard to taxable income and the applicable tax rates, and therefore might be subject to penalties, including but not limited to monetary penalties, termination of preferential tax treatment or change of tax levy method, or claw-back and late payment interest. Reduction or elimination of the preferential tax treatments we have enjoyed or change of our tax

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levy method on us or our combined entities in China may significantly increase our income tax expenses and materially reduce our net income, which could have a material adverse effect on our business, prospects, results of operations and financial condition.

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

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

In connection with the EIT Law, the Ministry of Finance and the State Administration of Taxation jointly issued, on April 30, 2009, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59. On December 10, 2009, the State Administration of Taxation issued the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer, or Circular 698. On July 26, 2010, the State Administration of Taxation issued the Bulletin Concerning Promulgation of Administrative Measures on the Enterprise Income Tax Treatment of Enterprise Reorganization, or Bulletin 4. On March 28, 2011, the State Administration of Taxation issued the Bulletin Concerning the Tax Administration of Non-resident Enterprises, or Bulletin 24. Both Circular 59 and Circular 698 became effective retroactively on January 1, 2008. Bulletin 4 became effective retroactively on January 1, 2010. Bulletin 24 took effective since April 1, 2011 and also applies to transactions that have occurred prior to its effectiveness for which the relevant PRC tax matters have not been dealt with. On February 3, 2015, the State Administration of Taxation issued the Announcement on Several Issues Related to Enterprise Income Tax for Indirect Asset Transfer by Non-PRC Resident Enterprises, or Announcement 7, effective from February 3, 2015, which in part supersedes Circular 698 and Bulletin 24. On June 24, 2015, the State Administration of Taxation issued the Bulletin Concerning Certain Issues on the Administration of the Enterprise Income Tax of Enterprise Reorganization, or Bulletin 48, which in part supersedes Bulletin 4. On October 17, 2017, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source, or Bulletin 37 became effective on December 1, 2017.

By promulgating and implementing these circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. The PRC tax authorities have the discretion under Circular 59, and Circular 698, Bulletin 4, Bulletin 24 and Bulletin 48 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. The PRC tax authorities may also, under Announcement 7, treat an indict transfer of the equity interests in a PRC resident enterprise by a non-resident enterprise as a direct transfer of PRC taxable assets subject to PRC corporate income tax, if it is established that such transfer is made through an arrangement without a reasonable commercial purpose but to avoid PRC corporate income tax.

If the PRC tax authorities make adjustments under Circular 59, Circular 698, Bulletin 4, Bulletin 24, Bulletin 48, Announcement 7 or Bulletin 37, our income tax costs associated with such potential acquisitions will be increased. We may also be at risk of being imposed a penalty under the above rules and regulations and may be required to expend valuable resources to comply with or to establish that we (or such foreign investor) should not be taxed under those rules and regulations, which could have a material adverse effect on our financial condition and results of operations.

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

The EIT Law provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are “non-resident enterprises” to the extent such dividends are derived from sources within the PRC, and the State Council has reduced such rate to 10% through the implementation regulations unless any such non-PRC investor’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. We are a Hong Kong incorporated company and substantially all of our income may be derived from dividends we receive from our operating subsidiaries located in the PRC. According to mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income agreed between the Mainland and Hong Kong Special Administrative Region in August 2006, dividends payable by a subsidiary located in the PRC to the company in Hong Kong who directly holds at least 25% of the equity interests

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in the subsidiary will be subject to a maximum 5% withholding tax under certain conditions. Since the preferential withholding tax is subject to the approval from competent taxation authorities in PRC, it remains uncertain whether our company in Hong Kong actually would be able to enjoy preferential withholding taxes for dividends distributed by our subsidiaries in China. If we are not able to enjoy the preferential withholding taxes and the tax rate may be 10% for dividends distributed by our subsidiaries, it will materially and adversely affect the amount of dividends, if any, we may pay to our shareholders and ADS holders.

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

Under the PRC Enterprise Income Tax Law and its Implementing Rules, an enterprise established outside of the PRC with "de facto management bodies" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its worldwide income. The Implementing Rules define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise".

On April 22, 2009, the State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, or SAT Circular 82, which provided certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore- incorporated enterprise is located in China. In addition, the SAT issued the Bulletin 45 on July 27, 2011 to provide more guidance on the implementation of the above circular with an effective date to be September 1, 2011. The Bulletin 45 made clarification in the areas of resident status determination, post-determination administration, as well as competent tax authorities. It also specifies that when provided with a copy of PRC tax resident determination certificate from a resident PRC -controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the PRC-sourced dividends, interest or royalties to the PRC-controlled offshore incorporated enterprise.

Although SAT Circular 82 and the Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals, the determining criteria set forth in SAT Circular 82 and the administration clarification made in Bulletin 45 may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. Accordingly, we may be considered a resident enterprise and may therefore be subject to the enterprise income tax at 25% on our worldwide income. If we are considered a resident enterprise and earn income other than dividends from our PRC subsidiary, a 25% enterprise income tax on our worldwide income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

A failure by our shareholders who are Chinese citizens or residents in China to comply with regulations issued by SAFE could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities or subject us to liability under Chinese laws, which could adversely affect our business and prospects.

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires

amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

NDRC promulgated the Administrative Measures for the Offshore Investment of Enterprise, or Circular 11, on December 26, 2017 which took effect on March 1, 2018. According to Circular 11, to make offshore investments, an

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enterprise located within the territory of the PRC, or an Investor, shall go through the formalities to have a proposed overseas investment project approved or filed on the record, report relevant information, and cooperate with supervision and inspection. Projects subject to approval administration shall be sensitive projects carried out by Investors either directly or through overseas enterprises under their control. The authority in charge of examining and approving such projects shall be the NDRC. Projects subject to record-filing administration shall be non-sensitive projects carried out directly by Investors; in other words, non-sensitive projects carried out by Investors to make direct investment with assets and equities or provide financing or a guarantee. For projects subject to record-filing administration, the authority in charge of record-filing shall be: (1) the NDRC, if the Investor is an enterprise under the administration of the Central Government (including financing institutions under the administration of the Central Government and enterprises under the direct administration of the State Council or its subordinate organs, the same below); (2) the NDRC, if the Investor is a local enterprise but the amount of investment made by the Chinese Investor amounts to US$300 million or above; and (3) the development and reform authority under the provincial government at the place where the Investor is registered if the Investor is a local enterprise and the amount of investment made by the Chinese Investor is less than US$300 million. Where natural persons within the territory of China make investments abroad through overseas enterprises under their control or through enterprises located in Hong Kong, Macao and Taiwan, the above mentioned approval or record filing measures shall apply mutatis mutandis.

For Circular 11, since it took effect in March 2018, its impact to us remains to be observed. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

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

Under the EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends generated on or after January 1, 2008 payable to investors that are "non-resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs or shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC "resident enterprise", it is unclear whether dividends we pay with respect to our ordinary shares or ADSs, or the gain you may realize from the transfer of our ordinary shares or ADSs, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the EIT Law to withhold PRC income tax on dividends payable to our non-PRC investors that are "non-resident enterprises" or if you are required to pay PRC income tax on the transfer of our ordinary shares or ADSs, the value of your investment in our ordinary shares or ADSs may be materially and adversely affected.

SAT promulgated the Announcement of the State Administration of Taxation on Several Issues Concerning the Implementation of Tax Treaties, on February 9, 2018 which took effect on April 1, 2018, or Announcement No.11. According to the Announcement No.11, a partnership established under the laws of a foreign country (region) who does not have an actual management body in China but has an establishment or place in China or who does not have an establishment or place in China but has China-sourced income, is a non-resident taxpayer for the purpose of China's enterprise income tax. Except as otherwise provided in a Tax Treaty, only when such partnership is a resident of the other Contracting State to the Tax Treaty, its income subject to tax liability in China may receive treatment under the Tax Treaty. The tax residency certificate issued by tax authorities of the other Contracting State and submitted by the partnership in accordance with Article 7 of the Administrative Measures for Non-resident Taxpayers

to Enjoy Tax Treaty Treatment (issued under the Announcement of the State Administration of Taxation [2015] No.60) must prove that the partnership is liable to tax in the other Contracting State by reason of its domicile, residence, place of establishment, place of management or other standards of a similar nature in accordance with the domestic laws of the other Contracting State. The term "except as otherwise provided in a Tax Treaty" means that the Tax Treaty provides that, if income derived by a partnership shall be deemed as income derived by its partners according to the domestic laws of the other Contracting State, the partner who is a resident of the other Contracting State shall enjoy treatment under the Tax Treaty for the partner's corresponding portion of income derived from the partnership. If the partnership is required to pay PRC income tax on the transfer of our ordinary shares or ADSs, and

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failure to receive treatment under the Tax Treaty, the value of your investment in our ordinary shares or ADSs may be materially and adversely affected.

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

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

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

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

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

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

of additional tariffs on goods in 2018, may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

Since July 2005, the Renminbi has no longer been pegged to the U.S. dollar. Although beginning in April, 2012, the Renminbi exchange rate verses the U.S. dollar is restricted to a rise or fall of no more than 1% per day and increased to 2% beginning in March, 2014, and the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium- to long-term. Moreover, it is possible that in

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the future, PRC authorities may expand the Renminbi exchange rate's floating range, lift restrictions on fluctuations in the Renminbi exchange rate and lessen intervention in the foreign exchange market.

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

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

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

On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations outside United States, especially in China. The joint statement reflects the unsatisfactory progress made by U.S. regulators with respect to improving information access and audit inspections to China-based companies. However, it remains unclear what further actions the SEC and PCAOB will take to address the problem.

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

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

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

The PRC Labor Contract Law became and was implemented on January 1, 2008 and was amended on December 28, 2012. The Labor Contract Law has reinforced the protection for employees who, under the PRC Labor Contract Law, have the right, among others, to have written labor contracts, to enter into labor contracts with no fixed terms under certain circumstances, to receive overtime wages and to terminate or alter terms in labor contracts. Furthermore, the

Labor Contract Law establishes additional restrictions and increases the costs involved with dismissing employees. There remains significant uncertainty as to its interpretation and application by the PRC government and courts. In the event that we decide to significantly reduce our workforce, particularly in the period with sluggish prospect in securities market, the Labor Contract Law could adversely affect our ability to do so in a timely and cost effective manner, and our results of operations could be adversely affected. In addition, for employees whose contracts include non-competition terms, the Labor Contract Law requires employers to pay monthly compensation after such employment ends, which will increase employers' operating expenses.

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Risks relating to our shares and ADSs

Due to recent credit crisis of U.S.-listed Chinese companies caused by Chinese companies' accounting scandals and the short selling agencies' raider activities in the aggregate, the price of our underlying common stock might fluctuate significantly and if our stock price drops sharply, we may not satisfy the continued listing requirements of NASDAQ.

Since 2011, there have been well-publicized accounting problems at several U.S.-listed Chinese companies that have resulted in significant drops in the trading prices of their shares and, in some cases, have led to the resignation of outside auditors, trading halts or share de-listings by NASDAQ or the New York Stock Exchange, and investigations by the Division of Enforcement of the SEC. Many, but not all, of the companies involved in these scandals had entered the U.S. trading market through "reverse mergers" into publicly traded shells. The scandals have had a broad effect on Chinese companies with shares listed in the United States. Such accounting scandals in other Chinese companies could have an adverse effect on the market for shares of our underlying common stock. Investors could lose confidence in PRC companies in general, which could lead to fluctuations in the market prices of our underlying common stock and, if such prices were to drop sharply below $1.00 for 30 days consecutively, could cause us not to satisfy the continued listing requirements of NASDAQ.

In addition, some short selling agencies have been targeting U.S.-listed Chinese companies. Although the research reports issued by those short selling agencies regarding some U.S.-listed Chinese companies are largely meritless, targeted companies had suffered from significant fluctuations on their share prices. We cannot assure investors that we will not be the target of the short selling agencies in the future. If we were to become their target, even if their claims are meritless, our share price may drop significantly, and if such prices were to drop sharply below $1.00 for 30 days consecutively, could cause us not to satisfy the continued listing requirements of NASDAQ.

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

The trading prices of our ADSs have been volatile and could fluctuate widely in response to factors beyond our control. Since the completion of our initial public offering in October 2004, the trading prices of our ADSs have ranged between a high of $47.68 per ADS to a low of $0.64 per ADS as of December 31, 2018. During the twelve-month period ended December 31, 2018, the price of our ADSs has ranged from a low of $0.64 to a high of $3.36 per ADS. The market prices of the securities of Internet-related companies have generally been especially volatile.

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

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for business specific reasons. Factors such as variations in our revenue, earnings and cash flow, announcements of

strategic transition and new investments, cooperation arrangements or acquisitions, and fluctuations in market prices for our services could cause the market price for our ADSs to change substantially. The global financial crisis may have substantial negative impact on our financial and business performance. Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade. We cannot assure investors that these factors will not occur in the future.

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

Sales of our ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. If any existing shareholder or shareholders sell a substantial amount of ADSs, the prevailing market price for our ADSs could be adversely affected. In addition, if we pay for our future acquisitions in whole or in part with additionally issued ordinary shares, your ownership interests in our company would be diluted and this, in turn, could have a material and adverse effect on the price of our ADSs.

The 82,837,921 ordinary shares that were outstanding prior to our initial public offering are "restricted securities" as defined in Rule 144 promulgated under the Securities Act of 1933, as amended, or the Securities Act and may not be sold in the absence of registration other than in accordance with Rule 144 under the Securities Act or another exemption from registration. These "restricted securities" are available for sale subject to volume and other restrictions as applicable under Rule 144 of the Securities Act. To the extent ordinary shares are sold to the market, the market price of our ADSs could decline.

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

As of December 31, 2018, five of our existing shareholders, including Zhiwei Zhao, IDG Technology Venture Investment, LP, Sheng Guang Holdings Limited, Ling Zhang and Jianping Lu, beneficially owned, collectively, approximately 48.3% of our outstanding ordinary shares.

For more information regarding our principal shareholders and their affiliated entities, see "ITEM 6.E. Directors, Senior Management and Employees — Share Ownership."

Accordingly, these shareholders have had, and may continue to have, significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. In addition, without the consent of these shareholders, we could be prevented from entering into transactions that could be beneficial to us.

Provisions in our constitutional documents and certain provisions under Hong Kong law may discourage our acquisition by a third party, which could limit your opportunity to sell your shares at a premium.

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

- Our articles of association provide for a staggered board, which means that half of the directors for the time being (excluding our chief executive officer) or if their number is not a multiple of two, then the whole number nearest to but not exceeding one-half, shall retire at every annual general meeting and the retiring directors shall be eligible for re-election. Our chief executive officer will at all times serve as a director, and will not be required to retire as a director and to stand for re-election, so long as he remains our chief executive officer. This means that, with our staggered board, at least two consecutive annual general meetings, instead of one, are generally required in the normal course to effect a change in a majority of our directors, making it more difficult for any potential acquirer to

take control of our board in a relatively short period of time, which may discourage contests for the election of our directors and purchases of substantial blocks of our shares.

- 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 by a resolution passed at a general meeting to give us advance notice in writing of the intention at least 120 days before the meeting at which it is to be proposed, making it more difficult and time consuming for a potential acquirer who has accumulated substantial voting rights to obtain control of our board by removing opposing directors.

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- Our articles of association provide that our board can have no less than five and no more than nine directors. Our board has five directors as of the date of this report. Any increase in the maximum number of directors on our board beyond nine directors can only be accomplished by resolution of the board and by further amending our articles of association, which under Hong Kong law requires a special resolution of shareholders that is passed by a majority of at least 75%. 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 (other than within the same group) to merge in the same way as U.S. companies could in the United States. However, the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) has provisions that facilitate an arrangement or compromise between a company and its shareholders and/or creditors. The arrangement or compromise must be approved by a majority in number of each class of shareholders (unless the court orders otherwise) and/or creditors (as appropriate) with whom the arrangement or compromise is to be made, representing at least 75% of the voting rights of each such class of shareholders or creditors that are present and voting either in person or by proxy at meetings ordered by the High Court of Hong Kong. The arrangement or compromise is not effective unless sanctioned by the High Court of Hong Kong after approval by shareholders or creditors and the court order has been registered by the Registrar of Companies.
- 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 the 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 authorization from the shareholders.

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

We are a Hong Kong company and are subject to the laws of Hong Kong. The fiduciary responsibilities of our directors and the ability of minority shareholders to take successful legal action in Hong Kong against us or our directors are governed by the laws and court procedures of Hong Kong. Shareholders of a Hong Kong company would not be able to bring class action lawsuits against that company or its directors in a Hong Kong court in the same way that shareholders of a U.S. corporation might be able to bring such lawsuits in a U.S. court. In addition, professional conduct rules applicable to Hong Kong lawyers generally prohibit Hong Kong lawyers from accepting contingency fee arrangements, where a lawyer representing the plaintiffs is paid a fee only if the lawsuit is successful. Without contingency fee arrangements or the ability to bring class action lawsuits, our shareholders may find it more costly and difficult to take legal action against us or our directors in the Hong Kong courts. In addition, there is no statutory reciprocity between Hong Kong and the United States. for the mutual recognition of the judgements of each other's courts, meaning that the enforcement in Hong Kong of the judgment of a U.S. Court will require that new legal proceedings to be commenced before the Hong Kong courts. The Hong Kong courts are also less likely to enforce against us judgments of courts of the U.S. 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.

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, minority public shareholders may have more difficulties 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, whose substantial portion of assets 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.

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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 his/her/its voting rights with respect to the underlying ordinary shares only in accordance with the provisions of the deposit agreement and the American depositary shares.

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

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

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

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

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions (which may include securities or rights distributions) it or the custodian for our ADSs receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our

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

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

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

China Finance Online Co. Limited was incorporated in Hong Kong in November 1998. In April 2001, we launched our online financial and listed company data and information services.

In October 2004, we completed the initial public offering of our ADSs, each of which represents five of our ordinary shares, and listed our ADSs on The NASDAQ Stock Market. On January 3, 2011, our ADSs were elevated to trade on the NASDAQ Global Select Market. The NASDAQ Global Select Market is designated for public companies that meet the highest initial listing standards in the world. Inclusion in the world-class blue chip market is a significant milestone of our progress and is indicative of our commitment to high standards and good governance, and demonstrates our achievement, leadership and stature.

In April 2000, we acquired the financial information website www.jrj.com.cn and in October 2004 we acquired the domain name www.jrj.com, and commenced operating our subscription-based financial information business in March 2005. We maintain the same content under both domain names.

In 2006 we acquired the website www.stockstar.com, which was established in 1996 and is one of the leading finance and securities websites in China.

Also in 2006, we acquired CFO Genius, a financial information database provider primarily serving domestic securities and investment institutions.

In 2007, we acquired Daily Growth Securities Limited, (renamed iSTAR International Securities Co. Limited in February 2013, and further renamed Rifa Securities Limited, or Rifa Securities, in 2016), a licensed securities brokerage firm incorporated in Hong Kong.

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Based on our assessment of changes in customer demand, market and regulatory environment and industry outlook, the Board of Directors approved the strategic transition. The goal of our strategic transition is to deliver to investors and our clients and customers a one-stop financial platform providing investment advisory, securities trading and wealth management services. In order to address the demand for alternative investment opportunities, the Company established new affiliates and acquired and invested in other business entities engaged in alternative investments.

In January 2013, Zhengjin (Fujian) Precious Metal Investment Co., Ltd. ("Zhengjin Fujian"), a new affiliate of the Company we established in 2013, became a member of the SAIC (State Administration for Industry and Commerce) – approved Haixi Commodity Exchange ("Haixi"). Haixi is the only commodities spot market which provides electronic trading in Fujian province. In September 2013, Zhengjin (Tianjin) Precious Metal Management Co., Ltd. ("Zhengjin Tianjin"), another affiliate of the Company, became the member of Tianjin Precious Metal Exchange ("TJPME"). In September 2013, we acquired 60% equity of Shenzhen Tahoe Investment and Development Co., Ltd. ("Tahoe"). Henghui (Tianjin) Precious Metals Management Co., Ltd. ("Henghui"), a subsidiary of Tahoe, is also a member of TJPME. We are also the members of some other commodities exchanges, such as Qilu Commodity Exchange in Qingdao, Shandong Province.

In August 2013, the Company launched "Yinglibao", a mobile-based financial platform that integrates wealth management solutions and mutual fund distribution. For users who maintained Yinglibao balances, they could receive a money market fund rate of return on their balances, which is higher than the current bank demand deposit rate. In addition, Yinglibao users have the option of purchasing mutual fund and other wealth management products directly through their accounts.

In the second quarter of 2014, as part of our strategic transition, the Board of Directors determined that online brokerage services should be one of the Company's core businesses going forward. In December 2014, we continued our strategic transition efforts by launching an investment advisory service platform, "Investment Masters" ("iTougu"), designed to provide securities investment advisors and their clients a real-time communication channel, where messages, market analytics, research report and investment strategies are exchanged. In December 2015, we launched the updated version 3.0 of iTougu. In July 2017 iTougu platform along with all of its users was migrated into JRJ mobile app.

In March 2015, we signed a contract with a third party buyer to transfer the entire equity interest in Rifa Futures and iSTAR Wealth Management to a third party for a total consideration of $6.5 million (HK$ 50.7 million equivalently), comprising $1.0 million (HK$8.0 million equivalently) and a sum equal to the net assets of the Rifa Futures and iSTAR Wealth Management as of March 31, 2015. The contract has not been fulfilled and expired automatically on December 31, 2015, as a result Rifa Futures remains in our Group. In April 2016, we signed a new agreement with the same third party buyer to transfer the entire equity interest in iSTAR Wealth Management for a total consideration of $3.0 million (HK$23.3 million equivalently), and such transfer was completed in September, 2016.

In December 2015, we signed a framework agreement with Shanghai EBI Capital Co., Ltd., a Chinese private equity firm ("Shanghai EBI"), to sell (i) Shanghai Fenxin Information Technology Co., Ltd. ("CFO Fenxin") which owns 90% of equity stake in CFO Meining which wholly owns the financial portal stockstar.com; and (ii) Zhongcheng Futong Co., Ltd. ("CFO Zhongcheng") which owns 90% equity stake in Shanghai Stockstar Securities Advisory and Investment Co., Ltd. ("CFO Securities Consulting"). The considerations were approximately $21.6 million (RMB140.0 million, equivalently) and $9.3 million (RMB 60.0 million, equivalently), respectively. The sale of CFO Zhongcheng was completed in December 2015, while the sale of CFO Fenxin was completed in April 2016.

In November 2016, Beijing Zhongjun Sunshine Investment and Management Co., Ltd. completed a registration as general manager of private equity fund under the category of securities investment fund with Asset Management Association of China.

In October 2017, our wholly owned subsidiary, Rifa Asset Management Limited ("Rifa Asset Management"), received approval by the Securities and Futures Commission ("SFC") of Hong Kong for its Type 9 License, Type 4 License and Type 5 License. SFC is the independent statutory body in charge of regulating the securities and futures markets in Hong Kong.

In 2017, we were forced to suspend commodities brokerage business due to the suspension of new commodities trading by most of precious metal exchange in China.

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On August 18th, 2018, the Company entered into a strategic partnership agreement with China's largest corporate software provider, YonYou Network, to provide corporate cash management solutions to its over 4 million corporate and small-and-medium enterprises (SMEs) clients. Relying on JRJ's research capability of comprehensive fund diagnosis and intelligent asset allocation, the Company's cash management product will provide YonYou's customers to portfolios of high-quality money market funds to meet their cash management needs. The cash management product, back-tested with historical data since 2017, achieved an average annual return of approximately 4.3% which outperformed over 90% of money market funds in the marketplace.

In November 2018, China Finance Online officially entered into a share transfer agreement with West Platinum Limited (the "Buyer") to sell 1,552,000 shares, 20% of Rifa Financial Holdings Limited (the "Share Transfer Agreement"). West Platinum Limited is a company incorporated in British Virgin Islands and is an independent third party. With an 85% equity shareholding, China Finance Online is currently the controlling shareholder of Rifa Financial. Pursuant to the agreement, the total consideration for the transaction is HK$ 73.8 million (about US$ 9.4 million) and all of them has been received.

Starting on November 21, 2018, China Unicom officially enlisted China Finance Online's Lingxi Robo-advisor in its flagship payment app, EPay. Users of China Unicom EPay mobile app will have access to the one-stop wealth management services of global asset allocations provided by China Finance Online's Lingxi Robo-Advisor.

In late 2018, the Company launched the i-TAMP platform (Turnkey Asset Management Platform) to provide financial advisors consultation and advice on stocks, mutual funds, wealth management products, insurance, trust and other financial products. Featuring best-in-class TAMP, this platform has already attracted hundreds of financial advisors to open their online offices to provide services to mass retail investors.

In January 2019, the Company signed a strategic partnership agreement with Founder CIFCO Futures Co. Ltd ("Founder CIFCO Futures"), a leading futures brokerage firm in China. Pursuant to the partnership agreement, both parties will collaborate in the development of more advanced trading system, smart market news alert, cloud-based research platform and industry forums.

B. Business overview.

Overview:

China Finance Online Co. Limited is a leading web-based financial services company in China. The Company's prominent flagship portal site, www.jrj.com, is ranked among the top financial websites in China. The company provides Chinese retail investors with online access to securities trading services, wealth management products, investment advisory services, as well as financial database, wealth management solutions and online investor education tools to institutional customers. We are committed to strengthen our innovation capability to further apply advanced technologies in the financial sector and empower securities industry with fintech.

In 2015, Chinese stock market experienced a historical bull market. By mid-2015, the market suffered one of the largest sell-offs since the inception of stock market in China. Marked by weak investor confidence and intensified trade conflict with the US, the following two and half years were both in negative territory for the performances of all the major indices. The changing market condition and investor sentiment call brokerage firms for transition of their business focuses. The ongoing intensified price war among brokerage firms over the years has driven the market rate for commissions to a historical low. After the market crash in June 2015 that caused massive wealth losses among the majority of retail investors, many investors are also reluctant to return to the market. As a result, the importance of

customer services, product offerings and investor education became increasingly recognized by the brokerage industry.

With the changing environment and complexity of the Chinese financial markets, we believe that individual investors will increasingly seek out professional investment advice and services, and brokerage firms will look for tools to improve their investor advisory services and strengthen their competitiveness. In order to better meet market demand, we introduced the conception of Z3 strategy which stands for Zhineng Keji (Intelligent Technology), Zhihui Guandian (Intelligent Viewpoint) and Zhinang Huhang (Intelligent Co-pilot) in 2016. Leveraging our extensive capital market experience and internet technology capabilities, we are adapting and strategically

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transitioning our business to the new environment by building tools and offerings to become a leading one-stop financial products and services platform for individual investors in China.

Based upon our track records in financial media, financial data service and securities advisory services, along with our robust fintech (financial technology) capabilities, we have made breakthrough in developing products and services to both retail investors and institutional investors. Our strategic planning is to create synergy among retail investors services, institutional investors services and wealth management. We will continue to strengthen our innovation capability to further apply advanced technologies in the financial sector and empower securities industry with fintech. In short, we want to help our clients simplify their investment decisions.

We provided precious metals spot trading, silver product sales and financial investment advisory services ("commodities brokerage services") from 2013 to 2017. We also provide brokerage and related services outside mainland China ("Hong Kong Brokerage services"), financial information and advisory services including subscriptions services for financial data, information services and investment advisory, online P2P lending ("Financial information and advisory services"), and advertising services.

During the second quarter of 2017, new commodities trading was suspended by most of precious metal exchange in China. Such suspension announcements have adversely affected companies in commodity brokerage businesses in China, including us. As a result, the Group stopped providing commodities brokerage business in 2017.

In 2018, we continue to develop our mutual fund distribution business, securities investment advisory business, stock analysis subscription business for individual investors, online P2P lending business, stock analytics subscription business for institutional investors, advertising business, as well as Hong Kong securities and futures contracts brokerage business. We continued to increase financial technology content based upon artificial intelligence and cloud computing in our existing lines of businesses in 2018.

Our Business Sectors

Currently, the Company's net revenues are categorized under: (a) revenues from financial services, which include brokerage-related revenues and mutual fund distribution revenues; (b) revenues from financial information and advisory business, which include subscription fees from individual customers and institutional customers; and (c) advertising revenues.

In 2016, 2017 and 2018, revenues from financial services business were $69.0 million $28.2 million and $23.1 million, representing approximately 83.0%, 66.2% and 50.7%, of our total net revenues, respectively. In 2016, 2017 and 2018, revenues from financial information and advisory business were $10.7 million, $10.3 million and $14.9 million, representing approximately 12.9%, 24.1% and 32.7%, of our total net revenues, respectively. In 2016, 2017 and 2018, revenues from advertising business were $2.9 million, $3.6 million and $7.3 million, representing approximately 3.5%, 8.4%, and 16.1% of our total net revenues, respectively.

For a breakdown of total revenues by geographic market for each of the last financial years, see "Item 5.A. Operating and Financial Review and Prospects — Operating Results — Net Revenues."

a. Subscription Services and other Related Services in the PRC
(i) Financial Services Business
Mutual Fund Distribution

We obtained the license for mutual fund distribution issued by China Securities Regulatory Commission, or CSRC, in 2012, and launched Yinglibao, an internet based financial platform that integrates cash management solutions and mutual fund distribution in August 2013. As of December 31, 2018, Yinglibao established business relationships with 91 mutual fund companies in China, and provided more than 4,200 mutual fund products. In 2016, 2017 and 2018, revenues from mutual fund distribution were $0.2 million, $0.4 million and $0.7 million, representing approximately 0.3%, 0.9%, and 1.5% of our total net revenues, respectively.

In order to facilitate and support our mutual fund distribution business, we conducted a trial launch of our proprietary robo-advisory service.

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We officially launched our robo-advisory product – Lingxi in November, 2016. Based upon different user risk profiles, Lingxi offers a wide array of investment combinations and personalized global asset allocations through Chinese domestic mutual funds. From the beginning of 2017 to the end of 2018, the accumulative returns of Lingxi's high-risk, medium-risk and low-risk strategies were 16.94%, 13.91% and 10.79%, respectively, reflecting our capability in asset allocations. We also launched Lingxi Premium Version in October 2017, which targets mass affluent investors in China.

(ii) Financial Information and Advisory Business

In 2016, 2017 and 2018, revenues from financial information and advisory business services represented approximately 12.9%, 24.1% and 32.7% of our total net revenues, respectively.

Securities Investment Advisory Business ("iTougu")

On December 25, 2014, we launched an investment advisory service platform "Investment Masters (iTougu)" at its annual conference "Leading China 2014: Financial Industry Innovation Forum". The iTougu platform is designed to provide securities investment advisors and their clients a real-time communication channel, where they may communicate directly and in real-time. It also provides a vast number of Chinese individual investors access to securities investment advisors where they may attain private investment advice from thousands of investment advisors. In addition, the iTougu platform provides these highly-demanded features:

- Text and audio interactive messaging system for broadcast and Q&As between investment advisors and their clients;
- Daily market analytics, research reports and investment strategies for investment advisors; and
- Client Management system for every investment advisor to view and manage client profiles, historical data and activities.

In May 2015, we launched the updated version 2.0 of iTougu with a new feature called "What to Buy". With a monthly fee, retail investors can receive stock picking advice and have access to the advisors' recommended portfolios and their market performance.

In December 2015, we launched iTougu version 3.0 with an optimized broadcast system, up-to-the-minute stock news on webpages of individual stock, improved stock charts, a streamlined login system and an optimized stock selection function to enhance the user experience.

On March 30, 2017, we launched JRJ app version 6.0 and in July 2017, iTougu platform along with all of its users migrated into JRJ mobile app. Upon consolidation, JRJ became one-stop platform for financial information, securities trading, investment advisory and wealth management for our customers.

Individual Subscription Business

To conduct our subscription services, we collect and process our website content through our research tools and provide our subscribers financial analysis tools, real-time and historical data, news, research reports and online forums in one integrated information platform, providing them the means to make informed investment decisions with respect to China's listed company stocks, bonds, mutual funds and stock index futures based on specifications determined by them.

In 2017, we introduced cloud-based analytical tools for retail investors. The mobile application powered by algorithms that provide investors with quantitative trading investment strategies matching their risk appetites.

Online P2P Lending

We provide services as information intermediary in online P2P lending business. We procure borrowing and lending information from independent third parties, and our professional team evaluates and selects the information provided by third parties, from the perspective of risks. Eventually we display the selected information on the platform of Yinglibao.

However, with the introduction of the Interim Measures, although not prohibited from directly engaging in peer-to-peer lending, Yinglibao must follow an application process that requires registration and filling with the relevant

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government authorities. Please refer to Item 3. “Key Information – D. Risk Factors – The Interim Measures on Administration of the Business Activities of Peer-to-Peer Lending Information Intermediaries may adversely affect our business, financial conditions and results of operations.”

Institutional Subscription Business

Founded in 1994, CFO Genius was the first professional financial database provider in China. In 2006, it became a fully-owned subsidiary of China Finance Online Co., Ltd. Based upon the established Genius database and ongoing research findings, China Finance Online is engaged in providing financial institutions with financial data, financial advisor software, wealth management software and investor education software. Powered by Genius database, in October 2017, we officially launched our cloud-based stock analytics software product for enterprise users, Genius Zhisheng. Based on Genius database and our software algorithm, Genius Zhisheng provides institutional investors with analytical tools such as visual analysis, back testing and simulation. In 2017, we have entered into strategic partnership agreements with leading Citic Securities and China Investment Securities. In March 2018, we signed strategic partnership agreement with Orient Securities to provide a cloud-based investor education platform. In October 2018, the investor education platform of Orient Securities was awarded top rating by Shanghai government as well as the sole winner for online investor education.

(iii) Advertising Business

We believe that our website www.jrj.com is among the most popular financial information websites in China. While our internet community is generally affluent and educated and thus represents a potentially attractive group for advertisement, in 2012, we continued to allocate most of our advertising inventory to promote our own product and service offerings to individual investors. In 2016, 2017 and 2018, revenues from advertising-related services represented approximately 3.5%, 8.4% and 16.1% of our total net revenues respectively, and online advertising was not part of our core business.

b. Hong Kong Securities and Futures Contracts Brokerage and Wealth Management Business

Rifa Securities Limited (or Rifa Securities, previously named iSTAR International Securities Co. Limited), holds a Type 1 license and provides a diversified portfolio brokerage and other related services to our customers who invest in stocks listed on the Hong Kong Stock Exchanges and Clearing Limited, or HKEx. Rifa Futures Limited (or Rifa Futures, previously named iSTAR International Futures Co. Limited), holds a Type 2 license and commences futures contract trading business in Hong Kong. Rifa Credit Limited (or Rifa Credit, previously named iSTAR International Credit Co. Limited), holds a Money Lenders License. Rifa Asset Management Limited (“Rifa Asset Management”) holds Type 9 License, Type 4 License and Type 5 License. The Type 9 License allows Rifa to manage a portfolio of securities or futures contracts for clients on a discretionary basis. The Type 4 License allows Rifa to give investment advice to clients relating to the sale and purchase of securities. The Type 5 License allows Rifa to give investment advice to clients relating to the sale and purchase of futures contracts.

Rifa Securities, together with Rifa Futures, serve as our platform for developing financial services outside mainland China. In 2016, 2017 and 2018, the brokerage and related services provided by Rifa Securities and Rifa Futures contributed approximately 10.8%, 59.3% and 49.1% of our total net revenues.

In September, 2016, the Company transferred the entire equity interest in iSTAR International Wealth Management Co. Limited to a third party for a total consideration of $3.0 million (HK$23.3 million equivalently).

In November 2018, the Company entered into a share transfer agreement with West Platinum Limited (the “Buyer”) to sell 1,552,000 shares, 20% of Rifa Financial Holdings Limited (the “Share Transfer Agreement”). Pursuant to the

agreement, the total consideration for the transaction is HK$ 73.8 million (about US$ 9.4 million) and all of them has been received.

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Customer support

Our customer support center provides our clients and users with real-time and professional support our customer support personnel are available to explain various features of our offerings and provide investment advisory services directly over the phone. Customer support is also available to provide assistance on technical problems to our users, as well as perform sales and marketing roles. We have an in-house training program for our customer support personnel, which include training courses on China's securities markets, our service features and functionalities, technical problem solving skills and general customer service guidelines.

Sales and Marketing

We market our service offerings through online marketing, call centers, advertising and our customer support personnel. We will continue to use our focused marketing strategy to further enhance awareness of our brand and acquire new customers. We market our service offerings through various channels including our own websites JRJ.com.cn and mobile apps JRJ, Yinglibao, etc. According to Alexa, JRJ.com.cn is a top 500 most visited websites globally. JRJ and Yinglibao mobile apps are available in Apple store and Android app stores. In China, we also form partnerships with other online platforms and print publications to place our advertisement on their sites and newspapers. We also place offline digital advertising on buses and in locations with high foot traffic such as airports. In Hong Kong, we utilized our sales team to outreach to potential customers for brokerage services.

We also host competitions and industry forums to increase our brand recognition and create public speaking opportunities for our key executives and product managers to discuss our products and services. We also create online events and publish proprietary reports to engage users and promote our various products.

In December 2016, we hosted "2016 Fintech Forum & Leading China Annual Awards" in Beijing. The key-note speakers for this event include senior management from financial companies and banks and also officials from regulatory commissions. The forum had over 500 attendees from a large number of prestigious Chinese financial institutions, including banks, broker dealers, asset management firms and insurance companies.

In May 2017, we produced our first live coverage on Berkshire Hathaway's Annual Shareholder Meeting in Omaha, Nebraska. Widely perceived as the Woodstock of capitalists and investors, Berkshire Hathaway's Annual Shareholder Meeting has drawn significant attention in China among both institutional and retail investors. We sent a team to Omaha to provide live coverage and streaming of this annual event. On May 6-7 in China, there were over 800,000 viewers watched our live production featuring the wisdom-filled question-and-answer session hosted by the legendary leadership duo, Warren Buffett and Charlie Munger. In addition, we also produced a series of videos, blogs and articles including visit to Warren Buffett's favorite steak house in Omaha, interviews with Chinese entrepreneurs who had lunch with Warren Buffett, and conversations with many Berkshire Hathaway's shareholders from all corners of the world.

In July 2017, we organized Fund-of-fund forums to discuss the current market opportunities and challenges in China for FOF investment strategy. There were 36 mutual funds in attendance in the Beijing venue and 38 mutual funds in attendance in the Shenzhen forum. Among the attendees, there were portfolio managers from leading investment managers such as China Southern Asset Management, Harvest Fund Management, China Asset Management, Bosera Asset Management, CCB Principal Asset Management, Fullgoal Asset Management, E Fund Management, MANULIFE TEDA Fund Management and Haitong Fortis Investment Management.

In 2017, we introduced China's first Top 1000 wealth list. Similar to Forbes World's Billionaire list and Hurun Global Rich List, our China A-Share Market Top 1000 Wealth List ("A-Share Top 1000 Wealth List") tracks and publishes the wealthiest 1000 individuals and families with holdings in companies publicly listed in Chinese stock market. Based on our wholly-owned market data service- Genius, A-Share Top 1000 Wealth List screens more than 1,700 non-state-owned-enterprises publicly listed on Shanghai Stock Exchange and Shenzhen Stock Exchange, and analyzes their market capitalizations, tax contributions, employee compensations and cash dividends with four key metrics, Fundamental Support Coefficient, Environmental Contribution Coefficient, Fundamental Support Value and Social Contribution Value. Powered by a series of advanced algorithms, A-Share Top 1000 Wealth List features three proprietary rankings: Family Wealth Value, Corporate Wealth Creation Value, and Z3 Wealth Creation Score.

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In February 2018, we hosted “2017 Fintech Forum & Leading China Annual Awards” in Nanjing. Among the key note speakers and panelists were regulators, executives from the Hong Kong Stock Exchange, leading financial institutions and leading internet and fintech companies. The key discussions were centered around data security, risk management, and fintech innovation. The conference was committed to promoting the long-term health of financial industry in China and received high recognitions from financial regulators and institutions.

In May 2018, we hosted the "2018 Value Discovery Forum for Public Companies on Chinese Stock Markets" in Chengdu. Over 80 prestigious public companies listed on the Shenzhen and Shanghai stock markets and influential investors attended the forum. During the forum, China Finance Online also announced the 2018 Top 30 Growth Non-State-Owned-Companies, 2018 Top 30 Socially Responsible Non-State-Owned-Companies and 2018 Top 30 Investor Confidence Non-State-Owned-Companies. These rankings are based on our proprietary algorithms dynamically tracking a series of data points including financials, valuation, growth trends, ESG (environment, social and governance) and other metrics, which enable investors to identify investment opportunities and discover value stocks.

In November 2018, we hosted “2018 Innovation Summit of Public Companies” in Beijing. Surrounding the subject of “rebuilding competitive strengths and promoting industry reforms”, over 300 attendees including industry experts, entrepreneurs, institutional investors, and media executives share their views on how innovations, mergers & acquisitions, investments propel public companies to regain competitive advantages, strengthen operations, and promote corporate responsibilities.

In December 2018, we hosted the 3rd “2018 Fintech Forum & Leading China Annual Awards” in Beijing. During the forum, approximately 1,000 attendees, 500 financial institutions and 60 industry experts discussed new trends in Chinese economy, social and technology development and debated the new growth engine for Chinese and global economy. There were 50 individual awards in 12 categories including banking, insurance and securities brokerage given to winners.

Research and Development

We seek to differentiate our products and optimizing our services as continue to strengthen our core competence. We have been focusing on development and innovation of internet platforms and mobile internet applications, bringing different technologies including multimedia, social networking, big data, cloud computing, artificial intelligence and user behavior analysis to our financial service platform.

In late 2016, we introduced our proprietary robo-advisory service, Lingxi. Depending upon users’ risk profiles, Lingxi provides retail investors with investment products for global asset allocations. In 2017, we introduced cloud-based one-stop investment research platform for institutional investors, Genius Zhisheng. For retail investors, we also introduced trading research tools based on Zhisheng algorithm. In 2018, we continued to upgrade our products and services with more advanced algorithm and technologies.

When designing products, we aim to anticipate our customers’ needs and to meet their increasingly complex and specific design requirements. We also strive to design products that will achieve broad market acceptance and generate widespread end user demand. Our product development team conducts frequent meetings with our sales and marketing team to discuss the feasibility of new service offerings and the progress of existing product development efforts. Our research and development team also works closely with our customer support team to develop features and content based on user feedback.

We have established a strong R&D team especially for our Zhisheng Finance and Lingxi robo-advisory platforms. Our R&D team includes financial industry veterans, Wall Street quantitative trading experts, and web technologists. In the three years ended December 31, 2016, 2017 and 2018, our product development expenses were $14.5 million, $16.2 million and $13.9 million, respectively.

We expect product development to remain an important part of our business as the online financial services industry in China becomes increasingly sophisticated. We will keep placing significant emphasis on refining and upgrading our products and service platform, and on creating new and innovative features to meet the changing needs of our customers. Our research and development team works as an integral part of our overall service offering efforts.

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Competition

Although we pioneer in providing online financial services and information, we are still facing more competition in many aspects of our business. Our business ventures such as Investment Masters, Yinglibao, securities investment advisory and wealth management services are developing in accordance with our current business plan. We are operating in an increasingly competitive environment and competing for clients on the basis of product choices, client services, reputation and brand names. The potential competitions we face include the following:

- competition from traditional and online financial service providers offering similar services and products;
- competition from existing internet companies entering into financial service market offering similar services and products; and
- competition from new entrants providers offering similar services and products.

With respect to our scaled-down of software-based financial information services, the number of competitors providing online financial news and information has increased since we commenced operations. Competition is intensifying among companies that provide security analysis software. More broadly, we also compete, directly and indirectly, for users and subscribers with companies in the business of providing financial data and information services, including:

- publishers and distributors of traditional media, including print, radio and television as well as radio and television programs and news programs focused on financial news and information;
- internet portals providing information on business, finance and investing;
- financial information web pages offered by websites;
- stock research software vendors, especially those that develop and market stock research software through stock brokerage companies;
- stock brokerage companies, especially stock brokerage companies with online trading capabilities; and
- other companies that provide similar products and services as ours.

Our ability to compete depends on many factors, including the comprehensiveness, timeliness and trustworthiness of our content, market acceptance of our services, pricing and sophistication of our products, ease of use of our information platform, the effectiveness of our sales and marketing efforts and our ability to continue to innovate and develop new products.

In addition, lack of substantial barriers to entry has historically enabled certain unqualified companies and low-quality products to compete with us in the market. Certain unlicensed participants supplied counterfeit, illegal or low-quality and inferior products or services under our name. Such unlawful acts not only distorted market order, but also negatively impacted our reputation and materially and adversely affect our future developments. In addition, the resultant increase in expenses is becoming apparent across the industry.

Intellectual property

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

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Our PRC subsidiaries and PRC-incorporated affiliates are the registered owners of 235 software copyrights as of December 31, 2018, each of which has been registered with the National Copyright Administration of the PRC.

We have registered one key domain name relating to our website, www.jrj.com, with the Internet Corporation for Assigned Names and Numbers, or ICANN, an internationally organized, non-profit corporation. We have also registered one domain name relating to our website, www.jrj.com.cn, with the China Internet Network Information Center, a domain name registration service in the PRC. We currently have 67 trademarks registered with the Trademark Office of State Administration of Industry and Commerce (the "SAIC") and five trademarks registered in Hong Kong as of December 31, 2018.

Regulation

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

- MIIT (Ministry of Industry and Information Technology);
- PBC (The People's Bank of China);
- CSRC (China Securities Regulatory Commission);
- CBRC (China Banking Regulatory Commission);
- Asset Management Association of China
- Cyberspace Administration of China
- Ministry of Culture;
- General Administration of Press and Publication (National Copyright Administration);
- National Development and Reform Commission (NDRC);
- SAIC (State Administration of Industry and Commerce);
- Ministry of Public Security;
- Ministry of Commerce; and
- State Administration of Radio Film and Television

The State Council and these ministries and agencies have issued a series of rules that regulate a number of different substantive areas of our business. And our businesses in the Hong Kong are subject to regulations by HKEx, Hong Kong Securities and Futures Commission, or SFC, and Hong Kong Police Force, which are discussed below.

Regulation of securities investment advisory business

Securities investment advisory is intensely regulated in China, which mainly include the Securities Law (2005 and amended in 2013 and 2014), the Tentative Measures for Administration of Securities and Futures Investment Consultancy (1997), the Notice on Several Issues related to Regulation of Securities Investment Advisory provided to the Public (2001) and the Provisional Regulations. Those laws and regulations impose licensing requirements on the provision of securities investment advisory to the public in China.

The CSRC has adopted a series of rules regulating the methods of providing securities investment advisory to the public, including without limitation Tentative Provisions for Issuance of Securities-related Research Reports (2010), Tentative Provisions for Securities Investment Consultancy Business with Membership System (2005), Rules on Strengthening the Broadcast Management of Information related to Securities and Futures (1997). Those rules established the requirements on companies engaged in securities investment advisory business to set up branches in China, required securities investor advisors to disclose any conflict of interest and set up firewall measures internally,

and prohibited securities investor advisor from disseminating the information related to securities investment on TV channels or radio programs without the approval by the CSRC and the State Administration of Radio Film and Television.

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The Provisional Regulations promulgated by the CSRC in October 2010 and effective as of January 1, 2011 require that securities investment advisory providers obtain a license.

The CSRC issued the Interim Provisions on Strengthening the Supervision and Control of Engagement in Securities Investment Advisory Business by Utilizing "Securities Analysis Software" ("Circular 40"). Pursuant to Circular 40, the sale or provision of "Securities Analysis Software" to the investors to directly or indirectly obtain economic benefits shall be deemed as engagement in securities investment advisory business, and any institution or individual engaging in such business shall be licensed by the CSRC and obtain the securities investment advisory qualifications.

We have obtained such license in accordance therewith to provide securities investment advisory services which assist in clients' investment decision-making process to its individual and corporate clients. Shenzhen Newrand Securities Advisory and Investment CO., Ltd. ("CFO Newrand") Training owns an investment education license issued by the Shenzhen Bureau of Education.

Regulation of securities brokerage, futures contracts brokerage, securities investment advisory and money lending businesses in Hong Kong

Rifa Securities Limited, regulated by SFC, holds a license for Type 1 regulated activities (dealing in securities), which permits it to engage in securities trading and brokerage business in Hong Kong. Rifa Futures Limited, regulated by the SFC, holds a license for Type 2 regulated activities (dealing in futures), which permits it to engage in futures contract trading business. Rifa Futures is also an Exchange Participant on the Hong Kong Futures Exchange. Rifa Asset Management, regulated by the SFC, holds a license for each of Type 9 (asset management), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities, which together permit it to manage a portfolio of securities or futures contracts for clients on a discretionary basis, to give investment advice to clients relating to the sale and purchase of securities and give investment advice to clients relating to the sale and purchase of futures contracts.

Rifa Credit Limited (formerly iSTAR International Credit Co. Limited, "Rifa Credit"), holds a money lenders license, under the Money Lenders Ordinance, permitting it to engage in money lending activities in Hong Kong, which is valid for the standard 12-month period, and which has in the past been successfully renewed from year to year.

Regulation of mutual fund distribution business

Administrative Measures for the Sale of Securities Investment Funds promulgated by the CSRC on June 9, 2011 and amended in 2013 are the principal regulation for mutual fund distribution.

Wealth management for private investors is still in early development stage in China. China has not adopted a unified and specific regulatory framework governing the distribution of wealth management products and the provision of wealth management consulting services. Nevertheless, there are ad hoc laws and regulations related to several types of wealth management products as the following:

- PRC Trust Law (2001) and the Administrative Rules Regarding Trust Company-Sponsored Collective Fund Trust Plans (2007 and amended in 2009) are principal laws and regulations for trust products;
- PRC Partnership Enterprise Law (2006), the Notice on Further Standardizing the Development and Record-filing Administration of Equity Investment Enterprises in Pilot Regions (2011) promulgated by the NDRC and a series of local regulations promulgated by provinces and certain cities, including Beijing, Shanghai and Tianjin, to encourage and regulate the development of private equity investment in the applicable region;

Regulation of online P2P lending business

Given Yinglibao's online lending functions, Yinglibao is subject to the regulations under the Interim Measures introduced in August 2016. See "Item 3.D. Key Information — Risk Factors — The Interim Measures on Administration of the Business Activities of Peer-to-Peer Lending Information Intermediaries may adversely affect our business, financial conditions and results of operations."

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In addition, given the cash saving, transferring and management functions of Yinglibao, Yinglibao may be subject to futures additional Chinese laws and regulations related to banking and securities businesses in the event Yinglibao became restricted or even prohibited by Chinese laws, our customers' financial activities may be affected and there may be a material adverse impact on our new business ventures to provide users with alternative investment opportunities.

The Guidelines for the Depository Business of Peer-to-Peer Lending Funds (the "Custodian Guidelines") was promulgated by Circular of the General Office of CBRC on February 22, 2017. The Custodian Guidelines further clarifies the custodian requirements for the funds of investors and borrowers held by online lending information service providers.

The Custodian Guidelines specifies that an online lending information service provider may only designate one qualified commercial bank as its fund custodian institution for the funds of investors and borrowers held by it, and further clarifies detailed requirements and procedures for setting up custody accounts with commercial banks. To the extent that the relevant online lending information service providers and commercial banks are not in full compliance with the Custodian Guidelines, they are required to make correction or rectification within a six-month period specified by the Custodian Guidelines.

In accordance with the Guidelines and the Interim Measures, the CBRC further the Information Disclosure Guidelines, on August 23, 2017. The Information Disclosure Guidelines further clarified the disclosure requirements for online lending information service providers. Pursuant to the Information Disclosure Guidelines, online lending information service providers should disclose certain information on their websites and all other internet channels, including mobile applications, WeChat official accounts or Weibo, including, among others (i) the record-filing and registration information, the organization information, the examination and verification information, and transaction related information, including transactions matched through the online lending information service providers for the previous month, all of which shall be disclosed to the public; (ii) the basic information of the borrowers and the loans, the risk assessment of such loans, and the information of the outstanding transactions matched, all of which shall be disclosed to the investors; and (iii) any event that would result in a material adverse effect to the operations of online lending information providers, which shall be disclosed to the public within 48 hours upon occurrence. The Disclosure Guidelines also require online lending information service providers to record all the disclosed information and retain such information for no less than five years from the date of the disclosure. To the extent that the relevant online lending information service providers are not in full compliance with the Information Disclosure Guidelines, they are required to make correction or rectification within a six-month rectification period starting from the date the Information Disclosure Guidelines was issued. Any violation of the Information Disclosure Guidelines by an online lending intermediary may be subject the online lending intermediary to certain penalties under Interim Measures. We have taken various measures to comply with the Interim Measures, the Custodian Guidelines, and other laws and regulations that are applicable to our business operations.

Regulation of account management business

A draft Account Management Operational Rules (the "Draft Rules") was released by Securities Association of China (the "Association") on March 16, 2015 for public comments. Pursuant to the Draft Rules, account management refers to provision of value analysis or investment decision for clients in respect of investing in or trading of securities, funds, futures and other relevant financial products, and carrying out investment or trading management on behalf of clients. Securities houses and securities investment consulting firms are allowed to provide account management services upon satisfying the following conditions:

- obtained the securities investment consulting services license, and with a registered capital of not less than RMB 50 million;
- there are at least 10 employees with securities investment consulting services license and more than 2 years' relevant experience in securities, funds or futures, and qualified senior management;
- proper operational management, internal control and investment protection systems commensurate with its businesses;

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- proper operational premises and facilities and technology system commensurate with its businesses;
- there has been no criminal or administrative penalty relating to violation of law or regulations in the past three years, nor is there ongoing investigation or correction involving potential violation of law or regulations; and
- other conditions pursuant to relevant laws or regulations and rules by the Association.

Employees involving in the account management services are required to hold the securities investment consulting services license, registered with the Association as investment consultant, have relevant experience in securities investment, research, investment consulting or similar businesses, have sound credit and ethical record, and have not been subject to criminal or administrative penalty in the past 3 years.

Notwithstanding that we have not been engaged in account management business, in the event the Draft Rules becomes effective in the future and we intend to be engaged by clients to provide investment or trading management services, the Draft Rules is expected have a positive impact on our business.

Foreign ownership restriction on Internet content provision business

According to the Provisions on Administration of Foreign Invested Telecommunications Enterprises, or the FITE Provisions, promulgated by the State Council in December 2001 and amended in September 2008 and 2016, foreign ownership in the companies that provide Internet content services, including our business of providing financial information and data to Internet users, must not exceed 50%. In order to comply with this foreign ownership restriction, we operate our website in China through CFO Fuhua, which is wholly owned by Zhiwei Zhao, our chief executive officer, and Jun Wang, our director, both of whom are PRC citizens. Under FITE Provisions and other related regulations, we cannot directly hold the licenses and approvals necessary to operate our website because those licenses and approvals cannot be held by foreign entities or majority foreign-owned entities. We, as a company incorporated in Hong Kong, are a foreign entity for this purpose.

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

Internet-related licenses and permits

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

In September 2000, the State Council promulgated the Telecommunications Regulations, or the Telecom Regulations, and amended in 2016. The Telecom Regulations categorize all telecommunications businesses in the PRC as either basic or value-added. Internet content services, or ICP services, are classified as value-added telecommunications businesses. Under the Telecom Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the MIIT or its provincial level counterparts. In September 2000, the State Council issued the Administrative Measures on Internet Information Services, or the Internet Measures, according to which, commercial ICP service operators must obtain an ICP license from the relevant government authorities before engaging in any commercial ICP operations within the PRC.

In order to host our website, CFO Fuhua is required to hold an ICP license issued by MIIT or its local offices. Pursuant to the revised Administrative Measures for Telecommunications Business Operating License promulgated by

MIIT in March 2009, ICP operators providing value-added services in multiple provinces are required to obtain an inter-regional license (or National License) and ICP operators providing the same services in one province are required to obtain a local license (or Local License). CFO Fuhua currently holds a Local License and an ICP license both issued by the local branch of MIIT in Beijing. In October 2017, Beijing Chuangying Investment Consultant Co., Ltd. obtained an ICP license issued by the local branch of MIIT in Beijing, which allows Beijing Chuangying Investment Consultant Co., Ltd. to provide Internet information service (excluding information search service, information instant interaction service).

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A regulation issued by MIIT, the Notice on Certain Issues Regarding the Regulation of Short Messaging Services on April 29, 2004, requires short message, or SMS, content providers to obtain an SMS license from MIIT or its local offices. We have obtained the required SMS license via CFO Fuhua for the delivery of our financial short message content.

Furthermore, MIIT has promulgated the Internet Electronic Messaging Service Administrative Measures in November 2000, or the BBS Measures, requiring ICP license holders that provide online bulletin board services to register with, or obtain an approval from, the relevant telecommunications authorities. CFO Fuhua has obtained such approval from Beijing Communications Administration and Shanghai Communications Administration, respectively, the government agency in charge of this matter.

On July 6, 2004, the State Administration of Radio Film and Television promulgated the Rules for the Administration of Broadcasting of Audio/Video Programs through the Internet and Other Information Networks, or the A/V Broadcasting Rules. The A/V Broadcasting Rules apply to the opening, broadcasting, integration, transmission or download of audio/video programs via the Internet and other information networks. Anyone who wishes to engage in Internet broadcasting activities must first obtain an audio/video program transmission license, with a term of two years, issued by the State Administration of Radio Film and Television and operate pursuant to the scope as provided in such license. Foreign invested enterprises are not allowed to engage in this business nor obtain such license. On December 20, 2007, the State Administration of Radio Film and Television and the MIIT jointly issued the Rules for the Administration of Internet Audio and Video Program Services, commonly known as Document 56, which came into effect as of January 31, 2008. Document 56 reiterates the requirement set forth in the A/V Broadcasting Rules that online audio/video service provider must obtain a license from the State Administration of Radio Film and Television. Furthermore, Document 56 requires all online audio/video service providers to be either wholly state-owned or state-controlled. According to relevant official answers to press questions published on the State Administration of Radio Film and Television's website dated February 3, 2008, officials from the State Administration of Radio Film and Television and the MIIT clarified that online audio/video service providers that already had been operating lawfully prior to the issuance of Document 56 may re-register and continue to operate without becoming state-owned or controlled, provided that such providers have not engaged in any unlawful activities. This exemption will not be granted to online audio/video service providers established after Document 56 was issued. CFO Fuhua holds a Radio and TV Program Production and Business Operation License which allows it to produce and publish cartoons, entertainment programs and special topic programs and an Information Network Communicated Audio-Video Program License which allows it to broadcast securities and futures information related audio-video programs through website and apps.

On March 16, 2018, National Radio and Television Administration (the "SAPPRFT") promulgated the Notice on Further Regulating the Transmission Order of Internet Audio-Visual Program Services, which provides that the classic literary works, radio, film and television programs, and original internet audio-visual programs shall not be re-edited, re-dubbed, re-subtitled or partly captured and consolidated as a new program without authorizations, and providers of internet audio-visual program services shall strictly manage and supervise such re-edited programs uploaded by the internet users and shall not provide any transmission channel for those internet audio-visual programs with political orientation issues, copyright issues or content issues.

Regulation of internet content

The PRC government has promulgated measures relating to Internet content through a number of ministries and agencies, including MIIT, the Ministry of Culture and the General Administration of Press and Publication. These measures specifically prohibit Internet activities, which include provision of financial information through the

Internet, that result in the publication of any content which is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise State security or secrets. If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

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

On August 25, 2017, the CAOC issued the Administration Measures for Internet Forum Community Service, effective on October 1, 2017, to regulate the provision of online interactive social network services for information dissemination. On August 25, 2017, the CAOC issued the Administration Measures for Internet Comment Thread Services, effective on October 1, 2017, for regulating the provision of services by websites, applications, interactive broadcasting platforms, and other communication platforms with news and media characteristics that allow users to release text, photos, audio, and video. On September 7, 2017, the CAOC issued the Administration Measures for Internet Chat Group Services, effective on October 8, 2017, to regulate the provision of platform services for that allow Internet user groups to exchange information online. On September 7, the CAOC issued the Administration Measures for Internet Users' Social Account Information Services, effective on October 8, 2017. These measures provide, among other things, that Internet platform operators providing the covered services will be responsible for the security of information and content published over their platforms, and provide enhanced requirements for user registration, information review, emergency response, and security.

In May 2017, the Administrative Regulations for Internet News Information Services and Implementation Rules on the Administration of Internet News Information Services Permits (collectively the "News Regulations") were promulgated by the CAOC to replace the Administrative Rules for Internet News Information Services promulgated by the SCIO in 2005 (the "Old News Rules"). The News Regulations stipulate that Internet news information services include production, publishing, and republishing services and platforms providing for the dissemination of news over the Internet, and specify that platforms providing for the dissemination of news over the Internet will be required to obtain an Internet news information services permit.

On May 2, 2017, the CAOC, issued the Administrative Enforcement Procedures for the Administration of Internet-based Information Content, or the Enforcement Procedures, effective June 1, 2017. Pursuant to the Enforcement Procedures, the CAOC and its local branch offices have the authority to enforce, and impose administrative sanctions on activities prohibited by applicable administrative laws and regulations concerning Internet-based information content.

Regulation of information security

The National People's Congress has enacted legislation that prohibits use of the Internet that breaches the public security, disseminates socially destabilizing content or leaks state secrets. Breach of public security includes breach of national security and infringement on legal rights and interests of the state, society or citizens. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC national defense, state affairs and other matters as determined by the PRC authorities.

According to other relevant regulations, ICP operators must complete mandatory security filing procedures and regularly update information security and censorship systems for their websites with local public security authorities, and must also report any public dissemination of prohibited content.

In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets during online information distribution. Specifically, Internet companies in China with bulletin boards, chat rooms or similar services must apply for specific approval prior to operating such services.

On November 23, 2005, the Ministry of Public Security promulgated Provisions on Technological Measures for Internet Security Protection, or Internet Protection Measures. The Internet Protection Measures require all ICP operators to keep records of certain information about its users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations. CFO Fuhua has already taken measures to comply with these laws and regulations.

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On November 7, 2016, the Standing Committee of the National People's Congress issued the Internet Security Law (the "Internet Security Law"), which took effect on June 1, 2017. The Internet Security Law requires providers of services over Internet networks to keep user information that they have collected in strict confidence and to establish improved systems for the protection of user information. Such service providers must provide notice of the purpose, methods and scope of their collection and use of user information, and obtain the consent of each person whose personal information will be collected. Providers of services over Internet networks may not collect any personal information that is not related to the services they provide, or disclose or tamper with personal information that they have collected, unless such information is encoded to prevent identification of individuals whose information is so disclosed or tampered with. Service providers who do not comply with the Internet Security Law may be subject to fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses.

Regulation of online securities information

Securities Association of China released the Online Securities Information System Technical Guidance for Securities Houses (the "Guidance"), effective from March 13, 2015. According to Section 54 of the Guidance, securities houses are not allowed to provide port access to third party service providers in respect of online securities services and trading related services. Securities trading instructions are required to be processed exclusively and internally within the securities houses' owned systems. We provide Securities Link services which currently connect to securities houses' trading port access through customer-end software, such services include online securities services and trading services. Upon the Guidance becomes effective, we may need to adjust the current technical arrangement. Having worked with the relevant securities houses, we are prepared to operate within the requirement of the Guidance by changing our trading port access technology.

Regulation of intellectual property rights

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

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

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

Regulation of website name

On October 1, 2004, the Administrative Rules on Filing of Commercial Websites for Records were promulgated by the Beijing Municipal Administration of Industry and Commerce, or Beijing AIC to replace the Implementing

Measures of the Temporary Administration Rules on Filing of Commercial Website for Record promulgated by the Beijing AIC on September 1, 2000. According to The Administrative Rules on the Filing of Commercial Websites, websites must comply with the following requirements:

- filing with the Beijing AIC and obtain electronic registration marks;
- placing the registration marks on their websites' homepages; and
- registering their website names with the Beijing AIC.

CFO Fuhua has registered website name, "JRJ Investment and Finance Network" with, and received electronic registration marks from Beijing AIC.

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Regulation of privacy protection

PRC law does not prohibit ICPs from collecting and analyzing personal information from their users. The Standing Committee of the National People's Congress issued the Decisions on Strengthening the Protection of Internet Information, effective on December 28, 2012 ("Information Protection Decisions"), pursuant to which, ICPs may collect users' personal information with the principals of legality, legitimacy and necessity and shall be consented by the users. We require our users to accept a user agreement whereby they agree to provide certain personal information to us. The Information Protection Decisions prohibit ICPs from disclosing to any third parties any information transmitted by users through their networks unless otherwise permitted by law. If an ICP violates these regulations, MIIT or its local offices may impose penalties (including fines, confiscation of revenues, revocation of permits, shut down of websites and criminal penalties, as appropriate) and the ICP may be liable for damages caused to its users.

The General Rules of the Civil Law of the People's Republic of China promulgated by National People's Congress in March 15, 2017 and effective as of October 1, 2017 require that any organization or individual shall legally obtain the personal information of others when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally buy or sell, provide or make public the personal information of others.

On May 8, 2017, the Supreme People's Court of the PRC and the Supreme People's Procurator of the PRC issued the Interpretation of the Supreme People's Court and the Supreme People's Procurator on Several Issues Concerning the Applicable Law for Criminal Cases with respect to Infringement of Citizen's Personal Information, which defines "personal information," "the provision of personal information," and "the illegal collection of personal information."

Cyber Security Law came into effect on June 1, 2017. According to the Cyber Security Law, providers of services over Internet networks may not collect any personal information that is not related to the services they provide, or disclose or tamper with personal information that they have collected, unless such information is encoded to prevent identification of individuals whose information is so disclosed or tampered with. Under the Cyber Security Law, the internet service providers are required to take technical and other necessary measures to ensure the security of the personal information they have collected and prevent the personal information from being divulged, damaged or lost. Service providers who do not comply with the Cyber Security Law may be subject to fines, warnings, suspension of their businesses, confiscation of illegal gains, shutdown of their websites, and revocation of their business licenses.

Regulation of online advertising

The PRC government regulates advertising, including online advertising, principally through the State Administration for Industry and Commerce, although there are no national PRC laws or regulations specifically regulating online advertising business. Under the Rules for Administration of Foreign-Invested Advertising Enterprise, promulgated by the State Administration for Industry and Commerce and the Ministry of Commerce in March 2004 and amended in October 2008, foreign investors are permitted to own equity interests in PRC advertising companies. However, foreign investors of wholly foreign-owned and joint venture advertising companies are required to have at least three years and two years, respectively, of direct operations in the advertising industry outside of China. Since we have not been involved in advertising outside of China for the required number of years, we cannot hold equity interests in PRC companies engaged in advertising business directly.

On November 30, 2004, the SAIC issued the Administrative Regulations for Advertising Operation Licenses, or the Advertising Regulations, taking effect as of January 1, 2005. Pursuant to the Advertising Regulations and other related rulings, enterprises conducting online advertising activities are exempted from the previous requirement to obtain an

advertising permit in addition to a business license. We proceed with our online advertising business through CFO Fuhua, which has procured business licenses that include online advertising in its business scope.

In January 2016, the Beijing Administration of Industry and Commerce issued an oral notice to the online platforms to suspend accepting advertisements with respect to P2P and financial products. The existing advertisements falling within these categories were requested to be taken down.

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On July 4, 2016, the SAIC issued the Interim Measures for Administration of Internet Advertising, or the Interim Measures for Internet Advertising, effective since September 1, 2016, which defines the scope of services included within internet advertising; specifies the respective obligations of internet advertisers, advertising agencies, advertising publishers and internet information service providers; and provides penalties for violations. The Interim Measures for Internet Advertising forbids luring users to click on the content of internet advertisements by any fraudulent means and attaching advertisements or advertising links to emails sent by users without their permission. Under the Interim Measures for Internet Advertising, internet advertisers are responsible for the authenticity of the contents of online advertisements, and internet advertising publishers and advertising agencies are required to verify the content of advertisements, and employ inspectors who are familiar with PRC laws and regulations governing online advertising.

On February 9, 2018, the SAIC issued the Circular of the State Administration for Industry and Commerce on Launching a Special Program to Rectify Internet Advertisements, effective since February 9, 2018, which work on top of the agenda include false and illegal internet advertisements of financial investments, investment attraction and collections that include contents cheating or misleading consumers and harm property interests of the masses.

Advertisers, advertising operators and advertising distributors are required by PRC advertising laws and regulations to ensure that the contents of the advertisements they prepare or distribute are true and in full compliance with applicable laws and regulations. In addition, where a special government review is required for certain categories of advertisements before publishing, the advertisers, advertising operators and advertising distributors are obligated to confirm that such review has been performed and that relevant approval has been obtained. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In the case of serious violations, the State Administration for Industry and Commerce or its local branches may force the violator to terminate its advertising operation or even revoke its business license. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties.

The Advertisement Law of the People’s Republic of China of October 27, 1994, was amended and revised for the first time by the Standing Committee of the People’s Congress on April 24, 2015, since its adoption on October 27, 1994. It was promulgated by the Order No. 22 of the President of the People’s Republic of China and came into force on September 1, 2015. The revised Law brings the following significant changes to the regulatory regime for advertising activities in China, including online advertising:

- establishing strict regulations of the scope and content of advertisements relating to the expansion of definition of “advertisements” and “advertisers”, the restrictions on advertising to children and the stringent controls over the advertising of specific products and services;
- providing specific measures to deal with false advertising;
- tightening rules for methods of advertising; and
- increasing the penalties for illegal advertisements and the authorities’ powers of enforcement.

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C. Organizational structure.

The following table sets forth the details of our principal subsidiaries and significant PRC-incorporated affiliates as of December 31, 2018:

Name	Jurisdiction of Incorporation	Legal Ownership Interest	
Fortune Software (Beijing) Co., Ltd.	PRC	100	%
China Finance Online (Beijing) Co., Ltd.	PRC	100	%
Shenzhen Genius Information Technology Co., Ltd.	PRC	100	%
Zhengyong Information & Technology (Shanghai) Co., Ltd.	PRC	100	%
Zhengtong Information & Technology (Shanghai) Co., Ltd.	PRC	100	%
Fortune (Beijing) Success Technology Co., Ltd.	PRC	100	%
Shanghai Stockstar Information & Technology Co., Ltd.*	PRC	Nil	
Beijing Zhengjin Wealth Management Co., Ltd.	PRC	Nil	
Beijing CFO Premium Technology Co., Ltd.*	PRC	Nil	
Beijing CFO Glory Technology Co., Ltd.*	PRC	Nil	
Beijing Fuhua Innovation Technology Development Co., Ltd. *	PRC	Nil	
Beijing Chuangying Advisory and Investment Co., Ltd.	PRC	Nil	
Beijing Huizhi Fortune Technology Co., Ltd.*	PRC	Nil	
Shenzhen Newrand Securities Advisory and Investment Co., Ltd.*	PRC	Nil	
Zhongheng Xintai (Beijing) Asset Management Co., Ltd.*	PRC	Nil	
Shenzhen Newrand Securities Training Center*	PRC	Nil	
Shenzhen Ganlanren Investment Management Co., Ltd. *	PRC	Nil	
Shanghai Stockstar Wealth Management Co., Ltd.*	PRC	Nil	
Beijing Zhongjun Sunshine Investment and Management Co., Ltd*	PRC	Nil	
Fortune (Beijing) Huiying Investment Consulting Co., Ltd.*	PRC	Nil	
iTougu (Beijing) Network Technology Co., Ltd.*	PRC	Nil	
Shenzhen Rifa Commercial Factoring Co. Ltd.*	PRC	Nil	
Shenzhen Tahoe Investment and Development Co., Ltd.*	PRC	Nil	
Rifa Financial Holdings Limited**	BVI	85	%
Rifa Securities Limited**	Hong Kong	85	%
Rifa Futures Limited**	Hong Kong	85	%
Rifa Asset Management Limited	Hong Kong	85	%
Rifa Credit Limited**	Hong Kong	85	%
Rifa Wealth Management Co. Limited	Hong Kong	85	%

*Denotes variable interest entities or subsidiaries of variable interest entities

**iSTAR Financial Holdings Limited was renamed Rifa Financial Holdings Limited on June 14, 2016, iSTAR International Securities Co. Limited was renamed Rifa Securities Limited on June 15, 2016, iSTAR International Futures Co. Limited was renamed Rifa Futures Limited on June 15, 2016, iSTAR International Credit Co., Limited was renamed Rifa Credit Limited in 2016.

PRC regulations currently limit foreign ownership of companies that provide ICP services, which include our business of providing financial information and data to Internet users, not to exceed 50%. We are a Hong Kong company and we conduct our operations solely in China through our wholly owned subsidiaries. We are a foreign enterprise and the wholly owned subsidiaries are all foreign invested enterprises under PRC law and, accordingly, neither we nor our wholly owned subsidiaries are eligible for a license to operate ICP services or provide online advertising services in China. In order to comply with foreign ownership restrictions, we operate our online business in China through CFO Fuhua. We have entered into a series of contractual arrangements with CFO Fuhua and its shareholders, including contracts relating to the leasing of equipment, the licensing of our domain name, the provision of technical support services and strategic consulting and certain shareholder rights and corporate government matters in 2004. CFO Fuhua is a PRC domestic company controlled by Zhiwei Zhao, our chairman and chief executive officer and Jun Wang, our director.

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In addition, to provide the Company with effective control over and the ability to receive substantially all of the economic benefits of its VIEs, the Company's wholly owned subsidiaries including CFO Beijing, CFO Software and Zhengtong Information & Technology (Shanghai) Co., Ltd. ("CFO Zhengtong") (collectively, the "WFOEs" and each a "WFOE") have entered into a series of contractual arrangements with the VIEs, which include CFO Fuhua, Beijing Huizhi Fortune Technology Co., Ltd. ("CFO Huizhi"), CFO Newrand Shanghai Stockstar Wealth Management Co., Ltd. ("Stockstar Wealth Management") and Shenzhen Ganlanren Investment Management Co., Ltd. Specifically, these contractual arrangements enable us to:

- have the power to direct the activities that most significantly affect the economic performance of the VIEs and their subsidiaries;
- receive substantially all of the economic benefits from the VIEs and their subsidiaries in consideration for the services provided by our WFOEs; and
- have an exclusive option to purchase from each of the shareholders of the VIEs all or part of the VIEs' equity interest, when and to the extent permitted by PRC law, or request any existing shareholder of VIEs to transfer all or part of the equity interest in the VIEs to another PRC person or entity designated by us at any time in our discretion.

These contractual arrangements are summarized in the following paragraphs.

Exclusive Technology Consulting and Management Service Agreement. Pursuant to a series of technology support and service agreements, the WFOEs retain the exclusive right to provide the VIEs and their subsidiaries technology support and consulting services and exclusive management consulting service. As a result of these services, the WFOEs are entitled to charge the VIEs and their subsidiaries annual service fees. The principal services agreements that the WFOEs have entered into with the VIEs include:

- strategic consulting services agreement, pursuant to which the amount of fees to be charged is 30% of each VIE's income before tax;
- technical support services agreement, pursuant to which the amount of fees to be charged is 30% of each VIE's income before tax; and
- operating support services agreement, pursuant to which the amount of fees to be charged is 40% of each VIE's income before tax.

Power of Attorney. Pursuant to the power of attorney, each of the shareholders of the VIEs has executed an irrevocable power of attorney assigning the WFOEs or individuals designated by the WFOEs as their attorney-in-fact to vote on their behalf on all matters of the VIEs requiring shareholder approval under PRC laws and regulations and the articles of association of VIEs. The articles of incorporation of the VIEs state that the major rights of the shareholders include the right to appoint directors, the general manager and other senior management members.

Loan Agreement. We entered into a loan agreement with Zhiwei Zhao effective November 20, 2006 to extend to Mr. Zhao a loan in the amount of $163,000 for the sole purpose of financing his acquisition of the equity interests of CFO Fuhua from one of its two former shareholders (the "Zhao Loan"). The initial term of the foregoing loan is 10 years which may be extended upon the parties' agreement. The agreement has been extended for another ten years. Zhiwei Zhao can only repay the loan by transferring all of his interest in CFO Fuhua to us or a third party designated by us. If and when Zhiwei Zhao transfers his interest in CFO Fuhua to us or our designee, if the actual transfer price is higher than the principal amount of the loan, the amount exceeding the principal amount of the loan will be deemed as interest accrued on such loan and repaid by Zhiwei Zhao to us. While Hong Kong law limits maximum interest payment payable to 60% of the outstanding principal amount per annum, this limitation would be relevant only if, the actual value of CFO Fuhua has increased at an average annual rate greater than 60% at the time Zhiwei Zhao transfers to us his interest in CFO Fuhua.

CFO Fuhua's assets currently consist primarily of registered capital and licenses to provide Internet content and advertising related services, and its operations are primarily limited to operating our free website and providing advertising related services on behalf of CFO Beijing. Accordingly, we do not believe this limitation will have a

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material effect on our business and operations, or will result in a material amount being paid to the shareholders of CFO Fuhua if and when they are permitted to transfer their interest in CFO Fuhua to us.

We entered into a loan agreement with Jun Wang in October 2007 to extend to Mr. Wang a loan in the amount of $199,000 for the sole purpose of financing his acquisition of the equity interests of CFO Fuhua from its other former shareholder (together with the Zhao Loan, the "VIE Loans"). Such loan is subject to the same terms and conditions as the loan agreement we entered into with Zhiwei Zhao as discussed above.

Purchase Option Agreement. A purchase option agreement was entered into by us, CFO Beijing, CFO Fuhua and the two former shareholders of CFO Fuhua on May 27, 2004. After the two former shareholders of CFO Fuhua completed the transfer of all of their equity interests in CFO Fuhua to Zhiwei Zhao and Jun Wang in 2006 and 2007, respectively, each of Zhiwei Zhao and Jun Wang executed a new purchase option agreement with us, CFO Beijing and CFO Fuhua, replacing the previous purchase option agreement. Pursuant to the current purchase option agreement, each of Zhiwei Zhao and Jun Wang is obligated to sell to us, and we have an exclusive option to or designate another party to purchase from each of them, all or any portion of their equity interest in CFO Fuhua when and to the extent that applicable PRC law permits us to own part or all of the equity interest in CFO Fuhua. In addition, we have an exclusive option to require CFO Fuhua to transfer all of its assets to us or our designee if and when Zhiwei Zhao and/or Jun Wang ceases to be a director or employee of CFO Fuhua, or either Zhiwei Zhao or Jun Wang desires to transfer his equity interest in CFO Fuhua to a party other than the existing shareholders of CFO Fuhua, to the extent permitted by PRC law.

The exercise price of the option will equal (i) the total principal amount under the VIE Loans, or (ii) the price required by relevant PRC law or government approval authority if such required price is higher than the total principal amount under the VIE Loans. We may choose to pay the purchase price by canceling our loans to Zhiwei Zhao and Jun Wang.

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

Voting arrangement. Upon Zhiwei Zhao's receipt of Jun Ning's holdings in CFO Fuhua on November 20, 2006, and Jun Wang's receipt of Wu Chen's holdings in CFO Fuhua on October 18, 2007, each of Zhiwei Zhao and Jun Wang delivered to us an executed proxy substantially identical to the proxy executed by Jun Ning and Wu Chen, respectively, with respect to their voting rights as shareholders of CFO Fuhua. The foregoing proxy grants us the power to exercise the rights of the shareholders as shareholders of CFO Fuhua, including the right to appoint all of the directors and senior management of CFO Fuhua. In addition, we are entitled to all other voting rights provided to the shareholders of CFO Fuhua, as set forth in its articles of association, to vote on their behalf on all matters, such as matters related to the transfer of their respective equity interests in CFO Fuhua and the distribution of dividends or other proceeds from CFO Fuhua.

Share Pledge Agreement. The share pledge agreement is an agreement which collateralizes equity interests in our VIEs as security interest. Pursuant to a share pledge agreement, dated May 27, 2004, the two former shareholders of CFO Fuhua pledged all of their equity interest in CFO Fuhua to CFO Beijing to secure the payment and the performance of all other obligations of CFO Fuhua under the equipment leasing agreement, the technical support agreement and the amended and restated strategic consulting agreement between CFO Beijing and CFO Fuhua.

In November 2006 and October 2007, the two former shareholders of CFO Fuhua completed the transfer of all of their equity interests in CFO Fuhua to Zhiwei Zhao and Jun Wang, respectively. Under this agreement entered into by and among Zhiwei Zhao, Jun Wang and CFO Beijing, each of Zhiwei Zhao and Jun Wang have agreed not to transfer, assign, pledge or in any other manner dispose of his interest in CFO Fuhua or create any other encumbrance

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on his interest in CFO Fuhua, which may have a material effect on CFO Beijing's interest without the written consent of CFO Beijing, except the transfer of their interest in CFO Fuhua to us or the third-party assignee designated by us according to the purchase option agreement.

We entered into contractual arrangements with our affiliates including significant affiliates such as CFO Newrand, CFO Huizhi and Shenzhen Ganlanren Investment Management Co., Ltd. and their shareholders similar to agreements we had entered into with CFO Fuhua and its shareholders. As a result of these contractual arrangements we obtained substantial control and became the primary beneficiary of our PRC-incorporated affiliates and, accordingly, we consolidate the results of operations of our PRC-incorporated affiliates in our financial statements. The English translation of the VIE contracts are attached as Exhibits 4.4-4.85 and Exhibits 4.141-4.179, 4.181, 4.183 to this Annual Report on Form 20-F and incorporated herein by reference.

By June 2016, the VIE contracts with CFO Chongzhi were terminated. All the equity interest in CFO Chongzhi was transferred from Xun Zhao and Jing Zhao to other VIE entities we controlled.

In July 2017, the VIE contracts with Zhongheng Xintai (Beijing) Asset Management Co., Ltd were terminated. All the equity interest in Zhongheng Xintai (Beijing) Asset Management Co., Ltd was transferred from Han Meng and Wenjing Lu to other VIE entities we controlled.

On November 1, 2018, the VIE contracts with Rifa Yunling (Beijing) Technology Co., Ltd. were terminated. All the equity interest in Rifa Yunling (Beijing) Technology Co., Ltd. was transferred from Xiaowei Wang and Jing Zhang to Fortune (Beijing) Success Technology Co., Ltd.

On August 1, 2018, the VIE contracts with CFO Chuangying were terminated. Fortune (Beijing) Qicheng Technology Co., Ltd., who directly owns CFO Chuangying by VIE structure was dissolved.

On October 1, 2018, Shenzhen Ganlanren Investment Management Co., Ltd. ("Shenzhen Ganlanren") signed the Exercise of Right of First Refusal Agreement with Zaisi Cui, Xiaoqiao Sun and CFO Fortune. Pursuant to this agreement, Zaisi Cui shall transfer all the equity he has in Shenzhen Ganlanren to Xiaoqiao Sun.

On November 1, 2018, the VIE contracts with Beijing Mingfu Economics Research Institute Co., Ltd. and CFO Zhengyong were terminated. Beijing Mingfu Economics Research Institute Co., Ltd. was dissolved afterwards.

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

- the corporate structure of the Company and its subsidiaries and our PRC-incorporated affiliates are in compliance with existing PRC laws and regulations; and
- the contractual arrangements governing each of our VIE relationships are valid, binding and enforceable under, and do not violate PRC laws or regulations currently in effect.

There are, however, substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for our operations in China do not comply with PRC regulatory restrictions on foreign investment in our industry, we could be subject to severe penalties. The imposition of any of these penalties could result in a material adverse effect on our ability to conduct our business.

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Business Sectors Operated through our VIEs

The following table sets forth the details of our variable interest entities and their respective business sectors as of December 31, 2018:

Variable interest entities	Business sector
Beijing Fuhua Innovation Technology Development Co., Ltd.	Web Portal and advertising services
Shenzhen Newrand Securities Advisory and Investment Co., Ltd.	Subscription services and other related services
Shanghai Stockstar Wealth Management Co., Ltd.	Holding company of Commodities brokerage services
Shenzhen Ganlanren Investment Management Co., Ltd.	N/A
Beijing Huizhi Fortune Technology Co., Ltd.	N/A
Beijing CFO Premium Technology Co., Ltd.	N/A

D. Property, Plants and equipment.

Our principal executive offices as well as our subsidiaries and affiliates that locate in Beijing lease approximately 4,350 square meters. Our subsidiaries and affiliates that locate in Shanghai lease approximately 540 square meters. Our subsidiaries and affiliates that locate in Shenzhen lease approximately 1,850 square meters. Our subsidiaries and affiliates that locate in Wuhan lease approximately 530 square meters. Our subsidiaries that locate in Hong Kong lease approximately 460 square meters. We intend to seek additional office space as required for our operations as needed on commercially reasonable terms. We believe that we will be able to obtain adequate facilities, principally through the leasing of appropriate properties, to accommodate our future expansion plans.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

A. Operating Results

We launched commodities brokerage business in 2013, which was former named precious metals trading services in 2013, as part of our transition to a new business model. Our commodities brokerage affiliates' intended scopes of business include precious metals and other commodities' spot trading, silver product sales and financial investment advisory services. In the second quarter of 2017 during which time new commodities trading was suspended by most of precious metal exchange in China. We also 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.

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Our service offerings are used by and targeted at a broad range of investors in China, including individual investors managing their own money, professional investors such as institutional investors managing large sums of money on behalf of their clients and high net worth individuals, other financial professionals such as investment bankers, stock analysts and financial reporters, and middle class individuals.

Our net revenues increased by 6.7% to $45.5 million in 2018 from $42.6 million in 2017. The net loss attributable to China Finance Online Co. Limited was $20.0 million in 2018, compared with net loss of $36.7 million in 2017.

Our principal capital expenditures for 2016, 2017 and 2018 consisted of primarily purchases of servers, workstations, computers, computer software, and other items related to our network infrastructure for a total of approximately $4.6 million, $2.5 million and $0.3 million, respectively.

Key factors affecting our operating results and financial condition

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

- global macroeconomic uncertainties, as well as the overall performance of China's economy;
- the strategic transition of our core business from providing premium subscription services to developing fee-based securities investment advisory services with wealth management services;
- performance of China's securities markets, and user demand for market intelligence on China's securities markets;
- competition in the PRC financial data and information services industry, precious metal trading business and other financial services we may enter into;
- PRC governmental policies relating to the commodities brokerage industry and security advisory consulting industry;
- possible non-cash goodwill, intangible assets and investment impairment may adversely affect our net income;
- contribution of alternative revenue resources such as revenues from online advertising;
- seasonality associated with the level of activity of our users and subscribers and the trading activities of China's securities markets;
- tax refund from the PRC tax authorities for value-added-taxes we are required to pay on the sale of subscriptions to our service packages;
- other tax incentives we receive from PRC tax authorities resulting from CFO Meining (the sale of 90% of equity interest in CFO Meining was closed in the second quarter of 2016), CFO Genius and CFO Fuhua being the HNTE companies; CFO Tibet and Tibet Lieqian being the preferential tax rate for enterprises in Tibet;
- our cost structure, including, in particular, our cost for commission paid, raw data, bandwidth costs and personnel-related expenses;
- the desirability of our service packages relative to other products and offerings available in the market;
- our ability to benefit from the contractual arrangements with CFO Newrand, CFO Fuhua, and Stockstar Wealth Management and other VIEs; and
- PRC regulatory policies.

We derive revenues primarily from our brokerage-related services, subscription fees from subscribers to our financial data and information services. We are developing our capacity in the securities investment advisory and wealth management services. The level of public interests in investing in China's commodities brokerage and securities market could significantly influence our business.

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To a lesser extent, we also derive revenues through advertisement sales on our website, which contributed $7.3 million in 2018, an increase of 103.8% from the $3.6 million contributed in 2017. Revenues from advertising accounted for 16.1% of our net revenues in 2018. We allocated most of our advertising inventories to promote our own product and services offerings, and hence online advertising was not considered a core service line of our business in 2018. Our gross revenues also include the benefit of a refund from the PRC tax authorities for VAT, which we are required to pay on the sale of subscriptions to our service packages. We receive these refunds from the PRC tax authorities as part of the PRC government's policy of encouraging software development in the PRC. There is generally a one-month lapse between the time we complete a sale and pay the VAT on that sale and the time we receive the refund. The VAT refund policy was reconfirmed pursuant to the Notice on VAT Policy for Software Products, effective from January 1, 2011, jointly promulgated by the Ministry of Finance and the State Administration of Taxation on October 13, 2011, or Caishui Circular 100. We recognized approximately $0.2 million in revenue for VAT refunds in 2018. Although the Notice on VAT Policy for Software Products does not specify policy expiration date, in the event that the preferential tax treatment for them is discontinued, these entities will become subject to the standard tax rate at 17%, which materially increase our tax obligations.

Gross revenues

We launched commodities brokerage services in 2013. We generate commission income and trading revenues from our clients' commodities trading. We also generate subscription fee revenues from the sales of the financial information and investment advisory services.

Net revenues

Our net revenues reflect a deduction from our gross revenues for business taxes and related surcharges incurred in connection with our China operations. The gross revenues of PRC entities from sales that are not subject to VAT are subject to a business tax at a rate ranging from 3% to 5%. We pay business tax on certain revenues from commodities brokerage services, depending on the judgments of difference taxation authorities.

Starting from January 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation launched a Business Tax to VAT Transformation Pilot Program (the "Pilot Program") for certain industries in Shanghai. On September 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation extended the Pilot Program to certain industries in other eight regions, including Beijing and Shenzhen. With the adoption of Pilot Program, our advertising-related revenues mobile value added services revenue and certain subscription revenues started to be subject to VAT tax. These revenues are recognized after deducting VAT and other related surcharges.

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

	Years ended December 31		
	2016	2017	2018
Financial services	$68,933,218	$28,234,546	$23,057,366
Financial information and advisory	10,696,523	10,271,822	14,891,267
Advertising	2,893,707	3,588,499	7,312,947
Other revenues	534,448	527,783	216,346
Total revenues from external customers	$83,057,896	$42,622,650	$45,477,926

Cost of revenues

A large portion of costs of revenues are commission paid to sales agents of our financial services business and website maintenance expenses, which consist of bandwidth costs, personnel-related expenses, rent and content expenses for our jrj.com website. Cost of revenues accounted for 51.5% and 37.0% of our net revenues in 2017 and 2018, respectively.

Cost paid to financial advisors. We paid cost to the financial advisors of our “iTougu” business, generally on a “50:50” basis. The cost paid were $0.8 million in 2018, constituting 4.5% of our cost of revenues.

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Commission paid. Commission paid is the commission paid to the account executives of our Hong Kong brokerage business and the commissions paid to the sales agents of our commodities brokerage business. Commission paid constituted 66.0% of our cost of revenues in 2018.

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

Bandwidth Costs. Bandwidth fees are the fees we pay to Internet Data Center, or the IDC, for telecommunications services and for hosting our servers. We expect our bandwidth costs, as variable costs, to increase with the traffic on our websites. Our bandwidth costs could also increase if the IDC increase their service charges. Our bandwidth fees constituted 7.4% of our cost of revenues in 2018.

Cost of raw data. Our cost of raw data consists of fees we pay to the stock exchanges and our other data providers pursuant to our commercial agreements with those parties. These contracts are typically for a fixed rate, and regard to the level of use, for a term, typically less than three years, depending on the provider. Our cost of raw data is likely to be our most variable element of cost of revenues. Our cost of raw data is expected to increase:

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

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

Operating expenses

Our operating expenses consist of general and administrative expenses, product development expenses, sales and marketing expenses and impairment loss of intangible assets and goodwill, if any. Share-based compensation expenses are reported within each of the operating expense financial statement line items, as appropriate.

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

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

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

Stock incentive plans and nonvested shares

We adopted the 2004 Stock Incentive Plan, or the 2004 Plan, in January 2004, and amended it in September 2004, August 2006, June 2009, and June 2010, respectively. As of January 2 2014, selected employees and executives have been granted restricted shares of an aggregate 1,100,240 ordinary shares with the certificates evidencing the shares

shall only be issued to the participant if and when the applicable restrictions on the restricted shares lapse in accordance with the terms of the agreement and the 2004 Plan. The 2004 Plan has expired on January 3, 2014, which is the 10th anniversary of the effective date of the 2004 Plan. The share-based compensation expenses relating to the 2004 Plan were $0.2 million in 2016. All share-based compensation expenses relating to the 2004 Plan were recognized as of December 31, 2016.

We adopted the 2007 Stock Incentive Plan, or the 2007 Plan, in July 2007. On July 2, 2007, we granted restricted stock awards covering 10,558,493 of our ordinary shares under the 2007 Plan to our employees who are eligible for the 2007 Plan. The vesting of the restrictive stock is subject to us achieving certain financial performance targets stated in the 2007 Plan. In 2009, in light of the significant global economic downturn and its impact on our performance, our board amended the terms of these grants to extend the performance period and the vesting schedule for an additional three years ending on December 31, 2012. Based on the Company's operating performance during 2008 and 2009, 8,658,048 shares were vested as of December 31, 2010.

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In June 2014, the Annual General Meeting approved the amendment to the 2007 Plan and the Restricted Stock Issuance and Allocation Agreement of 2007 Plan. Pursuant to such agreement, together with the remaining 1,900,445 ordinary shares which were not vested due to the operating performance targets under 2007 Plan not being achieved, 3,000,000 ordinary shares were collectively granted to the employees who were eligible. The fair value of a nonvested share on the grant date was measured at the quoted market price of the Company's equity shares. The nonvested shares shall become activated and vest during the period commencing from the grant date and ending on December 31, 2016 based on the Company's achievement of the performance targets. As of December 31, 2015, all the 3,000,000 ordinary shares were activated based on the Company's operating performance in 2015. The share-based compensation expenses relating to the nonvested shares recognized were $1.0 million, nil and nil in 2016, 2017 and 2018 respectively.

On November 1, 2010, iSTAR Financial Holdings Limited (later renamed Rifa Financial Holdings Limited, or Rifa Financial) granted restricted stock awards representing 15% of its ordinary shares pursuant to the 2010 Equity Incentive Plan (the "2010 Plan") of Rifa Financial to awardees who are eligible to participate in the plan. In connection with such awards, we transferred 15% of the ordinary shares of Rifa Financial to an entity representing the eligible awardees. In order to bind those awardees together to promote the common interests of the awardees, Rifa Financial and the Company, the ordinary shares were transferred to, and are held by, Hopewin Asia Limited, which was incorporated in BVI, on behalf of and exclusively for the benefit of the whole group of awardees eligible to participate in the plan. We believe such incentive plan will attract, maintain and motivate our team, and we believe the plan is in our best interests and the best interests of our stockholders. As of December 31, 2013, all compensation cost relating to the 2010 Plan was recognized.

In July 2014, the Company adopted the 2014 stock incentive plan (the "2014 Plan") which allows the Company to offer a variety of incentive awards to employees, directors, officers and other eligible persons in the Group, and consultants and advisors outside the Group. The maximum number of ordinary shares that may be delivered pursuant to awards granted to eligible persons under 2014 Plan during calendar year 2014 is equal to 5,000,000 ordinary shares; provided, that, as of January 1 of each calendar year thereafter during the term of 2014 plan, the maximum number of ordinary shares that may be delivered pursuant to awards granted to eligible persons under 2014 Plan shall be increased by 3,000,000 ordinary shares. As a result, the total number of ordinary shares authorized under the 2014 Plan was 17,000,000 as of December 31, 2018. 200,000 ordinary shares, 2,840,000 ordinary shares and 2,180,000 ordinary shares were granted under 2014 Plan for the year ended 2016, 2017 and 2018, respectively. As of December 31, 2018, 5,839,900 shares were available for future grant of awards. The share-based compensation expenses relating to the 2014 Plan were $1.2 million, $0.8 million and $0.9 million in 2016, 2017 and 2018, respectively.

On July 1, 2014, Shanghai Shangtong Co., Ltd. ("CFO Shangtong") and Fortune Zhengjin Co., Ltd. ("Fortune Zhengjin", formerly known as "Huifu Jinyuan Co., Ltd."), two affiliates of the Company, entered into a series of contractual arrangement with selected employees of the Group. Pursuant to the agreement, these employees were granted 10% restricted shares of CFO Shangtong and Fortune Zhengjin. The vesting of the restricted shares is subject to rendering service to the Company for five years. On July 1, 2015, Fortune Zhengjin entered into another contractual arrangement to grant 8% restricted shares of Fortune Zhengjin to selected employees of the Group. CFO Tahoe also entered an arrangement with selected employees of the Group. Pursuant to the agreement, these employees were granted 1.95% restricted shares of CFO Tahoe. On May 31, 2016, Fortune Zhengjin entered into another arrangement to grant 5.35% restricted shares of Fortune Zhengjin to selected employees of the Group. There were $3,000, $2.1 million and $0.2 million share-based compensation expenses recorded in 2017 relating to CFO Shangtong, Fortune Zhengjin and CFO Tahoe, respectively. There were $2,000, $1.2 million and $0.1 million share-based compensation expenses recorded in 2018 relating to CFO Shangtong, Fortune Zhengjin and CFO Tahoe, respectively.

We believe such incentive plan will attract, maintain and motivate our team, and we believe the plan is in our best interests and the best interests of our stockholders.

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Taxation

Hong Kong Profits Tax

We and our subsidiaries established in Hong Kong, including Rifa Securities, Rifa Futures, Rifa Asset Management, Rifa Credit and other ten subsidiaries are subject to the uniform profits tax rate of 16.5% in Hong Kong. In addition, companies which are incorporated outside of Hong Kong and carry on a trade, profession or business in Hong Kong are also subject to Hong Kong profits tax in respect of their profits arising in or derived from any business carried on in Hong Kong. Profits that are not sourced from Hong Kong are not subject to Hong Kong profits tax. There are no withholding taxes in Hong Kong on remittance of dividends to shareholders outside of the territory. In 2016, 2017 and 2018, the income tax expenses charged in Hong Kong were $462, $69,744 and $156,730 respectively.

PRC Enterprise Income Tax

In 2008, the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation jointly issued the Administrative Measures on the Recognition of High and New Technology Enterprises, or the Recognition Rules, which stipulates that the provincial counterparts of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation shall jointly determine an enterprise's qualification as a high and new technology enterprise under the EIT Law by considering, among other factors, ownership of its core technology, the scope of its high and new technology, the ratios of technical personnel and research and development (R&D) personnel to total personnel, the ratio of R&D expenditures to annual sales revenues, the ratio of revenues attributed to high and new technology products or services to total revenues, and other measures set forth in relevant guidance. The HNTE qualification is valid for a term of three years and is subject to application for renewal thereafter. CFO Genius successfully renewed their HNTE qualification in 2018, and would enjoy a preferential tax rate of 15% for another three years.

PRC Withholding Tax

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

Tax Residence

Under the PRC Enterprise Income Tax Law and its Implementing Rules, an enterprise established outside of the PRC with “de facto management bodies” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its worldwide income. The Implementing Rules define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise”.

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On April 22, 2009, the State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, or SAT Circular 82, which provided certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore- incorporated enterprise is located in China. In addition, the SAT issued the Bulletin 45 on July 27, 2011 to provide more guidance on the implementation of the above circular with an effective date to be September 1, 2011. The Bulletin 45 made clarification in the areas of resident status determination, post-determination administration, as well as competent tax authorities. It also specifies that when provided with a copy of PRC tax resident determination certificate from a resident PRC -controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the PRC-sourced dividends, interest or royalties to the PRC-controlled offshore incorporated enterprise.

Although SAT Circular 82 and the Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals, the determining criteria set forth in SAT Circular 82 and the administration clarification made in Bulletin 45 may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. Accordingly, we may be considered a resident enterprise and may therefore be subject to the enterprise income tax at 25% on our worldwide income. If we are considered a resident enterprise and earn income other than dividends from our PRC subsidiary, a 25% enterprise income tax on our worldwide income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

Transition from Business Tax to Value Added Tax

Starting from January 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation launched a Business Tax to VAT Transformation Pilot Program (the "Pilot Program"), for certain industries in Shanghai. On September 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation extended the Pilot Program to certain industries in other eight regions, including Beijing. With the adoption of Pilot Program, our advertising-related revenues and certain subscription revenues were subject to VAT tax at rates ranging from 3% to 6%. These revenues were recognized after deducting VAT and other related surcharges.

The implementation of the Pilot Program has not had a significant impact on our consolidated statements of comprehensive income for the year ended December 31, 2018.

Critical accounting policies and Estimates

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

Revenue recognition. We charge subscription fee to our individual investors of "iTougu" and institutional subscribers for the right to use our service packages. For "iTougu" provided to individual investors, service fee is paid in full prior

to the delivery of our service packages. With a monthly fee, individual investors could receive stock picking advices and review their mentors' current investment portfolios and living trading records as well. We began to recognize revenue over the service period upon activation of the investors' subscription. Services fees that have been paid but not yet recognized are recorded as deferred revenue on our balance sheets. Deferred revenue is reduced proportionately as revenue is recognized ratably over the service period.

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

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

Through our commodities brokerage business, our customers could buy or sell the products provided by the exchanges. We derive commission from their trading volumes. The commission income is recognized on a trade basis. In addition, we acted as one of the market makers of the commodities exchanges. We commit to accept all the trade executions by offering to buy or sell trading products from/to our clients. As a counterparty of our clients' dealing, we may earn trading gains or incur trading losses, depending on market conditions. Trading revenues, net, are recognized on a trade basis too, when trades are executed. Unrealized gains/losses on open positions are marked to market at period end. Trading revenues, net, which comprise both realized and unrealized gains and losses, are recognized on a net basis in the Statement of Comprehensive Income.

The Group also derives revenue from providing services as information intermediary in online P2P lending business. We procure borrowing and lending information from independent third parties, and our professional team evaluates and selects the information provided by third parties, from the perspective of risks. Eventually we display the selected information on the platform of Yinglibao, which is our online consumer finance marketplace. We charge borrowers interests for facilitating loan transactions, and the revenues are recognized upon completion of the services.

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

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. The valuation allowance is based on our estimates of taxable income by jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. In the event that actual results differ from these estimates or we adjust these estimates in future periods, we may need to establish an additional valuation allowance, which could materially impact our financial position and results of operations.

Uncertainties exist with respect to how the EIT Law applies to our overall operations, and more specifically, with regard to our tax residency status. The EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for PRC income tax purposes if their place of effective management or control is within the PRC. The implementation rules to the EIT Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, among others, occur within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, we do not believe that our legal entities organized outside of the PRC should be treated as residents under EIT Law. If one or more of our legal entities organized outside of the PRC were characterized as PRC tax residents, the impact would adversely affect our results of operation. See "Item 3.D. Key Information — Risk Factors — Risks Relating to doing business in the People's Republic of China — We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income."

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will

not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

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Share-based compensation. Share-based compensation with employees is measured based on the grant date fair value of the equity instrument, we recognize the compensation costs net of a forfeiture rate using straight-line method or graded vesting attribution method, over the requisite service period of the award, which is generally the vesting period of the award. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change.

The fair values of our option awards granted to employees were estimated on the date of grant using Black-Scholes option-pricing model that uses assumptions including the fair value of the ordinary shares underlying the options, expected volatility, risk-free interest rate, expected option life, expected dividend yield and exercise price. Risk-free interest rate was estimated based on the yield to maturity of treasury bonds of the United States with a maturity period close to the expected term of the options. The dividend yield was estimated by the company based on its expected dividend policy over the expected term of the options. Options are generally granted at an exercise price equal to the fair market value of the company's shares at the date of grant.

The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of the company over the past years. The expected life was estimated based on historical information.

The fair value of our restricted shares granted to employees was equal to the fair market value of our shares at the date of grant.

The fair value of the stock options and restricted shares is re-measured as of the end of each reporting period until the services of these non-employees are complete under the service contracts.

For the nonvested shares granted with performance condition, share-based compensation expense is recognized based on the probable outcome of the performance condition. A performance condition is not taken into consideration in determining fair value of the nonvested shares granted.

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

In April 2016, the Group completed the disposal of its 90% equity interests in Shanghai Meining Computer Software Co., Ltd ("CFO Meining") to third parties, based on the arrangements signed in December 2015. With the assistance of a third party appraiser, the fair value of the 10% retained noncontrolling investment of $0.8 million was recognized in the consolidated balance sheets.

In December 2016, the Group made a cost method investment of $0.2 million.

In January 2017, the Group made a cost method investment of $0.1 million.

The total carrying balance of such cost method investments were $1.7 million and $1.6 million as of December 31, 2017 and 2018, respectively. There was no impairment loss of the Group's cost method investment.

Equity method investment. For investments in an investee over which we do have significant influence but lack control, we carry the investment at cost and subsequently adjust the carrying amount of the investment to our proportionate share of each equity investee's net income or loss. We review the equity method investments for impairment whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. An impairment loss is recognized in earnings equal to the difference between the investment's carrying amount and its fair value at the balance sheet date of the reporting period for which the assessment is made.

The Company recognized equity method investment gain of $0.1 million and gain of $470 in the consolidated statement of comprehensive income for the year ended December 31, 2017 and 2018, respectively. The carrying balance of equity method investment was $0.8 million and $0.8 million as of December 31, 2017 and 2018, respectively.

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Impairment of goodwill and indefinite-lived intangible assets. The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheet as goodwill.

We complete a two-step goodwill impairment test. The first step is to compare the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step is to compare the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Based on the valuation performed by a third party appraiser as of June 1, 2014 due to the business restructure, we recorded $8.1 million goodwill impairment losses in relation to the reporting unit of investment advisory services for the years ended December 31, 2014 due to management's estimation of the expected future cash flows associated with these assets were insufficient to recover their carrying values. In 2016, the Company concluded that goodwill allocated to the commodities brokerage reporting unit was fully impaired because the estimated growth rates and profit margins for future periods were expected to be lower than that of prior years based on that assessment. The Group recognized an impairment loss of $6.7 million related to the commodities brokerage reporting unit for the year ended December 31, 2016. There was no goodwill impairment in 2017 and 2018.

The impairment test for other intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The estimates of fair values of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. A loss from impairment of intangible with indefinite life of $0.6 million, $0.3 million was recorded in the year ended December 31, 2016 and 2017, respectively. There was no impairment of intangible assets in 2018.

In applying the income approach to the valuation of product sales unit, the discounted cash flow methodology was used. The following are critical assumptions in determining the fair value of the reporting unit related to investment advisory services in 2018:

- the revenue growth is projected at a compound annual growth rate, or CAGR. The CAGR of the reporting unit is approximately 5.1% for 2016 through 2020, which is within the range of comparable companies at the time of valuation.
- operating expenses, including selling expenses, R&D expenses and general and administrative expenses, as a percentage of sales is expected to remain stable.

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- to maintain normal operations, capital expenditures are estimated to be around 3% of revenue for each of the four reporting units, respectively.
- the working capital requirement is estimated based on main accounts turnover days.
- a perpetual growth rate after 2020 is assumed to be at 3% per year for each of the four reporting units.

The weighted average cost of capital, or WACC, used in the calculation is 18% for the reporting unit.

We recognized losses from impairment of goodwill of $6.7 million, nil and nil for the year ended December 31, 2016, 2017 and 2018, respectively.

We recognized losses from impairment of indefinite-lived intangible assets of $0.6 million, $0.3 million and nil for the year ended December 31, 2016, 2017 and 2018, respectively.

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

Impairment of long-lived assets with definite lives. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, we compare the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and our eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, we would recognize an impairment loss based on the fair value of the assets. In 2016, we recorded a loss from impairment of long-lived assets with definite lives of $0.5 million allocated to the commodities brokerage reporting unit because the estimated growth rates and profit margins for future periods were expected to be lower than that of prior years based on that assessment. In 2017 and 2018, we recorded nil loss from impairment of long-lived assets with definite lives.

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Results of operations

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

	For the year ended December 31,					
(in thousands of U.S. dollars, except as % of net revenues)	2016		2017		2018	
Consolidated statement of comprehensive income (loss) data:						
Gross revenues	$83,737	100.8 %	$42,885	100.6 %	$45,827	100.8 %
Business tax	(679)	(0.8)	(262)	(0.6)	(349)	(0.8)
Net revenues	83,058	100.0 %	42,623	100.0 %	45,478	100.0 %
Cost of revenues	(20,380)	(24.5)	(21,934)	(51.5)	(16,842)	(37.0)
Gross profit	62,678	75.5	20,689	48.5	28,636	63.0
Operating expenses:						
General and administrative	(19,837)	(23.9)	(15,250)	(35.8)	(14,254)	(31.3)
Product development	(14,485)	(17.4)	(16,208)	(38.0)	(13,924)	(30.6)
Sales and marketing	(50,083)	(60.3)	(29,467)	(69.1)	(22,066)	(48.5)
Loss from impairment of intangible assets	(1,111)	(1.3)	(292)	(0.7)	—	—
Loss from impairment of goodwill	(6,660)	(8.0)	—	—	—	—
Total operating expenses	(92,176)	(111.0)	(61,217)	(143.6)	(50,244)	(110.5)
Government subsidies	1,195	1.4	230	0.5	—	—
Loss from operations	(28,303)	(34.1)	(40,298)	(94.5)	(21,608)	(47.5)
Interest income	1,051	1.3	487	1.1	97	0.2
Interest expense	(2)	(0.0)	(3)	(0.0)	(1)	(0.0)
Exchange loss, net	(55)	(0.1)	(131)	(0.3)	247	0.5
Gain (loss) on the interest sold and retained noncontrolling investment	20,568	24.8	(1,997)	(4.7)	(1,187)	(2.6)
Gain from sales of equity method investment	—	—	111	0.26	—	(0.0)
Income (Loss) from equity method investment	(138)	(0.2)	(13)	0.0	—	(0.0)
Short-term investment income (loss)	379	0.5	63	0.1	(73)	(0.2)
Other expense, net	(305)	(0.4)	(283)	(0.7)	107	0.2
Loss before income tax expense	(6,805)	(8.2)	(42,064)	(98.7)	(22,418)	(49.3)
Income tax expense	(4,161)	(5.0)	(324)	(0.8)	(52)	(0.1)

Net loss	(10,966)	(13.2)	(42,388)	(99.4)	(22,470)	(49.4)
Less: net loss attributable to noncontrolling interests	(9,287)	(11.2)	(5,652)	(13.3)	(2,520)	(5.5)
Net loss attributable to China Finance Online Co. Limited	(1,679)	(2.0%)	(36,736)	(86.2 %)	(19,950)	(43.9 %)

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Year ended December 31, 2018 compared to year ended December 31, 2017

Revenues

Our gross revenues increased by 6.9% from $42.9 million in 2017 to $45.8 million in 2018. The increase was mainly due to the gross revenues of $7.5 million provided by our advertising services in 2018, compared with $4.1 million in 2017.

Our business taxes and related surcharges attributable to our gross revenues are both $0.3 million in 2017 and 2018. After taking into account business taxes and related surcharges attributable to our gross revenues, our net revenues increased by 6.7% to $45.5 million in 2018 from $42.6 million in 2017. This increase was mainly due to net revenues provided by our advertising services.

Our net revenues derived from our financial services, which include commodities brokerage, Hong Kong brokerage-related services and mutual fund, decreased to $23.1 million in 2018 from $28.2 million in 2017, representing 50.7% and 66.2% of our total net revenues for each year. This decrease was mainly due to (i) the net revenues of $22.3 million provided by Hong Kong brokerage services in 2018, compared with $25.3 million in 2017, (ii) net revenues provided by our commodities brokerage services which was suspended in the second quarter of 2017 during which time new commodities trading was suspended by most of precious metal exchange in China. Such suspension announcements have adversely affected companies in commodity brokerage businesses in China, including us.

Our net revenues derived from our financial information and advisory business, which included subscription fees from individual customers and institutional customers, increased by 45.0% from $10.3 million in 2017 to $14.9 million in 2018.

Our advertising revenues increased to $7.3 million in 2018 from $3.6 million in 2017, representing 16.1% and 8.4% of total net revenues for each year. This increased mainly due to the growth of traffic to our site and readership recognition of our premium content helped to elevate our advertising revenues.

Cost of revenues

Our cost of revenues in 2018 decreased by 23.2% to $16.8 million in 2018 from $21.9 million in 2017, primarily due to commission paid to our sales agents related to our Hong Kong brokerage business decreased.

Gross profit

As a result of the foregoing, our gross profit increased by 38.4% to $28.6 million in 2018 from $20.7 million in 2017.

Operating expenses

Our operating expenses decreased by 17.9% to $50.2 million in 2018 from $61.2 million in 2017. Operating expenses as a percentage of net revenues decrease to 110.5% in 2018 from 143.6% in 2017.

General and administrative. Our general and administrative expenses decreased by 6.5% to $14.3 million in 2018 from $15.3 million in 2017. The decrease in general and administrative expenses was mainly attributable to improved efficiency and more stringent expense control measures. Our general and administrative expenses as a percentage of

net revenues decreased to 31.3% in 2018 from 35.8% in 2017.

Product development. Our product development expenses decreased by 14.1% to $13.9 million in 2018 from $16.2 million in 2017. The decrease in product development expenses was mainly due to improved efficiency after the consolidation of the R&D team. Our product development expenses decreased as a percentage of net revenues to 30.6% in 2018 from 38.0% in 2017.

Sales and marketing. Our sales and marketing expenses decreased by 25.1% to $22.1 million in 2018 from $29.5 million in 2017. This was primarily due to reduction in headcount and the reduction in expenses associated with the terminated commodity brokerage operation.

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Loss from impairment of intangible assets. There was no loss from impairment of intangible assets in 2018, compared to a loss from impairment of $0.3 million in 2017.

Loss from impairment of goodwill. There was no loss from impairment of goodwill for the year ended December 31, 2018 and December 31, 2017.

Loss from operations

Our loss from operations was $21.6 million in 2018 compared to $40.3 million in 2017, and our operating margin was negative 47.5% in 2018, compared to negative 94.5% in 2017. The increase in operating margin was mainly due to 17.9% decrease in operating expenses meanwhile net revenue increased by 6.7%.

Interest income

Our interest income decreased by 80.1% to $0.1 million in 2018 from $0.5 million in 2017.

Interest expense

Our interest expense decreased by 65.6% to $1,101 in 2018 from $3,204 in 2017.

Gain (loss) on the interest sold and retained noncontrolling investment

We recorded a loss on the interest sold and retained noncontrolling investment of $1.2 million in the consolidated statement of comprehensive income for the year ended December 31, 2018. We deregistered seven insignificant affiliates in 2018, of which five were previously owned 59.83% equity interest by us and two were fully owned by us.

We recorded a loss on the interest sold and the retained noncontrolling investment of $2.0 million in the consolidated statement of comprehensive income for the year ended December 31, 2017. We fully disposed our equity interests in Zhengjin (Qingdao) Wisdom Trading Co., Ltd., and also fully disposed Shanghai Stockstar Asset Management Co., Ltd. to third parties, respectively. These entities were previously owned 59.83% and 100% equity interests by us, respectively. Furthermore, we deregistered four insignificant affiliates in 2017, which were previously owned 59.83% equity interest by us.

Gain from sale of equity method investment

In 2017, the Group sold 20% of an investee’s equity interest, and recognized gain from sale of equity investment of 0.1 million.

Short-term investment income (loss)

Our gain from short-term investments, which are classified as trading securities, held-to-maturity or available-for-sale decreased to negative $0.1 million in 2018 from $0.1 million in 2017.

Other loss, net

Our other income, net was $0.1 million in 2018 compared to other loss, net was $0.3 million in 2017.

Income tax expense

Our income tax expense was $0.1 million in 2018 compared to an income tax expense was $0.3 million in 2017.

Net loss attributable to the Company

Our net loss attributable to the Company was $20.0 million in 2018 compared to net loss attributable to the Company was $36.7 million in 2017, and our net income margin was negative 43.9% in 2018 and negative 86.2% in 2017.

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Year ended December 31, 2017 compared to year ended December 31, 2016

Revenues

Our gross revenues decreased by 48.8% from $83.7 million in 2016 to $42.9 million in 2017. The decrease was mainly due to the gross revenues of $2.6 million provided by our commodities brokerage services in 2017, compared with $60.3 million in 2016.

Our business taxes and related surcharges attributable to our gross revenues decreased from $0.7 million in 2016 to $0.3 million in 2017. After taking into account business taxes and related surcharges attributable to our gross revenues, our net revenues decreased by 48.7% to $42.6 million in 2017 from $83.1 million in 2016. This decrease was mainly due to net revenues provided by our commodities brokerage services.

Our net revenues derived from our financial services, which include commodities brokerage, Hong Kong brokerage-related services and mutual fund, decreased to $28.2 million in 2017 from $69.0 million in 2016, representing 66.2% and 83.0% of our total net revenues for each year. This decrease was mainly due to net revenues provided by our commodities brokerage services which were suspended in the second quarter of 2017 during which time new commodities trading was suspended by most of precious metal exchange in China. Such suspension announcements have adversely affected companies in commodity brokerage businesses in China, including us.

Our net revenues derived from our financial information and advisory business, which included subscription fees from individual customers and institutional customers, decreased by 4.0% from $10.7 million in 2016 to $10.3 million in 2017.

Our advertising revenues increased to $3.6 million in 2017 from $2.9 million in 2016, representing 8.4% and 3.5% of total net revenues for each year. This increased mainly due to the growth of traffic to our site.

Cost of revenues

Our cost of revenues in 2017 increased by 7.6% to $21.9 million in 2017 from $20.4 million in 2016, primarily due to commission paid to our sales agents related to our Hong Kong brokerage business.

Gross profit

As a result of the foregoing, our gross profit decreased by 67.0% to $20.7 million in 2017 from $62.7 million in 2016.

Operating expenses

Our operating expenses decreased by 33.6% to $61.2 million in 2017 from $92.2 million in 2016. Operating expenses as a percentage of net revenues increase to 143.6% in 2017 from 111.0% in 2016.

General and administrative. Our general and administrative expenses decreased by 23.1% to $15.3 million in 2017 from $19.8 million in 2016. The decrease in general and administrative expenses was mainly attributable to more stringent expense control measures. Our general and administrative expenses as a percentage of net revenues increased to 35.8% in 2017 from 23.9% in 2016.

Product development. Our product development expenses increased by 11.9% to $16.2 million in 2017 from $14.5 million in 2016. The increase in product development expenses was mainly due to an increase in recruitment of senior software engineers and capital market professionals to support further development in fintech capability. Our product development expenses increased as a percentage of net revenues to 38.0% in 2017 from 17.4% in 2016.

Sales and marketing. Our sales and marketing expenses decreased by 41.2% to $29.5 million in 2017 from $50.1 million in 2016. This was primarily due to headcount reductions in the commodity brokerage operation which was suspended in 2017. During the second quarter of 2017, commodities trading was suspended by most of precious metal exchange in China. Such suspension announcements have adversely affected companies in commodity brokerage businesses in China, including us.

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Loss from impairment of intangible assets. Our loss from impairment of intangible assets was $0.3 million associated with the acquired commodities trading right and customer relationships in 2017 due to management's estimation of the expected future cash flows associated with these assets were insufficient to recover their carrying values, compared to a loss from impairment of $1.1 million in 2016.

Loss from impairment of goodwill. Our loss from impairment of goodwill was nil for the year ended December 31, 2017 compared to $6,659,691 for the year ended December 31, 2016.

Income (loss) from operations

Our loss from operations was $40.3 million in 2017 compared to $28.3 million in 2016, and our operating margin was negative 94.5% in 2017, compared to negative 34.1% in 2016. The decrease in operating margin was mainly due to the decrease in operating expenses was not in line with the decrease in revenue. Specifically, the revenue decrease by 48.7%, and the operating expenses decreased by 33.6%.

Interest income

Our interest income decreased by 53.7% to $0.5 million in 2017 from $1.1 million in 2016. The decrease was mainly due to the decrease of cash and cash equivalents in 2017, compared to the amount of cash and cash equivalents in 2016.

Interest expense

Our interest expense increased by 40.8% to $3,204 in 2017 from $2,275 in 2016.

Gain on the interest sold and retained noncontrolling investment

We recorded a loss on the interest sold and the retained noncontrolling investment of $2.0 million in the consolidated statement of comprehensive income for the year ended December 31, 2017. We fully disposed our equity interests in Zhengjin (Qingdao) Wisdom Trading Co., Ltd., and also fully disposed Shanghai Stockstar Asset Management Co., Ltd. to third parties, respectively. These entities were previously owned 59.83% and 100% equity interests by us, respectively. Furthermore, we deregistered four insignificant affiliates in 2017, which were previously owned 59.83% equity interest by us.

We recorded a gain on the interest sold and the retained noncontrolling investment of $20.6 million in the consolidated statement of comprehensive income for the year ended December 31, 2016. We disposed our 100% equity interests in CFO Fenxin which owns 90% equity interests in CFO Meining, and also fully disposed Henghui (Tianjin) Precious Metals Investment Co., Ltd. ("CFO Henghui") and Shanghai Yongfu Enterprises Management Consulting Co., Ltd. ("CFO Yongfu") to third parties, respectively. Both entities were previously owned 57.07% equity interests by us. Furthermore, we deregistered two insignificant affiliates in the second quarter of 2016, which were both previously owned 70.25% equity interest by us.

Gain from sale of equity method investment

In 2017, the Group sold 20% of an investee's the equity interest and recognized a gain of $111,224.

Short-term investment income

Our gain from short-term investments, which are classified as trading securities, held-to-maturity or available-for-sale decreased to $0.1 million in 2017 from $0.4 million in 2016. The decrease was mainly due to the decrease in the volume of purchase and redemption of available-for-sale securities.

Other loss, net

Our other loss, net was $0.3 million in 2017 compared to other loss, net was $0.3 million in 2016.

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Income tax expense

Our income tax expense was $0.3 million in 2017 compared to an income tax expense was $4.2 million in 2016.

Net Loss attributable to the Company

Our net loss attributable to the Company was $36.7 million in 2017 compared to net loss attributable to the Company was $1.7 million in 2016, and our net income margin was negative 86.2% in 2017 and 2.0% in 2016.

B. Liquidity and capital resources.

Cash flows and working capital

As of December 31, 2018, we had approximately $12.5 million in cash and cash equivalents. Our cash and cash equivalents primarily consist of cash on hand. We generally deposit our excess cash in interest-bearing bank accounts.

The following table shows our cash flows with respect to operating activities, investing activities and financing activities in 2016, 2017 and 2018:

	For the year ended December 31		
(in thousands of U.S. dollars)	2016	2017	2018
Net cash provided by (used in) operating activities	$(18,748)	$(26,905)	$(32,714)
Net cash provided by (used in) investing activities	(3,319)	15,832	106
Net cash provided by (used in) financing activities	9,702	(19,056)	4,467
Net increase (decrease) in cash and cash equivalents	(17,099)	(27,906)	(28,236)
Cash, cash equivalents and restricted cash at beginning of year	85,734	68,635	40,729
Cash, cash equivalents and restricted cash at end of year	$68,635	$40,729	$12,493

Net cash used in operating activities for 2018 was $32.7 million, compared to net cash used in operating activities was $26.9 million in 2017 and net cash used in operating activities was $18.7 million in 2016. In 2018, the principal items accounting for the difference between our net cash used in operating activities and our net loss of $22.5 million were changes in certain working capital accounts, principally an increase in accounts receivable-margin clients of $9.6 million due from the Hong Kong brokerage services.

In 2017, the principal items accounting for the difference between our net cash used in operating activities and our net loss of $42.4 million were changes in certain working capital accounts, principally an increase in accounts receivable-others of $5.1 million and an increase in guarantee deposit funds of $5.6 million. The increase in these two accounts primarily because of the decrease in the amount due from the Commodities Exchanges related to our commodities brokerage services.

In 2016, the principal items accounting for the difference between our net cash used in operating activities and our net loss of $11.0 million were changes in certain working capital accounts, principally an increase in account payable of $3.6 million and an increase in income taxes payable of $2.3 million, partially offset by: (i) an increase in accounts

receivable-others of $2.1 million, (ii) an increase in accounts receivable-margin clients of $3.2 million, and (iii) an increase in restricted cash of $2.6 million. Account payable increased primarily because of the increase in the amount due to our Hong Kong brokerage services customers. The increase in accounts receivable-others was mainly due to the amount due from the Commodities Exchanges related to our commodities brokerage services in the ordinary course of trading business. The increase in accounts receivable-margin clients was due to the margin loan to customers for securities purchase related to our Hong Kong brokerage services business. The increase in restricted cash was due to the cash we required the obligor to deposit in bank accounts for providing guarantee to perform the contract obligation related to “Yinglibao”, an internet-based financial platform that integrates cash management solutions and mutual fund distribution.

Net cash provided by investing activities was $106,411 in 2018, compared to net cash provided in investing activities was $15.8 million in 2017, compared to net cash used by investing activities was $3.3 million in 2016. In

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2018, net cash used in investing activities was primarily due to a net cash in of $0.4 million from selling available for sale investments, and partially offset by cash paid for purchase of property and equipment.

In 2017, net cash used in investing activities was primarily due to a net cash in of $15.4 million from selling held-to-maturity investments.

In 2016, net cash used in investing activities was primarily due to (i) the collection of $23.8 million from disposal of 100% equity interest in CFO Fenxin, 90% equity interest in CFO Meining, and complete disposal of CFO Henghui and CFO Yongfu; (ii) a net cash out of $16.6 million to purchase short-term investments; (iii) cash out to purchase of property and equipment of $4.6 million; and (iv) the repayment of the partial consideration collected in 2015 related the disposal of Rifa Futures and iSTAR Wealth Management in the amount of $5.3 million.

Net cash provided in financing activities was $4.5 million in 2018, compared to net cash used in financing activities was $19.1 million in 2017, compared to net cash provided in financing activities was $9.7 million in 2016. We paid dividends to our noncontrolling shareholders of nil, nil and $9.8 million in 2018, 2017 and 2016, respectively.

We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends on our ordinary shares, or indirectly on our ADSs, for the foreseeable future.

Capital resources

Our principal capital expenditures for 2016, 2017 and 2018 consisted primarily of purchases of servers, workstations, computers, computer software and other items related to our network infrastructure for a total of approximately $4.6 million, $2.5 million and $0.3 million, respectively.

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

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

Restricted net assets

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

We are a Hong Kong holding company and the majority of our income is derived from dividends we receive from our PRC subsidiaries. Thus, dividends paid to us by our PRC subsidiaries may be subject to the 10% income tax if we are

considered to be a “non-resident enterprise” under the EIT Law. If we are considered a PRC “resident enterprise”, it is unclear whether dividends we pay with respect to our ordinary shares, or the gain our shareholders may realize from the transfer of our ordinary shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. In the event that we are required under the EIT Law to withhold PRC income tax on dividends payable to our non-PRC investors that are “non-resident enterprises”, or that a shareholder is required to pay PRC income tax on the transfer of our ordinary shares, the value of such shareholder’s investment in our ordinary shares may be materially and adversely affected.

In addition, prior to payment of dividends, pursuant to the laws applicable to the PRC Domestic Enterprises and PRC Foreign Investment Enterprises, the PRC entities must make appropriations from after-tax profit to non-distributable statutory reserve funds, including general reserve, enterprise expansion fund, and staff bonus and

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welfare fund. Subject to certain cumulative limits, the general reserve fund requires annual appropriations of not less than 10% of after-tax profit (as determined under accounting principles and financial regulations applicable to PRC enterprises at each year-end); the other two funds are to be made at the discretion of the board of directors. These reserve funds can only be used for specific purposes and are not distributable as cash dividends.

As a result of the above and other restrictions under PRC laws and regulations, our PRC subsidiaries and affiliates are restricted in their ability to transfer a portion of their net assets to us either in the form of dividends, loans or advances. The restricted portion amounted to approximately $21.3 million as of December 31, 2018.

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

Restrictions on Renminbi conversion

The value of the RMB against the U.S. dollar and other currencies may fluctuate. Exchange rates are affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under this policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of foreign currencies. Following the removal of the U.S. dollar peg, the RMB appreciated more than 20% against the U.S. dollar over three years. From July 2008 until June 2010, however, the RMB traded stably within a narrow range against the U.S. dollar. On June 20, 2010, the PBOC announced that the PRC government would reform the RMB exchange rate regime and increase the flexibility of the exchange rate. Since June 2010, the RMB has appreciated more than 10% against the U.S. dollar. In April 2012, the PRC government announced it would allow greater RMB exchange rate fluctuation. On August 11, 12 and 13, 2015, the PRC government successively set the central parity rate for the RMB more than 3% lower in the aggregate than that of August 10, 2015 and announced that it will begin taking into account previous day’s trading in setting the central parity rate. In 2015, the yuan experienced a 5.8% drop in value, and on January 4, 2016 the PRC government set the U.S. dollar-Chinese yuan currency pair to a reference rate of 6.5%, the lowest rate in 4.5 years. However, it is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. As significant international pressure remains on the PRC government to adopt a more flexible currency policy, which could result in greater fluctuation of the RMB against the U.S. dollar. In 2017, PBOC reaffirmed that it will improve the yuan regime and steadily push forward with the yuan’s convertibility on the capital account. In improving the policy framework for cross-border use of the RMB, China will pay “equal attention to development, reform and risk prevention”. In 2018, PBOC affirmed that it will adhere to the market drive, optimize the cross-border business policy of the renminbi, improve the international infrastructure of the renminbi, ensure the reasonable demand of market entities, and promote the internationalization of the renminbi to a new level.

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Our revenues and costs are mostly denominated in RMB, and a significant portion of our financial assets are also denominated in RMB. Any significant fluctuations in the exchange rate between the RMB and the U.S. dollar may materially adversely affect our cash flows, revenues, earnings and financial position. Fluctuations in the exchange rate between the RMB and the U.S. dollar could also result in foreign currency translation losses for financial reporting purposes.

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

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

A summary table, by respective denomination, is set forth below, including: (1) cash, cash equivalents and restricted cash held inside of the PRC and subject to restrictions; (2) cash, cash equivalents and restricted cash held outside of the PRC; and (3) for entities within the PRC, cash, cash equivalents and restricted cash held by VIEs and VIEs’ subsidiaries, as of December 31, 2017 and 2018, respectively:

	For the year ended December 31,	
	2017	2018
Cash, cash equivalents and restricted cash held inside of the PRC and subject to restrictions		
Denomination in RMB	$14,804,213	$3,891,742
Denomination in foreign currencies	$12	$12

Cash, cash equivalents and restricted cash held by VIEs and VIEs' subsidiaries in the PRC		
Denomination in RMB	$10,211,908	$1,254,738
Denomination in foreign currencies	—	—
Cash, cash equivalents and restricted cash held outside of the PRC		
Denomination in RMB	$431,808	$378,283
Denomination in foreign currencies	$25,492,472	$8,223,099

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C. Research and development.

In the three years ended December 31, 2016, 2017 and 2018, our product development expenses were $14.5 million, $16.2 million and $13.9 million, respectively. Our research and development efforts consist of continuing to:

- increase the breadth of our service offerings through the addition of new features and functions to our service packages;
- enhance our subscribers' experience by improving the quality of our research tools and website;
- develop additional research tools, features, content and services specifically targeting the high-end subscribers; and
- increase in recruitment of senior software engineers and capital market professionals for support further development in all lines of business.

D. Trend information.

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2018 to December 31, 2018 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-balance sheet arrangements.

We have not entered into any financial guarantee or other commitments to guarantee the payment obligations of any other parties. We do not enter into any derivative financial instruments. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

F. Tabular disclosure of contractual obligations.

We have entered into arrangements relating to office premises leasing and data purchase agreement. The following sets forth our known contractual obligations as of December 31, 2018 and as of the types that are specified below:

	Office Premises	Data Purchase	Total
	(in U.S. dollars)		
Less than 1 year	$3,374,290	$2,180,211	$5,554,501
1 - 3 years	4,430,689	4,357,245	8,787,934
3 - 5 years	—	—	—

Apart from such premises, as of December 31, 2018, we did not have any long-term debt obligations, capital (finance) lease obligations, purchase obligations or any other long-term liabilities reflected on our balance sheets with durations to maturity as are set forth in the chart directly above.

G. Safe harbor.

See the section headed “Forward-Looking Information”.

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and senior management.

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

Name	Age	Position
Zhiwei Zhao	55	Chairman of the Board of Directors and Chief Executive Officer
Jun (Jeff) Wang	48	Director
Zheng (James) Chen (1)	53	Independent Director
Jian Wang (1) (2) (3)	56	Independent Director
Yaowei Zhang (1) (2) (3)	56	Independent Director

(1) Member, audit committee
(2) Member, compensation committee
(3) Member, nominations committee
The address of each of our executive officers and directors is 17th Floor of Fuzhuo Plaza A, No. 28 Xuanwai Street, Xicheng District, Beijing, China 100052.

Biographical Information

Zhiwei Zhao has served as our Chief Executive Officer since June 21, 2005 and our director since July 25, 2005. He was elected as the Chairman of our Board of directors in April 2012 and continues to serve as the Chief Executive Officer of the company. Mr. Zhao was the Chairman of the Board of Directors of Abitcool Inc. before joining us. Abitcool is a company that provides broadband internet services in China. It boasts the largest private Internet Data Center in China. From 1998 to 2005, he served as the General Manager of Huatong International Development Limited in Hong Kong. Mr. Zhao graduated with a Bachelor of Science degree from Huazhong University of Science and Technology and he obtained his EMBA degree from PBC School of Finance of Tsinghua University.

Jun (Jeff) Wang has served as our director since May 2012. Mr. Wang is president of NepVale Holdings, a company focusing on investment in early stage companies in technology and consumer sectors. Mr. Wang is also a director and a vice chairman of Celluno Holdings since March 2019, an advisor at Z-Park Fund, a private equity fund focusing on investment in sectors including TMT, energy, high-precision manufacturing, and healthcare. Mr. Wang served as our Chief Financial Officer from August 15, 2006 to May 16, 2017 and was appointed to serve as a member of our Board in May 2012. Mr. Wang was a Senior Manager at Deloitte Beijing Office before joining us. From 2002 to 2005 Jun Wang was founder and president of Miracle Professional Services Inc., a company that provided training and financial consulting services to finance professionals. Prior to that, Mr. Wang provided consulting services at Deloitte's Beijing, London and New York offices. Mr. Wang now serves as independent director and chairman of audit committee on the Board of Secoo Holdings, an online integrated upscale products and services company listed on NASDAQ. Mr. Wang obtained his Master of Business Administration from New York University's Leonard N. Stern School of Business, his Master of Economics in accounting from Beijing Technology and Business University and his B.A.

degree from Shandong University. Mr. Wang is a member of the U.S. Certified Management Accountants ("CMA") and has a professional designation of Chartered Financial Analyst ("CFA").

James (Zheng) Chen has served as our director since June 2015. He has served as the chief executive officer of Origin Agritech since March, 2018. He was Origin Agritech's CFO from 2012 to 2016 and was appointed a director of Origin on August 30, 2017. Dr. Chen's previous professional experience includes CFO of Yunji Inc., a fast-growing e-commerce business, investment manager at the Abu Dhabi Investment Authority (ADIA), and senior equity analyst positions at Morgan Joseph and BB&T Capital Markets. Dr. Chen also worked as a Product Manager at Celanese and as a License Product Technology Manager at Univation Technologies, a joint venture between ExxonMobil and Dow Chemical. Dr. Chen received his Ph.D. Degree in Chemical Engineering from the University

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of Connecticut and his M.B.A. degree from New York University. Mr. Chen has a professional designation of Chartered Financial Analyst ("CFA").

Jian Wang has served as our director since June 2015. He has been the president of Five Star Holdings Limited since 2013. Mr. Wang is a key founder of Jiangsu Five Star Appliances Corporation ("Five Star"), a key member of Best Buy Co., Inc. ("Best Buy"), the world leading provider of technology products, services and solutions. Mr. Wang was the Senior Global Vice President of Best Buy from 2012 to 2013. He was appointed to be the Global Vice President of Best Buy and Chief Executive Officer of Five Star in 2011 after the Best Buy's acquisition of Five Star in 2009. He led the joint venture of Five Star and Best Buy in 2006. Mr. Wang has been a major founder of Five Star and set up its retail merchandising system in 2001. Five Star has been awarded "China's Best Employer" for four consecutive years since 2009 under Mr. Wang's leadership and he himself has also been awarded "China's Best Entrepreneur on Employer's Development". In 2016, he was honored the National Business Ethics Model by China General Chamber of Commerce. Mr. Wang obtained his Bachelor of International Economic Management from Jiangsu Provincial CPC School. He received postgraduate education majoring in Business Administration from the Business School of Nanjing University. He received his EMBA degree from China Europe International Business School (CEIBS) and obtained EMBA degree from PBC School of Finance of Tsinghua University.

Yaowei Zhang has served as our director since June 2015. He served as Independent Director of Shanghai Everjoy Health Group Co., Ltd (formerly known as Shanghai Cimic Holdings Co., Ltd..) from March 2014 to June 2017. Mr. Zhang was also a Director of China Communication Telecom Services Co., Ltd. Mr. Zhang is the President of Yunshi Investment Management (Shanghai) Co., Ltd., Shanghai Daonan Culture Development Co. Ltd. and Shanghai Yunshi Culture Communication Co. Ltd and the founder of Dao Nan School in Shanghai. Mr. Zhang is the General Partner of Zhuhai Shenzhouyun Investment Fund, President of Zhuhai Yunzhou Investment Management Co. Ltd. and President of Zhuhai Yunshenzhou Investment Management Co., Ltd. Mr. Zhang has served as Vice President of China Communication, which is a nation-wide network and telecom operator. He has also served as Vice President of Shanghai People's Publishing House, General Manager of the advertising center of Jiefang Daily Group and Deputy Director of the department of television production of Shanghai TV Station. Mr. Zhang obtained his Ph.D. of Management Science and Engineering and Master of Business Administration from Tongji University, and he earned his Bachelor of Economic Law from Fudan University.

B. Compensation of directors and executive officers.

In 2018, we paid aggregate cash compensation of approximately $485,889 to our directors and executive officers as a group. We have no service contracts with any of our directors or executive officers that provide benefits to them upon termination, except for change in control agreements we entered into with our chief executive officer. The change in control agreements provide that if after a change-of-control of our Company has occurred, resulting in the chief executive officer being terminated without cause or resigns for good reason, we are obligated to provide severance benefits to the chief executive officer.

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

Directors' and officers' liability insurance

We have renewed directors' and officers' liability insurance on behalf of our directors and officers that will expire in February 2020.

Employee's stock incentive plans

2004 Stock Incentive Plan

The 2004 Plan has expired on January 3, 2014, which is the 10th anniversary of the effective date of the 2004 Plan. After the termination of the Plan either upon such stated expiration date or its earlier termination by the Board, no

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additional awards may be granted under the Plan, but previously granted awards (and the authority of the Administrator with respect thereto, including the authority to amend such awards) shall remain outstanding in accordance with their applicable terms and conditions of the Plan.

Under the 2004 Plan, as of December 31, 2018, we have a total number of 13,202,200 options that are currently vested and exercisable for ordinary shares. Based on the Company's requisite service period stated in the 2004 Plan, all the granted restricted shares of 1,100,240 ordinary shares were vested as of January 2, 2017, of which 330,085 shares were issued to employees as of December 31, 2016 with no additional shares issued in 2017 and 2018.

The table below sets forth the options and restricted shares grants made to our current directors and executive officers as of December 31, 2018 pursuant to the 2004 Plan:

	Number of ordinary Shares to be issued upon exercise of options/vest of restricted shares	Exercise price per ordinary share	Date of grant	Date of expiration
Zhiwei Zhao	750,000	$ 1.426	February 22, 2010	February 22, 2020
	1,800,000	$ 0.250	July 15, 2013	July 15, 2023
	450,000	$ —	January 2, 2014	January 2, 2024
Jun (Jeff) Wang	250,000	$ 1.426	February 22, 2010	February 22, 2020
	1,500,000	$ 0.250	July 15, 2013	July 15, 2023
	350,240	$ —	January 2, 2014	January 2, 2024

2014 Stock Incentive Plan

In July 2014, the Company adopted the 2014 stock incentive plan (the "2014 Plan") which allows the Company to offer a variety of incentive awards to employees, directors, officers and other eligible persons in the Group, and consultants and advisors outside the Group.

Incentive awards granted under the 2014 Plan generally do not vest unless the grantee remains under our employment or in service with us on the given vesting date. However, in circumstances where there is a death or disability of the grantee, or a change in the control of our company, the vesting of awards will be accelerated to permit immediate exercise of all awards granted to a grantee. Generally, to the extent an outstanding awards granted under the 2014 Plan has not vested by the date the grantee's employment or service with us terminates, the awards will terminate and become unexercisable. Our board of directors may amend, alter, suspend or terminate the 2014 Plan at any time, provided, however, that our board of directors must first seek the approval of our shareholders and, if such

amendment, alteration, suspension or termination would adversely affect the rights of a grantee under any award granted prior to that date, the approval of such grantee.

During 2016, 2017 and 2018, the Company granted totaling nil, 2,690,000 and 280,000 stock options under the 2014 Plan. We have a total number of 1,877,000 options that are currently vested and exercisable for ordinary shares as of December 31, 2018.

In 2016, 2017 and 2018, the Company granted 200,000, 150,000 and 1,900,000 restricted shares to eligible persons under the 2014 Plan, respectively. As of December 31, 2018, 5,634,500 shares were vested, of which 478,825 shares were issued.

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The table below sets forth the stock options and restricted shares grants made to our current directors and executive officers as of December 31, 2018 pursuant to the 2014 Plan:

	Number of ordinary Shares to be issued upon exercise of options/vest of restricted shares	Exercise price per ordinary share	Date of grant	Date of expiration
Zhiwei Zhao	*	$ —	November 16, 2015	November 16, 2025
	*	$ 0.348	December 01, 2017	December 01, 2027
	*	$ —	December 28, 2018	December 28, 2028
Zheng (James) Chen	*	$ —	November 16, 2015	November 16, 2025
Jian Wang	*	$ —	November 16, 2015	November 16, 2025
Yaowei Zhang	*	$ —	November 16, 2015	November 16, 2025
Jun (Jeff) Wang	*	$ —	November 16, 2015	November 16, 2025

* Upon vesting of stock options and restricted shares granted, would beneficially own less than 1% of our outstanding ordinary shares.

2007 Equity Incentive Plan

As of December 31, 2018, we had granted restricted stock awards covering 10,558,493 of our ordinary shares to our eligible employees pursuant to our 2007 Plan. In order to bind the employees together in achieving the common goal, the ordinary shares are held by C&F International Holdings Limited for the benefit of the whole group of eligible employees. C&F International Holdings Limited is 100% owned by C&F Global Limited, which is in turn 100% owned by Zhiwei Zhao. As of December 31, 2018, restricted stock awards have been allotted to selected employees pursuant to the 2007 Plan.

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

Name	Number	Percent
Selected Employees		
Zhiwei Zhao	8,958,493	7.59 %
Jun (Jeff) Wang	*	*
Caogang Li	*	*
All executive officers as a group (3 persons)	10,558,493	8.94 %

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

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

Based on our operating performance for 2010 and 2011, no more granted shares were activated in 2010 and 2011. The total 8,658,048 shares that were activated based on our operating performance for 2008 were fully vested as of December 31, 2011. All the shares granted to C&F International Holdings Limited that have not been activated and vested by the end of calendar year 2012 have been forfeited.

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In June 2014, the Annual General Meeting approved the amendment to the Company's 2007 Equity Incentive Plan and the Restricted Stock Issuance and Allocation Agreement of 2007 Equity Incentive Plan. Pursuant to such agreement, together with the remaining 1,900,445 ordinary shares, which were not vested due to the operating performance targets under 2007 Plan not being achieved, 3,000,000 ordinary shares were collectively granted to the employees who were eligible. The fair value of a nonvested share on the grant date was measured at the quoted market price of the Company's equity shares. The nonvested shares shall become activated and vest during the period commencing from the grant date and ending on December 31, 2016 based on the Company's achievement of the performance targets.

As of December 31, 2016, all of the 3,000,000 ordinary shares become activated and vested as one of the performance targets was achieved and $2,460,000 share-based compensation expenses relating to the restricted shares was recognized.

2010 Equity Incentive Plan of Rifa Financial

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

C. Board practices.

In 2018, our directors met in person or passed resolutions by unanimous written consent total of four times. No director is entitled to any severance benefits upon termination of his directorship with us. Our board of directors has also concluded that Dr. Zheng (James) Chen meets the criteria for an "audit committee financial expert" as established by the SEC.

Board committees

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

Audit committee. Our audit committee currently consists of Dr. Zheng (James) Chen, Mr. Jian Wang and Dr. Yaowei Zhang. Our board of directors has determined that all of our audit committee members are "independent directors" within the meaning of Nasdaq Listing Rule 5605(a)(2) and meet the criteria for independence set forth in Section 10A(m)(3) of the U.S. Securities Exchange Act of 1934, or the Exchange Act. Our audit committee is responsible for, among other things:

- recommending to our shareholders, if appropriate, the annual re-appointment of our independent registered public accounting firm and pre-approving all auditing and non-auditing service fees permitted to be performed by the independent registered public accounting firm;
- annually reviewing an independent registered public accounting firm's report describing the independent registered public accounting firm's internal quality-control procedures, any material issues raised by the most recent internal quality control review, or peer review, of the independent registered public accounting firm and all relationships between the independent registered public accounting firm and our company;

- setting clear hiring policies for employees or former employees of the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related-party transactions, as defined in Item 404 of Regulation S-K under the U.S. securities laws;

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- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- discussing with management and the independent registered public accounting firm major issues regarding accounting principles and financial statement presentations; reviewing reports prepared by management or the independent auditors relating to significant financial reporting issues and judgments;
- reviewing reports prepared by management or the independent registered public accounting firm relating to significant financial reporting issues and judgments;
- discussing earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
- reviewing with management and the independent registered public accounting firm the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on our financial statements;
- discussing policies with respect to risk assessment and risk management;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- timely reviewing annual reports from the independent registered public accounting firm regarding all critical accounting policies and practices to be adopted by our company, all alternative treatments of financial information within U.S. GAAP that have been discussed with management and all other material written communications between the independent registered public accounting firm and management;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately, periodically, with management and the independent registered public accounting firm; and
- reporting regularly to the full board of directors.

Compensation committee. Our current compensation committee consists of Mr. Jian Wang and Dr. Yaowei Zhang. Our board of directors has determined that all of our compensation committee members are “independent directors” within the meaning of Nasdaq Listing Rule 5605(a) (2). Our compensation committee is responsible for:

- determining and recommending the compensation of our senior management;
- reviewing and making recommendations to our board of directors regarding our compensation policies and forms of compensation provided to our directors and officers;
- reviewing and determining bonuses for our officers and other employees;
- reviewing and determining share-based compensation for our directors, officers, employees and consultants;
- administering our equity incentive plans in accordance with the terms thereof; and
- such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

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

Corporate governance

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

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

Duties of directors

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

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

- convening shareholders' meetings and reporting its work to shareholders at such meetings;
- implementing shareholders' resolutions;
- determining our business plans and investment proposals;
- formulating our profit distribution plans and loss recovery plans;
- determining our debt and finance policies and recommending proposals for the increase or decrease in our share capital and the issuance of debentures;
- formulating our major acquisition and disposition plans, and plans for consolidation, division or dissolution;
- proposing amendments to our articles of association; and
- exercising any other powers conferred at shareholders' meetings or under our memorandum and articles of association.

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Terms of directors and executive officers

We have a staggered board, which means a subset of our directors (excluding our chief executive officer), retire at every annual general meeting and the vacancies created by such retirement stand for election. Our chief executive officer will at all times be a director, and will not retire as a director, so long as he remains our chief executive officer. Accordingly, our directors, excluding our chief executive officer, hold office until the second annual meeting of shareholders following their election, or until their successors have been duly elected and qualified. Our board has adopted a policy providing that no director may be nominated for re-election or re-appointment to our board after reaching 70 years of age, unless our board concludes that such person's continued service as our director is in our best interest. Officers are elected by and serve at the discretion of the board of directors. As of the date on which the statements are made in this annual report, the date of expiration for each director's current term of office is set forth below:

Name	Age	Position	Expiration of Term
Zhiwei Zhao	55	Chairman of the Board of Directors and Chief Executive Officer	-
Jun (Jeff) Wang	48	Director	Date of 2020 annual general meeting
Zheng (James) Chen	53	Director	Date of 2020 annual general meeting
Jian Wang	56	Director	Date of 2019 annual general meeting
Yaowei Zhang	56	Director	Date of 2019 annual general meeting

D. Employees.

As of December 31, 2016, 2017 and 2018, we employed approximately 1,900, 760 and 476 employees. The reduction of employees number is mainly due to improved efficiency. China enacted a Labor Contract Law, which became effective on January 1, 2008. We have updated our employment contracts and employee handbook and are in compliance with the law. We work with the employees to insure that the employees obtain the full benefit of the Labor Contract Law and its implementation rules. We consider our relations with our employees to be generally good. However, as our operations and employee base further expand, we cannot assure you that we will always be able to maintain good relations with all of our employees. See "Item 3.D. Key Information — Risk Factors — Risks relating to doing business in the People's Republic of China — PRC's labor law restricts our ability to reduce our workforce in the PRC in the event of an economic downturn and may increase our labor costs."

E. Share ownership.

As of December 31, 2018, 118,098,018 of our ordinary shares were outstanding, excluding shares issuable upon exercise of outstanding options. On that date, a total of 21,219,601 of our ADSs were outstanding.

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

- each person known to us to own beneficially more than 5% of our ordinary shares; and
- each of our directors and executive officers who beneficially own any of our ordinary shares.

Beneficial ownership includes voting or investment power with respect to the securities. Except as indicated below, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them. Percentage of beneficial ownership is based on 118,098,018 ordinary shares outstanding.

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* Unless otherwise specified, the business address of each shareholder set forth below is China Finance Online (Beijing) Co., Ltd., 17th Floor of Fuzhuo Plaza A, No. 28 Xuanwai Street, Xicheng District, Beijing, China 100052.

Number of Shares Beneficially Owned Name	Number	Percent
Directors and executive officers		
Zhiwei Zhao	32,051,983	27.14 %
Zheng (James) Chen	*	*
Jian Wang	*	*
Yaowei Zhang	*	*
Jun (Jeff) Wang	2,250,240	1.91 %
All current directors and executive officers as of December 31, 2018 as a group (5 persons)	34,542,223	29.25 %
5% Shareholder		
Zhiwei Zhao (1)	32,051,983	27.14 %
IDG Technology Venture Investment, LP (2)	6,723,115	5.69 %
Sheng Guang Holdings Limited (3)	2,393,135	2.03 %
Jianping Lu (4)	7,156,121	6.06 %
Ling Zhang (5)	8,746,370	7.41 %

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

* Upon exercise of all options currently exercisable or vesting within 60 days of December 31, 2018, would beneficially own less than 1% of our ordinary shares.

(1) Mr. Zhiwei Zhao is considered the beneficial owner of 32,051,983 ordinary shares of the Company, which consists of (i) 10,558,493 ordinary shares issued by the Company to C&F International Holdings Limited, whose parent company C&F Global Limited is wholly held by Mr. Zhiwei Zhao, on behalf of and exclusively for the benefit of the Company's employees pursuant to the Company's 2007 Plan and related Restricted Stock Issuance and Allocation Agreement; All the shares granted to C&F International Holdings Limited that have not been activated and vested by the end of calendar year 2012 have been forfeited to the company; (ii) 11,000,000 ordinary shares from IDG Technology Venture Investment, Inc. to Grand Continental Holdings Limited, a British Virgin Islands company wholly held by Mr. Zhiwei Zhao, as disclosed in a Schedule 13D/A filed with the SEC on November 14, 2011; (iii) 7,101,490 ordinary shares from Vertex Technology Fund (III) Ltd. to Grand Continental Holdings Limited, a British Virgin Islands company wholly held by Mr. Zhiwei Zhao, as disclosed in a Schedule 13D/A filed with the SEC on August 6, 2013; and (iv) 3,392,000 ordinary shares considered beneficially owned by Zhiwei Zhao upon exercise of all options and restricted shares exercisable or vesting within 60 days of December 31, 2018.

(2) Includes 6,723,115 ordinary shares held by IDG Technology Venture Investments, LP. as of December 31, 2018 in the form of 1,344,623ADSs, according to a Schedule 13G/A filed with the SEC dated February 11, 2019. The general partner of IDG Technology Venture Investments, LP is IDG Technology Venture Investments, LLC. Chi Sing Ho and Quan Zhou are managing members of IDG Technology Venture Investments, LLC. IDG Technology Venture Investments, LLC, Chi Sing Ho and Quan Zhou may deemed have beneficial ownership of our shares held by IDG Technology Venture Investments, LP. The registered address of IDG Technology Venture Investments, LP

is Corporation Service Company; 1013 Centre Road, Wilmington, County of New Castle, Delaware 19805-1297.

(3) Includes 2,393,135 ordinary shares held by Sheng Guang Holdings Limited as of December 31, 2018 in the form of 478,627 ADSs, according to a Schedule13G/A filed with the SEC dated February 11, 2019. These securities were transferred from IDG Technology Venture Investment, Inc. By virtue of being the sole two directors of Sheng Guang Holdings Limited, Chi Sing Ho and Quan Zhou may be deemed to have shared voting and dispositive power with respect to these securities. By virtue of relationship disclosed in (2), IDG Technology Venture Investments, LLC and IDG Technology Venture Investments, LP may be deemed to have shared voting and dispositive power with respect to these securities. The registered address of Sheng Guang Holdings Limited is Unit5505, The Center, 99 Queen’s Road Central, Hong Kong.

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(4) Includes (i) 4,028,156 ordinary shares held by Cast Technology, Inc.; and (ii) 3,127,965 ordinary shares held by Fanasia Capital Limited. Both Cast Technology, Inc. and Fanasia Capital Limited are held 45% and 55% by Jianping Lu and Ling Zhang, respectively.

(5) Includes (i) 4,923,302 ordinary shares held by Cast Technology, Inc.; and (ii) 3,823,068 ordinary shares held by Fanasia Capital Limited. Both Cast Technology, Inc. and Fanasia Capital Limited are held 45% and 55% by Jianping Lu and Ling Zhang, respectively.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major shareholders.

As of December 31, 2018, we had 118,098,018 ordinary shares issued and outstanding, respectively, and JP Morgan Chase Bank N.A., as the depository of our ADS facility, was the only record holder of our ordinary shares in the United States, holding approximately 89.84% of our total outstanding ordinary shares. The number of beneficial owners of our ADSs in the United States is likely much larger than the one record holder of our ordinary shares in the United States.

See “Item 6.E. Directors, Senior Management and Employees — Share Ownership.”

B. Related party transactions.

See “Item 4.C. Information on the Company — Organizational Structure.”

The English translation of the VIE contracts are attached as Exhibits 4.4-4.85 and Exhibits 4.141-4.179, 4.181, 4.183 to this Annual Report on Form 20-F and incorporated herein by reference.

Our subsidiaries, consolidated affiliated entities, and the subsidiaries of the consolidated affiliated entities have engaged, during the ordinary course of business, in a number of customary transactions with each other. All of these inter-company balances have been eliminated in consolidation.

As of December 31, 2016, 2017 and 2018, we had nil, nil and nil, respectively due from related parties. It represented the interest free loans to the noncontrolling shareholders. All the loans were for temporary cash turnover purpose and were received within the respective fiscal year. As of December 31, 2016, 2017 and 2018, we also had nil, nil and nil, respectively due to related parties.

C. Interests of experts and counsel.

Not applicable

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ITEM 8. FINANCIAL INFORMATION

A. Consolidated financial statements and other financial information.

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

Legal Proceedings

Class Action against the Company

The Company was named as a defendant in a putative securities class action, Wang, et al., v. China Finance Online Co. Limited, 1:15-cv-07894-RMB. The original complaint was filed on June 5, 2015 in the Central District of California. The case was subsequently consolidated with several other similar actions and transferred to the Southern District of New York, where an amended consolidated complaint was filed in December 2015. The amended consolidated complaint alleged that the Company violated Exchange Act Section 10(b) and Rule 10b-5 by failing to disclose certain of its transactions involving Langfang Shengshi Real Estate Development Co. Limited as related party transactions.

The amended consolidated complaint also made claims under Exchange Act Section 10(b) and Rule 10b-5 against certain of the Company's current officers and its current and former auditors and under Exchange Act Section 20(a) against certain of its current officers and former directors. Lead plaintiffs subsequently voluntarily dismissed (without prejudice) all defendants other than the Company from the action. The Company filed a motion to dismiss the complaint on April 8, 2016, to which plaintiffs filed an opposition on May 6, 2016 and the Company filed a reply on May 13, 2016.

During a mediation session in May 2016, the parties agreed to settle the action for $3.0 million. The settlement was preliminarily approved on November 18, 2016 and notice of the settlement was provided to putative class members. No class members objected to the settlement and none requested exclusion. The settlement includes a release of all claims asserted in the Complaint (or any of the previous versions of the complaint) or all claims that could have been asserted based on the same operative facts at issue in the Complaint. This release applies not only as to the Company, but also as to individuals and entities included within the definition of "Releasees", which definition includes, among others, current and former officers and directors of the Company.

Following a fairness hearing on March 21, 2017, an order was entered on March 24, 2017 approving the settlement. The order reflects that a judgment in the action will be entered after lead plaintiffs file their motion for final distribution of the settlement amount. On June 23, 2017, the court granted the lead plaintiffs' motion for a first distribution of the settlement amount, less attorneys' fees and expenses. On June 28, 2017, lead plaintiffs informed the court checks representing the net settlement amount were mailed to class members. On April 18, 2018, lead plaintiffs informed the court that checks representing all but $2,759.76 of the net settlement amount had been cashed, requested that the court authorize a second and final distribution for the remaining amount, and requested that the court enter the judgment. The court has not yet responded to this request. On August 10, 2018, the Company received the final judgment as anticipated by the settlement approval order and there are no appeals within 30 days after the judgment is entered.

Disciplinary Action by the SFC

Rifa Futures resolved a disciplinary action with the SFC on April 12, 2017. The disciplinary action was instituted against Rifa Futures by the SFC under section 194 of the Securities and Futures Ordinance with respect to Rifa Futures' internal control deficiencies during the period between January 1, 2014 and July 31, 2014 (the "Relevant Period"). The SFC found that during the Relevant Period, Rifa Futures failed to take sufficient steps to mitigate the risk of unlawful money remittance when handling third party deposits and transfers to be in compliance with the applicable regulatory requirements. The SFC issued a press release on April 12, 2017 reprimanding Rifa Futures and announcing a fine against Rifa Futures in the amount of HK$3 million. In the press release, the SFC also acknowledged that (i) Rifa Futures has taken steps to remediate its internal control deficiencies; (ii) Rifa Futures cooperated with the SFC in resolving the disciplinary proceeding; (iii) Rifa Futures agreed to engage an independent reviewer to conduct a review of its internal controls; and (iv) Rifa Futures has an otherwise clean disciplinary record.

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All the officers and other key staff responsible for the internal control deficiencies that are the subject of the disciplinary action have ceased to be employed by Rifa Futures. The HK$3 million fine has been reflected in the financial results in 2016. On May 25, 2017, we paid the HK$3 million fines to SFC.

Other Litigations against the Company's Subsidiaries or PRC Affiliates

From time to time, we have been involved in litigation or other disputes regarding, among other things, copyright infringement. The suit brought by China International Capital Corporation Limited ("CICC") reached a settlement agreement in 2017.

For many of these legal proceedings, we are currently unable to estimate the reasonably possible loss or a range of reasonably possible loss as the proceedings are in the early stages, or there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among different jurisdictions. As a result, there is considerable uncertainty regarding the timing or ultimate resolution of such proceedings, which includes eventual loss, fine, penalty or business impact, if any, and therefore, an estimate for the reasonably possible loss.

The ultimate outcome of any litigation can have an adverse impact on our business because of defense costs, negative publicity, diversion of management resources and other factors. The claims of infringement of intellectual property rights may harm our business and reputation. See "Item 3.D. Risk Factors — Risks Related to Our Business — We have been and may continue to 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."

Dividend Policy

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

B. Significant changes since December 31, 2018.

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

ITEM 9. THE OFFER AND LISTING

A. Offering and listing details.

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

B. Plan of distribution.

Not applicable

C. Markets.

See “Item 9.A. Offering and listing details.”

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D. Selling shareholders.

Not applicable

E. Dilution.

Not applicable

F. Expenses of the issue.

Not applicable

ITEM 10. ADDITIONAL INFORMATION

A. Share capital.

Not applicable.

B. Memorandum and articles of association.

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

C. Material contracts.

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

D. Exchange controls.

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

Pursuant to the Foreign Exchange Control Regulations issued by the State Council on January 29, 1996 and effective as of April 1, 1996 (and amended on January 14, 1997) and the Administration of Settlement, Sale and Payment of Foreign Exchange Regulations which came into effect on July 1, 1996 regarding foreign exchange control, or the Regulations, conversion of Renminbi into foreign exchange by foreign investment enterprises for current account items, including the distribution of dividends and profits to foreign investors of joint ventures, is permissible upon the proper production of qualified commercial vouchers or legal documents as required by the Regulations. Foreign investment enterprises are permitted to remit foreign exchange from their foreign exchange bank account in China

upon the proper production of, inter alia, the board resolutions declaring the distribution of the dividend and payment of profits. Conversion of RMB into foreign currencies and remittance of foreign currencies for capital account items, including direct investment, loans, security investment, is still subject to the approval of the SAFE, in each such transaction. On January 14, 1997, the State Council amended the Foreign Exchange Control Regulations and added, among other things, an important provision, as Article 5 provides that the State shall not impose restrictions on recurring international payments and transfers under current accounts.

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

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

On December 6, 2016, National Development and Reform Commission ("NDRC"), Ministry of Commerce, People's Bank of China and SAFE (collectively, "Four Departments"), responded to media inquiries with respect to tightening foreign investment regulations. In particular, Four Departments specified closer attention shall be paid to the recent tendency of "irrational oversea investment" in real estate, hotel, film studio, entertainment, sports club and other fields, and the risks underlying certain types of outbound investments, such as investments of considerable amount unrelated to the investor core business and investments made by limited partnerships. In addition, closer attention shall be paid to any company group whose parent company is considerably smaller than the subsidiaries by measure of capitalization or assets, and any company that applies for foreign direct investment immediately after its formation. It can be concluded from the answers of these authorities that foreign exchange control has been tightened from the following perspectives:

- intensified the review for the authenticity of the projects. SAFE intensified the information sharing and linking among other ministries and commissions (The People' Bank of China, NDRC, Ministry of Commerce) and companies may need to detail the declared projects to the prepositive procedural departments, NDRC or Ministries of Commerce. On Dec 5, 2016, NDRC issued the "Notices regarding Adjustment for Oversea Acquisition and Submission Form of Bidding Project Information Report" (National Development and Reform Commission Foreign Direct Investment and Investment Overseas Department [2016] No. 2613). The Notices came up with new requirements for the contents in the oversea investment project information report. In additional to the documents of intent and material documents that were already required, audited financial statement and due diligence report of the projects are also requested. The new requirements reflect the government departments' attention to the authenticity, compliance and risks of the oversea investment projects. Banks shall agree to handle only after the review for the authenticity and compliance of the transaction.
- four categories to be specially supervised: large amount investment in non-principal industry, limited partnerships' investment in foreign countries, "small parent company with big subsidiary", "quick establishment and quick exit" and other potential risks in oversea investment.
- according to some media, in the event of dealing with a transaction under capital and financial account, purchasing or paying foreign exchange, or the expense of foreign exchange equals US$5,000,000 or more (including US$5,000,000) each deal, the banks need to report for the large amount to the SAFE capital and financial account bureau. After the review for the authenticity and compliance and approval of relevant departments including Four Departments, the banks shall handle the transaction. The new policy in the report has not been verified by any public documents nor been denied by the authorities.

On August 4, 2017, Circular of the General Office of the State Council on Forwarding the Guiding Opinions of the National Development and Reform Commission, the Ministry of Commerce, the People's Bank of China and the Ministry of Foreign Affairs on Further Guiding and Regulating the Outbound Investment Direction. Restrictions will be imposed on domestic enterprises in respect of their efforts in any outbound investment projects that go against China's diplomatic policy of pursuing the peaceful development road, opening-up strategy of mutual benefits and win-win results, or macro-control policies, including:

-

Outbound investment projects made in any sensitive country or region which has not established diplomatic relations with China yet, is undergoing wars or is limited under a bilateral or multi-lateral treaty or agreement already concluded by China.

- Outbound investment projects made in such sectors as the real estate, hospitality, film cinemas, entertainment or sports clubs.
- Private equity funds or investment platforms established outside the territory of China for non-concrete business projects.

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- Outbound investment projects made through backward production equipment that does not meet technological standards formulated by an investment destination.
- Outbound investment projects that do not conform to standards in respect of environmental protection, energy consumption, and security formulated by an investment destination.

In particular, the first three categories of projects must be approved by the competent authority of outbound investment.

E. Taxation.

Hong Kong taxation

Profits tax. Hong Kong does not impose capital gains tax on capital gains derived from the sale of property, such as the ordinary shares underlying our ADSs. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Liability for Hong Kong profits tax would therefore arise in respect of trading gains from the sale of ADSs or the underlying ordinary shares realized by persons in the course of carrying on a business of trading or dealing in securities in Hong Kong. The profits tax rate for the tax year of assessment ending on 31 March, 2018 is 16.5% for corporations and 15% for unincorporated businesses.

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

Stamp duty. Hong Kong stamp duty is generally payable on the transfer of shares in companies incorporated in Hong Kong. The stamp duty is payable both by the purchaser on every purchase and by the seller on every sale of such shares at the ad valorem rate of HK$1.00 per HK$1,000 or part thereof, on the higher of the consideration paid for or the market value of the shares transferred. In addition, a fixed duty, currently HK$5, is payable on an instrument of transfer for the transfer of such shares. Where the assessed amount of stamp duty is not paid within the required timeframe, the principals to the sale and purchase may also be liable to pay a penalty calculated as a multiple of the duty assessed. A re-transfer of ordinary shares upon the surrender of ADSs, and the issuance of ADSs upon the deposit of ordinary shares, will also require payment of Hong Kong stamp duty at the rate described above for a sale and purchase transactions, unless such re-transfer or deposit does not result in a change in the beneficial ownership of shares under Hong Kong law. The issuance of the ADSs upon the deposit of ordinary shares issued directly to the depositary or for the account of the depositary does not require payment of stamp duty. In addition, no Hong Kong stamp duty is payable upon the transfer of ADSs effected outside Hong Kong.

U.S. federal income taxation

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

- brokers or dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for securities holdings;
- banks or other financial institutions;
- insurance companies;
- tax-exempt organizations or governmental organizations;
- regulated investment companies or real estate investment trusts;
- U.S. expatriates;

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- partnerships and other entities treated as partnerships for U.S. federal income tax purposes or persons holding ADSs through any such entities;
- persons that hold ADSs as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment;
- U.S. Holders (as defined below) whose functional currency for tax purposes is not the U.S. dollar;
- persons liable for alternative minimum tax;
- persons who acquired our ordinary shares or ADSs pursuant to the exercise of any employee stock option or otherwise as compensation; or
- persons who actually or constructively own 10% or more of the total combined voting power of all classes of our shares (including ADSs) entitled to vote.

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

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

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

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income purposes, that was created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (a) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

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

For U.S. federal income tax purposes, income earned through a foreign or domestic partnership or other flow-through entity is attributed to its owners. Accordingly, if a partnership or other entity treated as a partnership for U.S. federal income tax purposes holds ADSs, the tax treatment of the holder will generally depend on the status of the partner or other owner and the activities of such partnership or other entity.

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U.S. Holders

The discussion below under “Dividends” and “Sale and other disposition” is written on the basis that we will not be or become classified as a passive foreign investment company for U.S. federal income tax purposes. The U.S. federal income tax rules that apply generally if we are treated as a passive foreign investment company are discussed below under “—Passive Foreign Investment Company.”

Dividends

We do not anticipate paying dividends on our ordinary shares or indirectly on our ADSs, in the foreseeable future. See “Item 8.A. Financial Information - Consolidated financial statements and other financial information - Dividend policy”.

Subject to the “Passive Foreign Investment Company” discussion below, if we do make distributions and you are a U.S. Holder, the gross amount of any distributions you receive on your ADSs will generally be treated as dividend income if the distributions are made from our current or accumulated earnings and profits, calculated according to U.S. federal income tax principles. Dividends will generally be subject to U.S. federal income tax as ordinary income on the day you (or the depositary, as applicable) actually or constructively receive such income. However, if you are an individual and have held your ADSs for a sufficient period of time, dividend distributions on our ADSs will generally constitute qualified dividend income taxed at a preferential rate as long as our ADSs continue to be readily tradable on NASDAQ and certain other conditions apply. You should consult your own tax adviser as to the rate of tax that will apply to you with respect to dividend distributions, if any, you receive from us and the applicability of any income tax treaty.

We do not intend to calculate our earnings and profits according to U.S. tax accounting principles. Accordingly, distributions on our ADSs, if any, will generally be taxed to you as dividend distributions for U.S. tax purposes. Even if you are a corporation, you will not be entitled to claim a dividends-received deduction with respect to distributions you receive from us. Dividends generally will constitute foreign source and passive category income for U.S. foreign tax credit limitation purposes. The rules governing foreign tax credits are complex and their outcome depends in large part on the U.S. Holder’s individual facts and circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sales and other dispositions

Subject to the “Passive Foreign Investment Company” discussion below, when you sell or otherwise dispose of ADSs, you will generally recognize capital gain or loss in an amount equal to the difference between the amounts realized on the sale or other disposition and your adjusted tax basis in the ADSs, both as determined in U.S. dollars. Your adjusted tax basis will generally equal the amount you paid for the ADSs. Any gain or loss you recognize will be long-term capital gain or loss if your holding period in our ADSs is more than one year at the time of disposition. If you are an individual, any such long-term capital gain will be taxed at preferential rates. Your ability to deduct capital losses will be subject to various limitations.

Passive Foreign Investment Company

Based on the market value of our ADSs and ordinary shares, the composition of our assets and income and our operations, we believe that for our taxable year ended December 31, 2017 and 2018, we were not a passive foreign investment company (“PFIC”) for United States federal income tax purposes. A non-U.S. corporation is considered a PFIC for any taxable year if either:

- at least 75% of its gross income is passive income (the “income test”), or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the “asset test”).

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the shares.

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We must make a separate determination each year as to whether we are a PFIC. As a result, our PFIC status may change. In particular, because the total value of our assets for purposes of the asset test will generally be calculated using the market price of our ADSs and ordinary shares, our PFIC status will depend in large part on the market price of our ADSs and ordinary shares which may fluctuate considerably. Accordingly, fluctuations in the market price of the ADSs and ordinary shares may result in our being a PFIC for any year. If we are a PFIC for any year during which you hold ADS or ordinary shares, we will generally continue to be treated as a PFIC for all succeeding years during which you hold ADS or ordinary shares. However, if we cease to be a PFIC, provided that you have not made a mark-to-market election, as described below, you may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the ADSs or ordinary shares, as applicable.

If we are a PFIC for any taxable year during which you hold ADSs or ordinary shares, you will be subject to special tax rules with respect to any "excess distribution" that you receive and any gain you realize from a sale or other disposition (including a pledge) of the ADSs or ordinary shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we became a PFIC, will be treated as ordinary income, and
- the amount allocated to each other taxable year will be subject to the highest tax rate in effect for that taxable year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such taxable year.

The tax liability for amounts allocated to years prior to the year of disposition or "excess distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

Alternatively, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election for such stock of a PFIC to elect out of the tax treatment discussed in the two preceding paragraphs. If you make a valid mark-to-market election for the ADSs or ordinary shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. Such deductions, however, are allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or ordinary shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss realized on the actual sale or disposition of the ADSs or ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or ordinary shares. Your basis in the ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts. If you make such a mark-to-market election, tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us (except that the lower applicable capital gains rate would not apply).

The mark-to-market election is available only for "marketable stock" which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter ("regularly traded") on a qualified exchange or other market, as defined in applicable Treasury regulations. We expect that the ADSs will continue to be listed on the Nasdaq National Market, which is a qualified exchange for these purposes, and, consequently, assuming that the

ADSs are regularly traded, if you are a holder of ADSs, it is expected that the mark-to-market election would be available to you were we to become a PFIC. Because a mark-to-market election can generally not be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

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Alternatively, if a non-U.S. corporation is a PFIC, a U.S. Holder may avoid the PFIC tax consequences described above in respect to its ADSs and ordinary shares by making a timely "qualified electing fund", or QEF, election. In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from us. We, however, currently do not intend to prepare or provide such information.

If you hold ADSs or ordinary shares in any year in which we are a PFIC, you will be required to file Internal Revenue Service Form 8621 regarding distributions received on the ADSs or ordinary shares and any gain realized on the disposition of the ADSs or ordinary shares.

You are urged to consult your tax advisor regarding the application of the PFIC rules to your investment in ADSs or ordinary shares.

U.S. information reporting and backup withholding rules

In general, dividend payments with respect to the ADSs and the proceeds received on the sale or other disposition of those ADSs, in each case, that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting to the IRS and to backup withholding (currently imposed at a rate of 24%). Backup withholding will not apply to a U.S. Holder, however, if (1) the U.S. Holder is a corporation or comes within certain other exempt categories and, when required, can demonstrate that fact or (2) the U.S. Holder provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with the applicable backup withholding rules. Any amounts withheld from payments to you under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provide that you furnish the required information to the IRS.

Additional Reporting Requirements

Effective for taxable years beginning after March 18, 2010, certain U.S. Holders (including individuals and, to the extent provided by the U.S. Secretary of Treasury in regulations or other guidance, certain entities) that hold an interest in a "specified foreign financial asset" may be required to attach certain information regarding such assets to their income tax return for any year in which the aggregate value of all such assets exceeds US$50,000. U.S. Holders are urged to consult their tax advisors regarding the reporting requirements that may be imposed on a U.S. Holder with respect to their ownership of ADSs or ordinary shares.

HOLDERS OF OUR ADSs SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES RESULTING FROM PURCHASING, HOLDING OR DISPOSING OF THE ADSs, INCLUDING THE APPLICABILITY AND EFFECT OF THE TAX LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION AND INCLUDING ESTATE, GIFT AND INHERITANCE LAWS.

F. Dividends and paying agents.

Not applicable.

G. Statement by experts.

Not applicable.

H. Documents on display.

We have previously filed with the Commission our registration statement on Form F-1, as amended, and our prospectus under the Securities Act, with respect to our ordinary shares.

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We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year for fiscal years ending on or after December 15, 2012. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a Web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP.

In accordance with NASDAQ Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at http://ir.chinafinanceonline.com. In addition, we will provide hardcopies of our annual report on Form 20-F free of charge to shareholders and ADS holders upon request.

I. Subsidiaries information.

Not Applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

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

Our future interest income may fall short of expectations due to adverse changes in interest rates. With respect to cash and cash equivalents as of December 31, 2018, a hypothetical 1% (100 basis-point) decrease in interest rates would have decreased our interest income for the year then ended from $0.1 million to nil. In addition, with respect to cash and cash equivalents as of December 31, 2017, a hypothetical 1% (100 basis-point) decrease in interest rates would have decreased our interest income for the year then ended from $0.5 million to $0.1 million.

Foreign currency risk

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

controlled entities in China would be reduced.

We have recorded foreign exchange gain of $246,680 in net income in 2018, due to the recent revaluation of RMB against the U.S. dollar by Chinese government. On July 21, 2005, the Chinese government changed its policy of pegging the value of the Renminbi to that of U.S. dollar. Under the new policy, the Renminbi has fluctuated within a narrow and managed band against a basket of certain foreign currencies. As a result, the Renminbi appreciated approximately -6.8%, -5.8% and 5.0% against the U.S. dollar in 2016, 2017 and 2018, respectively, and may appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long term. Since we have not engaged in any hedging activities, we may experience economic loss as a result of any foreign currency exchange rate fluctuations. As of December 31, 2018, we had cash, cash equivalents and restricted cash of

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US$4.3 million (approximately RMB29.3 million) which were denominated in RMB at the exchange of $1.00 for RMB6.8632 and US$8.2 million which were denominated in foreign currencies. Assuming a 1.0% depreciation of the RMB against the U.S. dollar, cash, cash equivalents and restricted cash denominated in RMB would have decreased to $4.2 million as of December 31, 2018.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not Applicable.

B. Warrants and Rights

Not Applicable.

C. Other Securities

Not Applicable.

D. American Depository Shares

Fees and Charges Payable by ADS Holders

According to the deposit agreement between us and the depositary, JPMorgan Chase Bank N.A., our ADR holders may have to pay the following fees and charges to JPMorgan Chase Bank N.A. in connection with ownership of the ADR:

Category	Depositary actions	Associated fee
(a) Depositing or substituting the underlying shares	Each person to whom ADSs are issued against deposits of shares, including deposits and issuances in respect of: Share distributions, stock dividend, stock split, merger Exchange of securities or any other transaction or event affecting the ADSs or the deposited securities	US$5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs issued
(b) Receiving or distributing dividends	Distribution of cash dividends	US$0.02 or less per ADS
(c) Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	Up to US$5.00 for each 100 ADSs (or portion thereof)

(d) Withdrawing an underlying security	Acceptance of ADRs surrendered for withdrawal of deposited securities	US$5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs surrendered
(e) Transferring, splitting or grouping receipts	Transfers of depositary receipts	US$1.50 per ADS

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Category	Depositary actions	Associated fee
(f) General depositary services, particularly those charged on an annual basis	Services performed by the depositary in administering the ADRs	US$0.02 per ADS (or portion thereof) not more than once each calendar year and payable at the sole discretion of the depositary by billing ADR Holders or by deducting such charge from one or more cash dividends or other cash distributions
(g) Expenses of the Depositary	Expenses incurred on behalf of ADR Holders in connection with:	Expenses payable at the sole discretion of the depositary by billing ADR Holders or by deducting such charges from one or more cash dividends or other cash distributions
	Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment	
	The depositary's or its custodian's compliance with applicable law, rule or regulation	
	Stock transfer or other taxes and other governmental charges	
	Cable, telex and facsimile transmission and delivery charges	
	Fees for the transfer or registration of deposited securities in connection with the deposit or withdrawal of deposited securities	
	Expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars (which are paid out of such foreign currency)	
	Any other charge payable by depositary or its agents in connection with the servicing of the shares or the deposited securities	

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The fees described above may be amended from time to time.

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Fees and Payments from the Depositary to Us

The depositary has agreed to reimburse us annually for our expenses incurred in connection with the administration and maintenance of our ADS facility including, but not limited to, investor relations expenses, exchange listing fees or any other program related expenses. The depositary has also agreed to provide additional payments to us based on the applicable performance indicators relating to our ADS facility. There are limits on the amount of expenses for which the depositary will reimburse us. On May 22, 2018, we entered into a new contract with the depositary with a term of 5 years, which started from May 22, 2018. We were entitled to receive the maximum amount as US$250,000 for the year between May 22, 2018 and May 21, 2019 (after withholding tax) from the depositary as reimbursement for our expenses incurred in connection with, among other things, investor relationship programs related to the ADS facility.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, including our chief executive officer and the vice president (the person performing the functions of the principal financial officer), has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon this evaluation, our management including our chief executive officer and the vice president (the person performing the functions of the principal financial officer), has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective as of December 31, 2018.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in by the SEC's rules and forms, and that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and the vice president (the person performing the functions of the principal financial officer), as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with US GAAP, and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on the consolidated financial statements. Due to its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation, and may not

prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Under the supervision of our chief executive officer and the vice president (the person performing the functions of the principal financial officer), our management conducted an assessment of our internal control over financial reporting as of December 31, 2018, based on the framework and criteria established in Internal Control — Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management has concluded that our internal control over financial reporting was effective as of December 31, 2018.

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This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the rules of the SEC that permit the Company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There were no significant changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

See "Item 6.C. Directors, Senior Management and Employees — Board Practices."

Our board of directors has concluded that Mr. Zheng (James) Chen, an independent director of our company and a member of our audit committee, meets the criteria for an "audit committee financial expert" as established by the U.S. SEC.

Mr. Zheng (James) Chen will not be deemed an "expert" for any purpose, including, without limitation, for purposes of section 11 of the Securities Act as a result of being designated or identified as an audit committee financial expert. The designation or identification of Zheng (James) Chen as an audit committee financial expert does not impose on him any duties, obligations or liability that are greater than the duties, obligations and liability imposed on him as a member of the audit committee and board of directors in the absence of such designation or identification. The designation or identification of Mr. Zheng (James) Chen as an audit committee financial expert does not affect the duties, obligations or liability of any other member of the audit committee or board of directors.

ITEM 16B. CODE OF ETHICS

See "Item 6.C. Directors, Senior Management and Employees — Board Practices."

Our board of directors has adopted a code of ethics, which is applicable to our senior executives and financial officers and any other persons who perform similar functions for us. We have posted the text of our code of ethics on our Internet website at http://www.chinafinanceonline.com/list/en_CorporateGovernance.shtml.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent accountant for the audit of our annual financial statements for fiscal year ended December 31, 2016, 2017 and 2018 were BDO China Shu Lun Pan Certified Public Accountants LLP ("BDO China"). The following table sets forth the aggregate fees by category specified below in connection with certain professional services for the periods indicated. We did not pay any other fees to our independent registered public accounting firms during the periods indicated below.

	For the Year Ended December 31,		
	2018	2017	2016

Audit Fees[(1)]	US$	420,000	US$	411,000	US$	418,000
Audit Related Fees		—		—		—
Tax Fees		—		—		—
All Other Fees		—		—		—

(1) "Audit Fees" means the aggregate fees in each of the fiscal years listed for professional services rendered by BDO China for the audit of our annual financial statements, review of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

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Audit Committee Pre-approval Policies and Procedures

Our audit committee has adopted procedures which set forth the manner in which the committee will review and approve all audit and non-audit services to be provided by our independent accountant before that firm is retained for such services. The pre-approval procedures are as follows:

- Any audit or non-audit service to be provided to us by the independent accountant must be submitted to the audit committee for review and approval, with a description of the services to be performed and the fees to be charged.
- The audit committee in its sole discretion then approves or disapproves the proposed services and documents such approval, if given, through written resolutions or in the minutes of meetings, as the case may be.

ITEM 16D. EXEMPTION FROM THE LISTING STANDARD FOR AUDIT COMMITTEES

Not Applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

We have followed and intend to continue to follow the applicable corporate governance standards of NASDAQ.

ITEM 16H. MINE SAFETY DISCLOSURE

Not Applicable.

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PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements for China Finance Online Co. Limited, its subsidiaries, its variable interest entities (“VIEs”) and its VIE’s subsidiaries are included at the end of this annual report.

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ITEM 19. EXHIBITS

Index to exhibits

Exhibit Number	Description
1.1	Amended and Restated Memorandum and Articles of Association of China Finance Online Co. Limited (incorporated by reference to Exhibit 3.1 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on October 4, 2004)
2.1	Specimen Ordinary Share Certificate (incorporated by reference to Exhibit 4.1 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
2.2	Specimen American Depositary Receipt of China Finance Online Co. Limited (Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-119530) filed with the Securities and Exchange Commission with respect to American depositary shares representing ordinary shares on October 5, 2004
4.1	2004 Incentive Stock Option Plan and Form of Option Agreement (incorporated by reference to Exhibit 4.1 from our 2006 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 29, 2007)
4.2	Restricted Stock Issuance and Allocation Agreement - 2007 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 on Form 6-K (File No. 000-50975) filed with the Securities and Exchange Commission on August 24, 2007)
4.3	Amended Restricted Stock Issuance and Allocation Agreement - 2007 Equity Incentive Plan dated May 20, 2009 (incorporated by reference to Exhibit 4.3 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)
4.4	Translation of Purchase Option and Cooperation Agreement dated May 27, 2004 among China Finance Online Co. Limited, Jun Ning, Wu Chen and CFO Fuhua (incorporated by reference to Exhibit 10.3 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.5	Translation of Share Pledge Agreement dated May 27, 2004 among Jun Ning, Wu Chen and CFO Beijing (incorporated by reference to Exhibit 10.4 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.6	Translation of Framework Agreement on Exercising Purchase Option dated November 20, 2006 by and among China Finance Online Co. Limited, Jun Ning, Wu Chen, Zhiwei Zhao, CFO Fuhua and CFO Beijing (incorporated by reference to Exhibit 4.7 from our 2006 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 29, 2007)
4.7	Translation of Purchase Option and Cooperation Agreement dated November 20, 2006 among China Finance Online Co. Limited, Zhiwei Zhao, Wu Chen, CFO Fuhua and CFO Beijing (incorporated by reference to Exhibit 4.10 from our 2006 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 29, 2007)
4.8	Translation of Share Pledge Agreement dated November 20, 2006 among Zhiwei Zhao, Wu Chen and CFO Beijing(incorporated by reference to Exhibit 4.11 from our 2006 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 29, 2007)

4.9	Translation of Equipment Lease Agreement between CFO Beijing and CFO Fuhua dated May 27, 2004 (incorporated by reference to Exhibit 10.7 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.10	Translation of Technical Support Agreement between CFO Beijing and CFO Fuhua dated May 27, 2004 (incorporated by reference to Exhibit 10.8 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)
4.11	Translation of Amended and Restated Strategic Consulting Agreement between CFO Beijing and CFO Fuhua dated May 27, 2004 (incorporated by reference to Exhibit 10.9 from our Registration Statement on Form F-1 (File No. 333-119166) filed with the Securities and Exchange Commission on September 21, 2004)

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4.12 Translation of Framework Agreement on Exercising Purchase Option dated October 18, 2007 by and among China Finance Online Co. Limited, Wu Chen, Zhiwei Zhao, Jun Wang, CFO Fuhua and CFO Beijing (incorporated by reference to Exhibit 4.15 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.13 Translation of Share Transfer Contract (related to shares of CFO Fuhua) dated October 18, 2007 by and between Wu Chen and Jun Wang (incorporated by reference to Exhibit 4.17 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.14 Translation of Share Pledge Agreement dated October 18, 2007 among Zhiwei Zhao, Jun Wang and CFO Beijing (incorporated by reference to Exhibit 4.18 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.15 Translation of Purchase Option and Cooperation Agreement dated March 3, 2008 among China Finance Online Co. Limited, Zhiwei Zhao, Jun Wang and CFO Fuhua (incorporated by reference to Exhibit 4.19 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.16 Translation of Purchase Option and Cooperation Agreement dated March 3, 2008 among China Finance Online Co. Limited, Zhiwei Zhao, Jun Wang and CFO Fuhua (incorporated by reference to Exhibit 4.20 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.17 Translation of Share Pledge Agreement dated March 3,2008 among Zhiwei Zhao, Jun Wang and CFO Beijing (incorporated by reference to Exhibit 4.23 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.18 Translation of Loan Agreement dated November 20, 2009 among CFO Chuangying, Yang Yang and Lin Yang (incorporated by reference to Exhibit 4.51 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.19 Translation of Share Pledge Agreement dated November 20, 2009 among CFO Chuangying, Yang Yang and Lin Yang (incorporated by reference to Exhibit 4.52 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.20 Translation of Purchase Option Agreement dated November 20, 2009 among CFO Chuangying, CFO Qicheng, Yang Yang and Lin Yang (incorporated by reference to Exhibit 4.53 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.21 Translation of Operation Agreement dated November 20, 2009 between CFO Chuangying and CFO Qicheng (incorporated by reference to Exhibit 4.54 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.22 Translation of Technical Support Agreement dated November 20, 2009 between CFO Chuangying and CFO Qicheng (incorporated by reference to Exhibit 4.55 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.23 Translation of Strategic Consulting and Service Agreement dated November 20, 2009 between CFO Chuangying and CFO Qicheng (incorporated by reference to Exhibit 4.56 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.24 Translation of Loan Agreement dated September 1, 2007 among Fortune Software (Beijing) Co., Ltd., Wu Chen and Zhiwei Zhao (incorporated by reference to Exhibit 4.30 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.25 Translation of Framework Agreement among Fortune Software (Beijing) Co., Ltd., Wu Chen, Jun Wang and Beijing Glory Technology Co., Ltd. dated September 10, 2007 (incorporated by reference to Exhibit 4.29 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.26

Translation of Share Transfer Contract (related to shares of Beijing Glory Technology Co., Ltd.) dated September 10, 2007 by and between Wu Chen and Jun Wang (incorporated by reference to Exhibit 4.31 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

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4.27 Translation of Purchase Option Agreement dated September 10, 2007 among Fortune Software (Beijing) Co., Ltd., Jun Wang, Zhiwei Zhao and Beijing Glory Technology Co., Ltd. (incorporated by reference to Exhibit 4.35 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.28 Translation of Operation Agreement dated September 10, 2007 by and between Fortune Software (Beijing) Co., Ltd. and Beijing Glory Technology Co., Ltd. (incorporated by reference to Exhibit 4.32 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.29 Translation of Technical Support Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing Glory Technology Co., Ltd. dated September 10, 2007 (incorporated by reference to Exhibit 4.33 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.30 Translation of Strategic Consulting and Service Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing Glory Technology Co., Ltd. dated September 10, 2007 (incorporated by reference to Exhibit 4.34 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.31 Translation of Framework Agreement for Exercise of Purchase Option dated June 2, 2009 among Wei Xiong, Zhenfei Fan, Zhiwei Zhao, Jun Wang, CFO Software and Beijing Premium Technology Co., Ltd. ("CFO Premium") (incorporated by reference to Exhibit 4.35 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.32 Translation of Purchase Option Agreement dated June 2, 2009 among CFO Software, CFO Premium, Zhiwei Zhao and Jun Wang (incorporated by reference to Exhibit 4.36 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.33 Translation of Share Pledge Agreement dated June 2, 2009 among CFO Software, Zhiwei Zhao and Jun Wang (incorporated by reference to Exhibit 4.37 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.34 Translation of Operation Agreement among dated August 21, 2007 by and between Fortune Software (Beijing) Co., Ltd. and Beijing Premium Technology Co., Ltd.(incorporated by reference to Exhibit 4.25 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.35 Translation of Technical Support Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing Premium Technology Co., Ltd. dated August 21, 2007 (incorporated by reference to Exhibit 4.26 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.36 Translation of Strategic Consulting and Service Agreement between Fortune Software (Beijing) Co., Ltd. and Beijing Premium Technology Co., Ltd. dated August 21, 2007 (incorporated by reference to Exhibit 4.27 from our 2007 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on June 5, 2008)

4.37 Translation of Loan Agreement dated November 25, 2009 among CFO Chuangying, Yang Yang and Lin Yang (incorporated by reference to Exhibit 4.57 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.38 Translation of Framework Agreement of Exercising Purchase Option dated November 1, 2012 among Yang Yang, Ying Zhu, CFO Chuangying and CFO Yingchuang (incorporated by reference to Exhibit 4.45 from our Amendment No. 1 to 2013 Annual Report on Form 20-F/A (File No.000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.39 Translation of Share Pledge Agreement dated November 1, 2012 among CFO Chuangying, Ying Zhu and Lin Yang (incorporated by reference to Exhibit 4.46 from our Amendment No. 1 to 2013 Annual Report on Form 20-F/A (File No.000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.40

Translation of Operation Agreement dated November 25, 2009 between CFO Chuangying and CFO Yingchuang (incorporated by reference to Exhibit 4.60 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.41 Translation of Technical Support Agreement dated November 25, 2009 between CFO Chuangying and CFO Yingchuang (incorporated by reference to Exhibit 4.61 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

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4.42 Translation of Strategic Consulting and Service Agreement dated November 25, 2009 between CFO Chuangying and CFO Yingchuang (incorporated by reference to Exhibit 4.62 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.43 Translation of Loan Agreement dated May 8, 2008 among CFO Software, Zhenfei Fan and Xun Zhao (incorporated by reference to Exhibit 4.43 from our Amendment No. 1 to 2013 Annual Report on Form 20F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.50 Translation of Loan Agreement dated November 25,2009 among CFO Chongzhi, Zhihong Wang and Ran Yuan (incorporated by reference to Exhibit 4.63 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.51 Translation of Purchase Option and Cooperation Agreement dated November 30, 2009 among CFO Chongzhi, Shanghai Stockstar Information & Technology Co., Ltd., Ran Yuan and Zhihong Wang (incorporated by reference to Exhibit 4.65 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.52 Translation of Framework Agreement of Exercising Purchase Option dated April 6, 2010 among Zhihong Wang, Na Zhang, CFO Chongzhi and Shanghai Stockstar Information & Technology Co., Ltd. (incorporated by reference to Exhibit 4.52 from Amendment No. 1 to our 2013 Annual Report on Form 20F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.53 Translation of Framework Agreement of Exercising Purchase Option dated November 8, 2010 among Ran Yuan, Xun Zhao, CFO Chongzhi and Shanghai Stockstar Information & Technology Co., Ltd (incorporated by reference to Exhibit 4.53 from our Amendment No. 1 to 2013 Annual Report on Form 20F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.54 Translation of Share Pledge Agreement dated January 15, 2012 among Na Zhang, Xun Zhao and CFO Chongzhi (incorporated by reference to Exhibit 4.54 from our Amendment No. 1 to 2013 Annual Report on Form 20F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.55 Translation of Operation Agreement dated November 30, 2009 between CFO Chongzhi and Shanghai Stockstar Information & Technology Co., Ltd. (incorporated by reference to Exhibit 4.66 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.56 Translation of Technical Support Agreement dated November 30, 2009 between CFO Chongzhi and Shanghai Stockstar Information & Technology Co., Ltd. (incorporated by reference to Exhibit 4.67 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.57 Translation of Strategic Consulting and Service Agreement dated November 30, 2009 between CFO Chongzhi and Shanghai Stockstar Information & Technology Co., Ltd. (incorporated by reference to Exhibit 4.68 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.58 Translation of Loan Agreement dated March 29, 2011 among CFO Zhengtong, Zhiwei Zhao and Jun Wang (incorporated by reference to Exhibit 4.58 from our Amendment No. 1 to 2013 Annual Report on Form 20F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.59 Translation of Purchase Option and Cooperation Agreement dated March 29, 2011 among Zhiwei Zhao, Jun Wang, Stockstar Wealth Management and CFO Zhengtong (incorporated by reference to Exhibit 4.59 from our Amendment No. 1 to 2013 Annual Report on Form 20F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.60 Translation of Share Pledge Agreement dated March 29, 2011 among Zhiwei Zhao, Jun Wang and CFO Zhengtong (incorporated by reference to Exhibit 4.60 from our Amendment No. 1 to 2013 Annual Report on Form 20F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.61 Translation of Operation Agreement dated March 29, 2011 between Stockstar Wealth Management and CFO Zhengtong (incorporated by reference to Exhibit 4.61 from our Amendment No. 1 to 2013 Annual Report on

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4.62 Translation of Technical Support Agreement dated March 29, 2011 between Stockstar Wealth Management and CFO Zhengtong (incorporated by reference to Exhibit 4.62 from our Amendment No. 1 to 2013 Annual Report on Form 20F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.63 Translation of Strategic Consulting and Service Agreement dated March 29, 2011 between Stockstar Wealth Management and CFO Zhengtong (incorporated by reference to Exhibit 4.63 from our Amendment No. 1 to 2013 Annual Report on Form 20F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.64 Translation of Framework Agreement of Exercising Purchase Option dated November 15, 2012 among Zhiwei Zhao, Jun Wang, Xiaowei Wang, Na Zhang, CFO Chuangying and CFO Software (incorporated by reference to Exhibit 4.64 from our 2013 Annual Report on Form 20F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.65 Translation of Purchase Option and Cooperation Agreement dated December 11, 2012 among Xiaowei Wang, Na Zhang, CFO Chuangying and CFO Software (incorporated by reference to Exhibit 4.65 from our Amendment No. 1 to 2013 Annual Report on Form 20F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.66 Translation of Share Pledge Agreement dated November 15, 2012 among Xiaowei Wang, Na Zhang and CFO Software (incorporated by reference to Exhibit 4.66 from our Amendment No. 1 to 2013 Annual Report on Form 20F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.67 Operation Agreement dated February 12, 2009 between CFO Software and CFO Chuangying (incorporated by reference to Exhibit 4.40 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.68 Technical Support Agreement dated February 12, 2009 between CFO Software and CFO Chuangying (incorporated by reference to Exhibit 4.41 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.69 Strategic Consulting and Service Agreement dated February 12, 2009 between CFO Software and CFO Chuangying (incorporated by reference to Exhibit 4.42 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010)

4.70 Translation of Loan Agreement dated June 1, 2014 among CFO Zhengyong, Lin Yang and Yi Yang (incorporated by reference to Exhibit 4.70 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.71 Translation of Purchase Option and Cooperation Agreement dated June 1, 2014 among Lin Yang, Yi Yang, CFO Newrand and CFO Zhengyong (incorporated by reference to Exhibit 4.71 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.72 Translation of Operation Agreement dated June 1, 2014 between CFO Newrand and CFO Zhengyong (incorporated by reference to Exhibit 4.72 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.73 Translation of Technical Support Agreement dated June 1, 2014 between CFO Newrand and CFO Zhengyong (incorporated by reference to Exhibit 4.73 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.74 Translation of Strategic Consulting and Service Agreement dated June 1, 2014 between CFO Newrand and CFO Zhengyong (incorporated by reference to Exhibit 4.74 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.75 Translation of Loan Agreement dated February 12, 2014 among CFO Zhengyong, Ran Tao and Haibin Wang (incorporated by reference to Exhibit 4.75 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.76 Translation of Purchase Option and Cooperation Agreement dated February 12, 2014 among Tao Ran, Haibin Wang, Beijing Mingfu Economics Research Institute Co., Ltd. and CFO Zhengyong (incorporated by reference

to Exhibit 4.76 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.77 Translation of Share Pledge Agreement dated February 12, 2014 among Ran Tao, Haibin Wang and CFO Zhengyong (incorporated by reference to Exhibit 4.77 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

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4.78 Translation of Operation Agreement dated February 12, 2014 between Beijing Mingfu Economics Research Institute Co., Ltd. and CFO Zhengyong (incorporated by reference to Exhibit 4.78 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.79 Translation of Technical Support Agreement dated February 12, 2014 between Beijing Mingfu Economics Research Institute Co., Ltd. and CFO Zhengyong (incorporated by reference to Exhibit 4.79 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.80 Translation of Strategic Consulting and Service Agreement dated February 12, 2014 between Beijing Mingfu Economics Research Institute Co., Ltd. and CFO Zhengyong (incorporated by reference to Exhibit 4.80 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.81 Translation of Loan Agreement dated May 14, 2014 among CFO Software, Zhiwei Zhao and Jun Wang (incorporated by reference to Exhibit 4.81 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.82 Translation of Purchase Option and Cooperation Agreement dated May 14, 2014 among Zhiwei Zhao, Jun Wang, CFO Securities Consulting and CFO Software (incorporated by reference to Exhibit 4.82 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.83 Translation of Operation Agreement dated May 14, 2014 between CFO Securities Consulting and CFO Software (incorporated by reference to Exhibit 4.83 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.84 Translation of Technical Support Agreement dated May 14, 2014 between CFO Securities Consulting and CFO Software (incorporated by reference to Exhibit 4.84 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.85 Translation of Strategic Consulting and Service Agreement dated May 14, 2014 between CFO Securities Consulting and CFO Software (incorporated by reference to Exhibit 4.85 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.86 Translation of Shenzhen Stock Exchange Proprietary Information License Agreement dated March, 2012 between CFO Fuhua and Shenzhen Securities Information Co., Ltd. (Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 83 (17 C.F.R. Section 200.83). The omitted materials have been filed separately with the Securities and Exchange Commission.; filed as Exhibit 4.61 to the Company's Report on Form 20-F (File No.000-50975) filed on April 30, 2012, and incorporated herein by reference)

4.87 Translation of Securities Information License Contract dated December 26, 2011 between SSE Infonet Ltd. and CFO Fuhua (Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 83 (17 C.F.R. Section 200.83). The omitted materials have been filed separately with the Securities and Exchange Commission., which request is pending; filed as Exhibit 4.62 to the Company's Report on Form 20-F (File No.000-50975) filed on April 30, 2012, and incorporated herein by reference)

4.88 Market Data Vendor License Agreement dated March 31, 2011 between HKEx Information Services Limited and CFO Software (filed as Exhibit 4.63 to the Company's Report on Form 20-F (File No.000-50975) filed on April 30, 2012, and incorporated herein by reference)

4.89 Translation of China Financial Futures Exchange Futures Information License Agreement dated April 8, 2009 between CFO Software and China Financial Futures Exchange (Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 83 (17 C.F.R. Section 200.83). The omitted materials have been filed separately with the Securities and Exchange Commission.) (incorporated by reference to Exhibit 4.75 from our 2009 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 28, 2010); Supplemental Agreement dated April 16, 2011 (Certain portions of

this exhibit have been omitted pursuant to a request for confidential treatment under Rule 83 (17 C.F.R. Section 200.83). The omitted materials have been filed separately with the Securities and Exchange Commission.) (incorporated by reference to Exhibit 4.78 from our 2010 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 31, 2011)

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4.90	Translation of Agreement for Supply of Real-time Hang Seng Family of Indexes by and between the Company and Hang Seng Indexes Company Limited dated February 27, 2009 (Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 83 (17 C.F.R. Section 200.83). The omitted materials have been filed separately with the Securities and Exchange Commission.)
4.91	Translation of Agreement for Supply of Real-time Hang Seng Family of Indexes by and between CFO Fuhua and Hang Seng Indexes Company Limited dated December 11, 2012 (Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 83 (17 C.F.R. Section 200.83). The omitted materials have been filed separately with the Securities and Exchange Commission.)
4.92	Renewal of Shanghai Stock Exchange Securities Information Operation License Agreement by and between CFO Fuhua and Shanghai Stock Exchange Information Network Co., Ltd. dated December 25, 2012 (Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 83 (17 C.F.R. Section 200.83). The omitted materials have been filed separately with the Securities and Exchange Commission.)
4.93	Renewal of Shenzhen Stock Exchange Proprietary Information License Agreement by and between CFO Fuhua and Shenzhen Securities Information Network Co., Ltd. dated March 15, 2013 (Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 83 (17 C.F.R. Section 200.83). The omitted materials have been filed separately with the Securities and Exchange Commission.)
4.94	Renewal of Shenzhen Stock Exchange Proprietary Information License Agreement by and between CFO Meining and Shenzhen Securities Information Network Co., Ltd. dated March 1, 2013 (Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 83 (17 C.F.R. Section 200.83). The omitted materials have been filed separately with the Securities and Exchange Commission.)
4.95	English Summary of the real estate investment contract and the shareholder agreement by and among CFO Huiying, Langfang Shengshi Real Estate Development Co., Ltd. and its original shareholders dated March 19, 2013. (Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 83 (17 C.F.R. Section 200.83). The omitted materials have been filed separately with the Securities and Exchange Commission.)
4.96	Translation of Assets Purchase Agreement among Shenzhen Newrand and Shenzhen Champion Connection (incorporated by reference to Exhibit 4.31 from our 2013 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 6, 2014)
4.97	Translation of Purchase Agreement between Giant Bright and Champion Connection Network H.K. Limited (incorporated by reference to Exhibit 4.32 from our 2013 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 6, 2014)
4.98	Translation of Agreement for Change of Parties to the Contract (incorporated by reference to Exhibit 4.33 from our 2013 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 6, 2014)
4.99	Translation of Purchase Agreement between Giant Bright and Hadevan (incorporated by reference to Exhibit 4.34 from our 2013 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 6, 2014)
4.100	Translation of Assets Purchase Agreement among Shenzhen Genius and Shenzhen Champion Connection (incorporated by reference to Exhibit 4.35 from our 2013 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 6, 2014)
4.101	Translation of Purchase Agreement between Mainfame and Champion Connection Network H.K. Limited (incorporated by reference to Exhibit 4.36 from our 2013 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 6, 2014)
4.102	Translation of Cooperation Framework Agreement among Shanghai Stockstar Wealth Management, Golden Pioneer Network Technologies and Shanghai Excellence Advertising (incorporated by reference to Exhibit 4.37 from our 2013 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange

Commission on May 6, 2014)

4.103 Translation of Capital Increase and Shareholders' Agreement of Shenzhen Tahoe Investment and Development Co, Ltd. (incorporated by reference to Exhibit 4.38 from our 2013 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on May 6, 2014)

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4.104 Translation of Equity Transfer Agreement among Fortune (Beijing) Huiying Investment Consulting Co., Ltd. and Beijing Bluestone Investment Management Co., Ltd, Langfang Great Sky Investment Co., Ltd. (incorporated by reference to Exhibit 4.116 from our Amendment No. 1 to 2013 Annual Report on Form 20-F/A (File No. 000-50975) filed with the Securities and Exchange Commission on April 21, 2015)

4.105 2014 Stock Incentive Plan (incorporated by reference to Appendix A of Exhibit 99.1 from our Form 6-K (File No. 000-50975) filed with the Securities and Exchange Commission on May 30, 2014)

4.106 Restricted Stock Issuance and Allocation Agreement - 2007 Equity Incentive Plan (incorporated by reference to Appendix B of Exhibit 99.1 from our Form 6-K (File No. 000-50975) filed with the Securities and Exchange Commission on May 30, 2014)

4.107 Translation of Strategic Cooperation Framework Agreement about Precious Metals Business dated on December 23, 2014 among Fujian Zhengjin, Tianjin Zhengjin, Du Shihong and Bai Xuefeng (incorporated by reference to Exhibit 4.109 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.108 Translation of Reorganization Framework Agreement dated on June 1, 2014 among Stockstar Wealth Management, Shanghai Excellence Advertising Co., Ltd. and Golden Pioneer (Beijing) Network Technology Co. Ltd. (incorporated by reference to Exhibit 4.110 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.109 Translation of Reorganization Framework Agreement dated on June 1, 2014 among China Finance Online Co. Limited and Shanghai Excellence Advertising Co., Ltd. (incorporated by reference to Exhibit 4.111 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.110 Translation of Business Cooperation Framework Agreement dated on April 24, 2014 between CITIC Securities Co., Ltd and China Finance Online Co., Ltd. (incorporated by reference to Exhibit 4.112 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.111 Translation of Online Securities Business Cooperation Agreement between Zhongshan Securities Co. Ltd. and Beijing Glory Technology Co., Ltd. (incorporated by reference to Exhibit 4.113 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.112 Translation of Online Securities Business Cooperation Agreement between Greatwall Securities Co. Ltd. and Beijing Glory Technology Co., Ltd. (incorporated by reference to Exhibit 4.114 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.113 Translation of Online Securities Business Cooperation Agreement between China International Capital Co. Ltd. and Beijing Glory Technology Co., Ltd. (incorporated by reference to Exhibit 4.115 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.114 Translation of Online Securities Business Cooperation Agreement between Heng Tai Securities Co. Ltd. and Beijing Glory Technology Co., Ltd. (incorporated by reference to Exhibit 4.116 from our 2014 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2015)

4.115 Translation of Sale & Purchase Agreement dated March 30, 2015 about the 100% Equity of Rifa Futures and Rifa Wealth Management between Rifa Capital International Co., Ltd., Rifa Management Limited, Tianfeng Securities Co., Ltd. and CFO Fuhua. (incorporated by reference to Exhibit 4.115 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.116 Translation of the First Supplement dated April 9, 2015 between Rifa Capital International Co., Ltd., Rifa Management Limited, Tianfeng Securities Co., Ltd. and CFO Fuhua. (incorporated by reference to Exhibit 4.116 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.117

Translation of the Second Supplement dated September 28, 2015 between Rifa Capital International Co., Ltd., Rifa Management Limited, Tianfeng Securities Co., Ltd. and CFO Fuhua. (incorporated by reference to Exhibit 4.117 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

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4.118 Translation of the Agreement on Enforcement of Arbitration Award dated on December 9, 2015 among CFO Huiying, Langfang Shengshi Real Estate Development Co., Ltd. and Beijing Bluestone Investment Management Co., Ltd. (incorporated by reference to Exhibit 4.118 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.119 Translation of the Reorganization Framework Agreement dated May 4, 2015 between China Finance Online Co. Limited, Danford (H.K.) Limited, Dongjin Investment Co., Ltd., Beijing Cairuitong Technology Co., Ltd., Caifu Xinying (Beijing) Technology Co., Ltd. and Beijing Cowboy Network Technology Co., Ltd. (incorporated by reference to Exhibit 4.119 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.120 Translation of Share Transfer Agreement dated on May 25, 2015 between Beijing Glory Technology Co., Ltd. and Shanghai Zheshang Business Consulting Co., Ltd. (incorporated by reference to Exhibit 4.120 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.121 Translation of Share Transfer Agreement dated on May 25, 2015 between CFO Qicheng and Beijing Leshi Excellence Investment Management Partnership. (incorporated by reference to Exhibit 4.121 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.122 Translation of Share Transfer Agreement dated on May 25, 2015 between CFO Qicheng and Shanghai Ever Bright Yan Ze Venture Capital Enterprise (limited partnership). (incorporated by reference to Exhibit 4.122 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.123 Translation of Share Transfer Agreement dated on May 25, 2015 between Shenzhen Shangtong Software Co., Ltd. and Shanghai Ever Bright Fu Yi Venture Capital Enterprise (limited partnership) (incorporated by reference to Exhibit 4.123 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.124 Translation of Share Transfer Agreement dated on May 25, 2015 between Shenzhen Shangtong Software Co., Ltd. and Beijing Leshi Excellence Investment Management Partnership. (incorporated by reference to Exhibit 4.124 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.125 Translation of Share Transfer Agreement dated on May 25, 2015 between Shenzhen Shangtong Software Co., Ltd. and Xiaoming Wang (incorporated by reference to Exhibit 4.125 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.126 Translation of the Framework Agreement dated December 11, 2015 about the reorganization and sale & purchase of stockstar.com related business (incorporated by reference to Exhibit 4.126 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.127 Translation of the Share Transfer Agreement dated August 27, 2015 by and among CFO Meining and Beijing Glory Technology Co., Ltd. (incorporated by reference to Exhibit 4.127 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.128 Translation of the Share Transfer Agreement dated August 27, 2015 by and among Zhang Na and Beijing Glory Technology Co., Ltd. (incorporated by reference to Exhibit 4.128 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.129 Translation of the Share Transfer Agreement dated August 27, 2015 by and among Zhao Xun and Beijing Premium Technology Co., Ltd. (incorporated by reference to Exhibit 4.129 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.130 Translation of the Share Transfer Agreement dated December 10, 2015 by and among CFO Meining, Zhiwei Zhao, Jun Wang, Tibet Fortune Jinyuan Network Technology Co., Ltd. and Zhongcheng Futong Co., Ltd.

(incorporated by reference to Exhibit 4.130 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

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4.131 Translation of the Termination Agreement dated September 20, 2015 by and among CFO Chongzhi and Shanghai Stockstar Information & Technology Co., Ltd. terminating certain strategic consulting and service agreement, the technical support agreement and the operation agreement. (incorporated by reference to Exhibit 4.131 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.132 Translation of the Termination Agreement dated September 20, 2015 by and among CFO Chongzhi, Na Zhang, Xun Zhao and Shanghai Stockstar Information & Technology Co., Ltd. terminating certain purchase option and cooperation agreement, loan agreement and share pledge agreement. (incorporated by reference to Exhibit 4.132 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.133 Translation of the Termination Agreement dated December 8, 2015 by and between CFO Software and CFO Securities Consulting terminating certain strategic consulting and service agreement, the technical support agreement and the operation agreement. (incorporated by reference to Exhibit 4.133 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.134 Translation of the Termination Agreement dated December 8, 2015 by and among CFO Software, Zhiwei Zhao, and CFO Securities Consulting terminating certain loan agreement and the purchase option and cooperation agreement. (incorporated by reference to Exhibit 4.134 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.135 Translation of the Termination Agreement dated December 8, 2015 by and among CFO Software, Jun Wang and CFO Securities Consulting terminating certain loan agreement and the purchase option and cooperation agreement. (incorporated by reference to Exhibit 4.135 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.136 Translation of the Share Transfer Agreement dated December 24, 2015 by and among Tibet Fortune Jinyuan Network Technology Co., Ltd., Shanghai EBI Capital Co., Ltd. and Xiaoming Wang. (incorporated by reference to Exhibit 4.136 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.137 Translation of the Sale & Purchase Agreement dated April 8, 2016 about the 100% equity of Rifa Wealth Management between Rifa Management Limited and Tianfeng Securities Co., Ltd. (incorporated by reference to Exhibit 4.137 from our 2015 Annual Report on Form 20-F (File No.000-50975) filed with the Securities and Exchange Commission on April 27, 2016)

4.138 Translation of the Equity Transfer Agreement dated January 12, 2016 by and among CFO Fuhua, Shanghai Fenxin Information Technology Co., Ltd. and Tibet Fortune Jinyuan Network Technology Co., Ltd. regarding the transfer of equities in CFO Meining.

4.139 Translation of the Equity Transfer Agreement dated April 28, 2016 by and among Tibet Fortune Jinyuan Network Technology Co., Ltd., and Shanghai Jiuyi Ruotong Start-up Investment Enterprise (limited partnership) regarding the transfer of equities in Shanghai Fenxin Information Technology Co., Ltd.

4.140 Translation of the Equity Transfer Agreement dated April 28, 2016 by and among Tibet Fortune Jinyuan Network Technology Co., Ltd. and Shanghai Jiuyi Yonglin Investment Management Enterprise, regarding the transfer of equities in Shanghai Fenxin Information Technology Co., Ltd.

4.141 Translation of Loan Agreement dated September 9, 2016 among Beijing Glory Technology Co., Ltd., Meng Han and Lu Wenjing.

4.142 Translation of Purchase Option and Cooperation Agreement dated September 9, 2016 among Beijing Glory Technology Co., Ltd., Meng Han, Lu Wenjing and Zhongheng Xintai (Beijing) Assets Management Co., Ltd.

4.143 Translation of Share Pledge Agreement dated September 9, 2016 among Meng Han, Lu Wenjing and Beijing Glory Technology Co., Ltd.

4.144

Translation of Operation Agreement dated September 9, 2016 between Beijing Glory Technology Co., Ltd. and Zhongheng Xintai (Beijing) Assets Management Co., Ltd.

4.145 Translation of Technical Support Agreement dated September 9, 2016 between Beijing Glory Technology Co., Ltd. and Zhongheng Xintai (Beijing) Assets Management Co., Ltd.

4.146 Translation of Strategic Consulting and Service Agreement dated September 9, 2016 between Beijing Glory Technology Co., Ltd. and Zhongheng Xintai (Beijing) Assets Management Co., Ltd.

4.147 Translation of Loan Agreement dated August 1, 2016 among Fortune Software (Beijing) Co., Ltd., Cui Wei and Cheng Shichao.

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4.148 Translation of Purchase Option and Cooperation Agreement dated August 1, 2016 among Fortune Software (Beijing) Co., Ltd., Cui Wei, Cheng Shichao and Beijing Huizhi Fortune Technology Co., Ltd.
4.149 Translation of Share Pledge Agreement dated August 1, 2016 among Cui Wei, Cheng Shichao and Fortune Software (Beijing) Co., Ltd.
4.150 Translation of Operation Agreement dated August 1, 2016 between Fortune Software (Beijing) Co., Ltd. and Beijing Huizhi Fortune Technology Co., Ltd.
4.151 Translation of Technical Support Agreement dated August 1, 2016 between Fortune Software (Beijing) Co., Ltd. and Beijing Huizhi Fortune Technology Co., Ltd.
4.152 Translation of Strategic Consulting and Service Agreement dated August 1, 2016 between Fortune Software (Beijing) Co., Ltd. and Beijing Huizhi Fortune Technology Co., Ltd.
4.153 Translation of Framework Agreement for Exercise of Right of First Refusal dated July 25, 2017 among Han Meng, Wenjing Lu, Shenzhen Newrand Securities Advisory and Investment Co., Ltd., Beijing CFO Glory Technology Co., Ltd. and Zhongheng Xintai (Beijing) Asset Management Co., Ltd.
4.154 Translation of Termination Agreement regarding the Strategic Consulting and Service Agreement, Technical Support Agreement and Operation Agreement dated July 25, 2017 between Beijing CFO Glory Technology Co., Ltd. and Zhongheng Xintai (Beijing) Asset Management Co., Ltd.
4.155 Translation of Equity Pledge Contract dated November 23, 2016 between Ying Zhu and Zhengyong Information & Technology (Shanghai) Co., Ltd.
4.156 Translation of Equity Transfer Agreement dated November 23, 2016 between Yi Yang and Ying Zhu
4.157 Translation of Framework Agreement for Exercise of Right of First Refusal dated November 23, 2016 among Yi Yang, Ying Zhu, Shenzhen Newrand Securities Advisory and Investment Co., Ltd. and Zhengyong Information & Technology (Shanghai) Co., Ltd.
4.158 Translation of Right of First Refusal & Cooperation Agreement dated November 23, 2016 among Zhengyong Information & Technology (Shanghai) Co., Ltd., Ying Zhu and Shenzhen Newrand Securities Advisory and Investment Co., Ltd.
4.159 Translation of Loan Agreement dated November 23, 2016 between Zhengyong Information & Technology (Shanghai) Co., Ltd. and Ying Zhu
4.160 Translation of Loan Agreement dated April 20, 2017 among Fortune Software (Beijing) Co., Ltd., Xiaowei Wang and Jing Zhang
4.161 Translation of Loan Agreement dated May 20, 2017 among Fortune Software (Beijing) Co., Ltd., Xiaowei Wang and Jing Zhang
4.162 Translation of Strategic Consulting and Service Agreement dated April 20, 2017 between Rifa Yunling (Beijing) Technology Co. Ltd. and Fortune Software (Beijing) Co., Ltd.
4.163 Translation of Technical Support Agreement dated April 20, 2017 between Rifa Yunling (Beijing) Technology Co. Ltd. and Fortune Software (Beijing) Co., Ltd.
4.164 Translation of Equity Pledge Contract dated April 20, 2017 among Xiaowei Wang, Jing Zhang and Fortune Software (Beijing) Co., Ltd.
4.165 Translation of Equity Transfer Agreement dated April 20, 2017 among Beijing CFO Glory Technology Co., Ltd., Xiaowei Wang and Jing Zhang
4.166 Translation of Right of First Refusal & Cooperation Agreement dated May 20, 2017 among Fortune Software (Beijing) Co., Ltd., Xiaowei Wang, Jing Zhang and Rifa Yunling (Beijing) Technology Co. Ltd.
4.167 Translation of Operation Agreement dated April 20, 2017 between Fortune Software (Beijing) Co., Ltd. and Rifa Yunling (Beijing) Technology Co. Ltd.
4.168 Translation of Loan Agreement dated April 20, 2017 among Fortune Software (Beijing) Co., Ltd., Xiaoqiao Sun and Si Wang
4.169 Translation of Strategic Consulting and Service Agreement dated April 20, 2017 between Shenzhen Ganlanren Investment Management Co., Ltd. and Fortune Software (Beijing) Co., Ltd.

4.170 Translation of Technical Support Agreement dated April 20, 2017 between Fortune Software (Beijing) Co., Ltd. and Shenzhen Ganlanren Investment Management Co., Ltd.

4.171 Translation of Equity Pledge Contract dated April 20, 2017 among Xiaoqiao Sun, Si Wang and Fortune Software (Beijing) Co., Ltd.

4.172 Translation of Right of First Refusal & Cooperation Agreement dated April 20, 2017 among Fortune Software (Beijing) Co., Ltd., Xiaoqiao Sun, Si Wang and Shenzhen Ganlanren Investment Management Co., Ltd.

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4.173	Translation of Operation Agreement dated April 20, 2017 between Fortune Software (Beijing) Co., Ltd. and Shenzhen Ganlanren Investment Management Co., Ltd.
4.174	Translation of Framework Agreement for Exercise of Right of First Refusal dated June 21, 2017 among Si Wang, Zaisi Cui, Shenzhen Newrand Securities Advisory and Investment Co., Ltd. and Fortune Software (Beijing) Co., Ltd.
4.175	Translation of Agreement for the Implementation of the Framework Agreement for Exercise of Right of First Refusal dated April 20, 2017 among Si Wang, Shenzhen Ganlanren Investment Management Co., Ltd. and Fortune Software (Beijing) Co., Ltd.
4.176	Translation of Equity Pledge Contract dated June 21, 2017 between Zaisi Cui and Fortune Software (Beijing) Co., Ltd.
4.177	Translation of Equity Transfer Agreement dated June 21, 2017 between Si Wang and Zaisi Cui
4.178	Translation of Right of First Refusal & Cooperation Agreement dated June 21, 2017 among Fortune Software (Beijing) Co., Ltd., Zaisi Cui and Shenzhen Ganlanren Investment Management Co., Ltd.
4.179	Translation of Loan Agreement dated June 21, 2017 between Fortune Software (Beijing) Co., Ltd. and Zaisi Cui
4.180	Translation of Shareholder Contribution Agreement of JRJ (Zhuhai) Asset Management Co., Ltd. dated December 18, 2017 among China Finance Online (Beijing) Co., Ltd., Zhuhai Jinshi Zhongrui Investment Co., Ltd., Shenzhen Thinking Power Investment Co., Ltd., and Shenzhen Jinghong Investment Management Co., Ltd.
4.181*	Translation of the Termination Agreement dated July 20, 2018 by and among Fortune Software (Beijing) Co., Ltd., Na Zhang, Xiaowei Wang and CFO Chuangying. terminating certain Loan Agreement, Equity Pledge Contract, Right of First Refusal Agreement, Strategic Consulting and Service Agreement, Technical Support Agreement and Operation Agreement.
4.182*	Translation of the Share Purchase Agreement dated November 2018 between China Finance Online Co. Limited and West Platinum Limited
4.183*	Translation of Framework Agreement for Exercise of Right of First Refusal dated October 1, 2018 among Zaisi Cui, Xiaoqiao Sun, Fortune Software (Beijing) Co., Ltd., and Shenzhen Ganlanren Investment Management Co., Ltd.
8.1*	List of Principal Subsidiaries and Significant PRC-Incorporated Affiliates
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1*	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of BDO China Shu Lun Pan Certified Public Accountants LLP.
15.2*	Consent of Jincheng Tongda & Neal Law Firm
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this annual report on Form 20-F.

** XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise is not subject to liability

under these sections.

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CHINA FINANCE ONLINE CO. LIMITED

SIGNATURE

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

CHINA FINANCE ONLINE CO. LIMITED

Date: April 26, 2019 /s/ Lin Yang
Name: Lin Yang
Title: Vice President (the person performing the functions of the principal financial officer)

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CHINA FINANCE ONLINE CO. LIMITED

Report of Independent Registered Public Accounting Firm

and Consolidated Financial Statements

For the years ended December 31, 2016, 2017 and 2018

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CHINA FINANCE ONLINE CO. LIMITED

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CHINA FINANCE ONLINE CO. LIMITED

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of

China Finance Online Co. Limited.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of China Finance Online Co. Limited, its subsidiaries, its variable interest entities("VIEs") and its VIEs' subsidiaries (the "Group") as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO China Shu Lun Pan Certified Public Accountants LLP

We have served as the Company's auditor since 2014.

Beijing, China

April 26, 2019

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CHINA FINANCE ONLINE CO. LIMITED

CONSOLIDATED BALANCE SHEETS

(In U.S. dollars, except share-related data)

	December 31, 2017	2018
Assets		
Current assets:		
Cash and cash equivalents	$38,692,871	$12,493,135
Restricted cash	2,035,634	—
Prepaid expenses and other current assets	4,198,301	2,409,295
Trust bank balances held on behalf of customers	39,168,960	31,217,870
Accounts receivable - margin clients, net of allowance for doubtful accounts of nil and nil in 2017 and 2018, respectively	8,010,846	17,751,034
Accounts receivable - others, net of allowance for doubtful accounts of $3,579 and $3,407 in 2017 and 2018, respectively	8,977,608	7,101,910
Short - term investments	532,912	—
Total current assets	101,617,132	70,973,244
Property and equipment, net	6,885,261	4,459,334
Acquired intangible assets, net	96,457	85,154
Cost method investment	1,714,058	1,631,892
Equity method investment, net	817,223	778,721
Rental deposits	1,140,929	963,575
Goodwill	108,010	107,791
Guarantee fund deposits	604,497	217,033
Deferred tax assets	1,620,286	1,472,606
Total assets	$114,603,853	$80,689,350
Liabilities and shareholders’ equity		
Current liabilities:		
Deferred revenue, current (including deferred revenue, current of the consolidated variable interest entities without recourse to China Finance Online Co. Limited $8,477,256 and $7,119,096 as of December 31, 2017 and December 31, 2018, respectively)	$9,370,845	$8,127,440
Accrued expenses and other current liabilities (including accrued expenses and other current	9,953,695	11,728,235

liabilities of the consolidated variable interest entities without recourse to China Finance Online Co. Limited $6,109,214 and $3,845,786 as of December 31, 2017 and December 31, 2018, respectively)		
Contingent liability (including contingent liability held on their behalf of the consolidated variable interest entities without recourse to China Finance Online Co. Limited nil and nil as of December 31, 2017 and December 31, 2018, respectively)	2,760	—
Amounts due to customers for the trust bank balances held on their behalf (including amounts due to customers for the trust bank balances held on their behalf of the consolidated variable interest entities without recourse to China Finance Online Co. Limited $5,374,977 and $5,599,216 as of December 31, 2017 and December 31, 2018, respectively)	39,168,960	31,217,870
Accounts payable (including accounts payable of the consolidated variable interest entities without recourse to China Finance Online Co. Limited $1,066,918 and $189,082 as of December 31, 2017 and December 31, 2018, respectively)	9,461,921	2,947,206
Income taxes payable (including income taxes payable of the consolidated variable interest entities without recourse to China Finance Online Co. Limited $483,656 and ($2,303) as of December 31, 2017 and December 31, 2018, respectively)	553,316	154,973
Total current liabilities	68,511,497	54,175,724
Deferred revenue, non-current (including deferred revenue, non-current of the consolidated variable interest entities without recourse to China Finance Online Co. Limited $25,229 and (9,482) as of December 31, 2017 and December 31, 2018, respectively)	144,149	149,107
Deferred tax liabilities (including deferred tax liabilities, non-current of the consolidated variable interest entities without recourse to China Finance Online Co. Limited $218,170 and $12,678 as of December 31, 2017 and December 31, 2018, respectively)	236,596	28,682

Total liabilities	$68,892,242	$54,353,513
Commitments and contingencies (Note 22)		
Equity:		
China Finance Online Co. Limited shareholder's equity:		
Ordinary shares (118,098,018 and 118,098,018 shares issued and outstanding as of December 31, 2017 and 2018, respectively)	57,000,417	57,001,017
Additional paid-in capital	34,368,210	36,079,122
Accumulated other comprehensive income	6,654,191	6,291,793
Retained deficits	(43,976,136)	(63,926,256)
Total China Finance Online Co. Limited shareholders' equity	54,046,682	35,445,676
Noncontrolling interest	(8,335,071)	(9,109,839)
Total equity	45,711,611	26,335,837
Total liabilities and equity	$114,603,853	$80,689,350

The accompanying notes are an integral part of these consolidated financial statements.

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CHINA FINANCE ONLINE CO. LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME(LOSS)

(In U.S. dollars, except share-related data)

	Years ended December 31,		
	2016	2017	2018
Net revenues	$83,057,896	$42,622,650	$45,477,926
Cost of revenues	20,380,258	21,933,678	16,841,915
Gross profit	62,677,638	20,688,972	28,636,011
Operating expenses:			
General and administrative (including share-based compensation of $5,240,518, $2,739,892 and $1,829,364 for 2016, 2017 and 2018, respectively)	19,836,498	15,250,086	14,254,137
Product development (including share-based compensation of $205,448, $216,374 and $191,708 for 2016, 2017 and 2018, respectively)	14,485,444	16,208,000	13,924,460
Sales and marketing (including share-based compensation of $129,911, $111,947 and $219,440 for 2016, 2017 and 2018, respectively)	50,083,441	29,467,593	22,065,504
Loss from impairment of intangible assets	1,111,149	291,817	—
Loss from impairment of goodwill	6,659,691	—	—
Total operating expenses	92,176,223	61,217,496	50,244,101
Government subsidies	1,194,775	230,174	—
Loss from operations	(28,303,810)	(40,298,350)	(21,608,090)
Interest income	1,050,781	487,007	96,679
Interest expense	(2,275)	(3,204)	(1,101)
Exchange gain (loss), net	(55,117)	(131,461)	246,680
Gain (loss) on the interest sold and retained noncontrolling investment	20,567,699	(1,996,361)	(1,186,852)
Gain from sale of equity method investment	—	111,224	—
Income (Loss) from equity method investment	(138,124)	(13,404)	470
Short-term investment income (loss)	378,603	63,303	(72,755)
Other income (expense), net	(303,332)	(282,775)	107,253
Loss before income tax expense	(6,805,575)	(42,064,021)	(22,417,716)
Income tax expense	(4,160,603)	(324,416)	(52,779)
Net loss	$(10,966,178)	$(42,388,437)	$(22,470,495)

Less: net loss attributable to the noncontrolling interest	(9,287,365)	(5,651,884)	(2,520,375)
Net loss attributable to China Finance Online Co. Limited	$(1,678,813)	$(36,736,553)	$(19,950,120)
Net loss per share attributable to China Finance Online Co. Limited			
Basic	$(0.01)	$(0.32)	$(0.18)
Diluted	$(0.01)	$(0.32)	$(0.18)
Weighted average shares used in calculating net loss per share			
Basic	113,213,912	113,601,949	113,883,030
Diluted	113,213,912	113,601,949	113,883,030
Other comprehensive income (loss), net of tax:			
Changes in foreign currency translation adjustment	(4,343,652)	2,400,548	(362,398)
Other comprehensive income (loss), net of tax	(4,343,652)	2,400,548	(362,398)
Comprehensive loss	(15,309,830)	(39,987,889)	(22,832,893)
Less: net loss attributable to the noncontrolling interest	(9,287,365)	(5,651,884)	(2,520,375)
Comprehensive loss attributable to China Finance Online Co. Limited	$(6,022,465)	$(34,336,005)	$(20,312,518)

The accompanying notes are an integral part of these consolidated financial statements.

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CHINA FINANCE ONLINE CO. LIMITED

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In U.S. dollars, except share-related data)

	Ordinary shares		Additional paid-in	Accumulated other comprehensive income	Retained earnings/	Total China Finance Online Co. limited shareholders'	Non controlling	Total
	Shares	Amount	capital	(loss)	(deficits)	equity	interest	equity
alance as of anuary 1, 2016	$118,098,018	$56,856,000	$28,145,846	$8,597,295	$(5,560,770)	$88,038,371	$11,191,054	$99,229,425
xercise of hare options by employees	—	117,632	—	—	—	117,632	—	117,632
hare-based ompensation	—	—	4,413,811	—	—	4,413,811	1,162,066	5,575,877
hanges in ontrolling wnership interest	—	—	(382,665)	—	—	(382,665)	171,542	(211,123
ividends paid o oncontrolling shareholders	—	—	—	—	—	—	(10,117,946)	(10,117,946
econsolidation	—	—	—	—	—	—	2,510,775	2,510,775
oreign urrency anslation adjustment	—	—	—	(4,343,652)	—	(4,343,652)	—	(4,343,652
et income oss)	—	—	—	—	(1,678,813)	(1,678,813)	(9,287,365)	(10,966,178
alance as of ecember 31, 016	118,098,018	$56,973,632	$32,176,992	$4,253,643	$(7,239,583)	$86,164,684	$(4,369,874)	$81,794,810
xercise of hare options by employees	—	26,785	—	—	—	26,785	—	26,785

hare-based ompensation	—	—	2,191,218	—	—	2,191,218	876,995	3,068,213
econsolidation	—	—	—	—	—	—	809,692	809,692
oreign urrency anslation adjustment	—	—	—	2,400,548	—	2,400,548	—	2,400,548
et income oss)	—	—	—	—	(36,736,553)	(36,736,553)	(5,651,884)	(42,388,437
alance as of ecember 31, 017	118,098,018	$57,000,417	$34,368,210	$6,654,191	$(43,976,136)	$54,046,682	$(8,335,071)	$45,711,611
xercise of hare options by employees	—	600	—	—	—	600	—	600
hare-based ompensation	—	—	1,710,912	—	—	1,710,912	529,600	2,240,512
econsolidation	—	—	—	—	—	—	1,216,007	1,216,007
oreign urrency anslation adjustment	—	—	—	(362,398)	—	(362,398)	—	(362,398
et income oss)	—	—	—	—	(19,950,120)	(19,950,120)	(2,520,375)	(22,470,495
alance as of ecember 31, 018	118,098,018	$57,001,017	$36,079,122	$6,291,793	$(63,926,256)	$35,445,676	$(9,109,839)	$26,335,837

Note: Under Hong Kong Companies Ordinance (Cap.622), which came into force on March 3, 2014, the concept of authorized share capital no longer exists. In accordance with the said Ordinance, the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relevant entitlement of any of the shareholders as a result of this transition. In addition, in accordance with the transitional provisions set out in section 37 of Schedule 11 to the said Ordinance, any amount outstanding to the credit of the share premium has become part of the Company's share capital.

The accompanying notes are an integral part of these consolidated financial statements.

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CHINA FINANCE ONLINE CO. LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In U.S. dollars)

	Years ended December 31,		
	2016	2017	2018
Operating activities:			
Net loss	$(10,966,178)	$(42,388,437)	$(22,470,495)
Adjustments to reconcile net loss to net cash provided by Operating activities:			
Share-based compensation	5,575,877	3,068,213	2,240,512
Depreciation and amortization	2,039,791	2,105,158	1,697,700
Provision of allowance for doubtful accounts	(1,026,449)	—	(149,429)
(Gain) Loss from equity method investment	138,124	(97,820)	(470)
(Gain) Loss from short-term investments	(378,603)	(63,303)	72,755
Deferred taxes	(487,057)	(231,667)	(116,254)
Loss on disposal of property and equipment	144,135	124,696	854,160
Loss from impairment of intangible assets	1,111,149	291,817	—
Loss from impairment of goodwill	6,659,691	—	—
(Gain) Loss on the interest sold and retained noncontrolling investment	(20,567,699)	1,996,361	1,186,852
Changes in assets and liabilities:			
Accounts receivable, others	(2,067,338)	4,896,250	1,774,118
Accounts receivable, margin clients	(3,188,904)	(515,614)	(9,600,921)
Prepaid expenses and other current assets	(1,856,549)	(1,105,245)	559,702
Trust bank balances held on behalf of customers	(19,148,934)	(5,987,800)	7,601,562
Rental deposits	(169,148)	15,652	138,485
Guarantee deposit funds	(1,049,046)	5,616,733	307,883
Amounts due from noncontrolling shareholders	(461,810)	—	—
Deferred revenue	349,113	3,517,988	(1,659,248)
Account payable	3,609,213	298,975	(6,473,854)
Accrued expenses and other current liabilities	1,573,833	(3,483,073)	(683,420)
Amounts due to customers for the trust bank balance held on their behalf	19,148,934	5,987,800	(7,601,562)
Income taxes payable	2,269,464	(951,595)	(392,551)
Net cash used in operating activities	$(18,748,391)	$(26,904,911)	$(32,714,475)
Investing activities:			
Purchase of property and equipment	(4,602,154)	(2,472,409)	(340,629)
Acquisition of businesses (net of cash acquired of nil, nil and nil for the years ended December 31, 2016, 2017 and 2018, respectively)	(424,437)	—	—

Business restructure	—	—	—
Proceeds from disposal of affiliates (Note 10)	23,836,195	1,576,467	4,950
Acquisition of equity method investment	—	—	—
Proceeds from transfer of equity method investment	—	350,181	—
Repayment of loans given to equity method investee	—	—	—
Proceeds from transfer equity interest to noncontrolling shareholders	—	—	—
Advances related to disposal of subsidiaries	(5,299,758)	—	—
Purchase of short-term investments	(326,196,271)	(71,492,241)	(8,995,273)
Proceeds from sales of short-term investments	309,564,065	87,946,966	9,437,363
Acquisition of cost method investment	(216,232)	(76,520)	—
Proceeds from sales of cost method investment	—	—	—
Proceeds from disposal of fixed assets	19,671	—	—
Net cash provided by (used in) investing activities	$(3,318,921)	$15,832,444	$106,411
Financing activities:			
Proceeds from stock options exercised by employees	142,618	26,786	600
Proceeds from stock options exercised by nonemployees	—	—	—
Proceeds from paid-in capital of noncontrolling shareholders	—	—	4,466,000
Dividends paid to noncontrolling shareholders	(9,839,173)	—	—
Proceeds from Yinglibao Clients	31,764,134	—	—
Repayment of Yinglibao Clients	(12,365,167)	(19,083,181)	—
Net cash provided by (used in) financing activities	$9,702,412	$(19,056,395)	$4,466,600
Effect of exchange rate changes	$(4,734,152)	$2,222,371	$(93,906)
Net (decrease) increase in cash and cash equivalents	(17,099,052)	(27,906,491)	(28,235,370)
Cash, cash equivalents and restricted cash at beginning of the year	85,734,048	68,634,996	40,728,505
Cash, cash equivalents and restricted cash at end of the year	$68,634,996	$40,728,505	$12,493,135
Supplemental disclosure of cash flow information			
Income taxes paid	$2,536,254	$1,510,281	$504,462
Interest paid	—	—	—

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Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets:

	Year ended December 31,		
	2016	2017	2018
Cash and cash equivalents	$66,151,439	$38,692,871	$12,493,135
Restricted cash	$2,483,557	$2,035,634	$—
Total cash, cash equivalents and restricted cash	$68,634,996	$40,728,505	$12,493,135

The accompanying notes are an integral part of these consolidated financial statements.

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CHINA FINANCE ONLINE CO. LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018

(In U.S. dollars)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

China Finance Online Co. Limited ("China Finance Online" or the "Company") was incorporated in Hong Kong on November 2, 1998. China Finance Online, its subsidiaries, its variable interest entities ("VIEs") and its VIEs' subsidiaries (collectively, the "Group") is a leading web-based financial services company in China.

The company provides Chinese retail investors with online access to securities and commodities trading services, wealth management products, securities investment advisory services, as well as financial database and analytics services to institutional customers. The Company's prominent flagship portal site, www.jrj.com, is ranked among the top financial websites in China.

In 2015, the Company integrated its web-based trading platform Yinglibao, its internet-based financial platform that integrates cash management solutions and mutual fund distribution, into iTougu which facilitates communication between securities investment advisors and their respective clients and followers in real-time and for 24 hours a day, and enabling a vast number of Chinese individual investors to obtain private advice from thousands of securities investment advisors. The Company also continued to diversify its product offerings on the wealth management platform, Yinglibao. The Company also provides our rapidly growing commodities brokerage services (formerly known as precious metals business) in mainland China along with brokerage services in Hong Kong in order to address market demand for alternative investment opportunities. We further diversified our product offering in the commodities brokerage services with the launch of a heavy oil brokerage business in 2015.

In 2016, the Company continue to develop our wealth management business, securities investment advisory business, financial database subscription business, individual research tool subscription business, advertisement business, and securities, commodities as well as futures trading business. In addition, we launched a new business line of online peer-to-peer lending.

In 2017, the Company was forced to suspend commodities brokerage business due to the suspension of new commodities trading by most of precious metal exchange in China.

In addition, the Company offers basic financial software, information services and securities investment advisory services to retail investors in China. Through its subsidiary, Shenzhen Genius Information Technology Co., Ltd., the Company provides financial database and analytics to institutional customers including domestic financial, research, academic and regulatory institutions. China Finance Online also provides brokerage services in Hong Kong.

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Details of China Finance Online's significant subsidiaries, VIEs and VIEs' subsidiaries as of December 31, 2018 were as follows:

Company name	Place of incorporation or establishment	Date of incorporation or acquisition	legal ownership interest	Principal activity
Subsidiaries:				
China Finance Online (Beijing) Co., Ltd. ("CFO Beijing")	Beijing, PRC	Jul. 9, 1998	100%	N/A
Fortune Software (Beijing) Co., Ltd. ("CFO Software")	Beijing, PRC	Dec. 7, 2004	100%	N/A
Shenzhen Genius Information Technology Co., Ltd. ("CFO Genius")	Shenzhen, PRC	Sep. 21, 2006	100%	Subscription service
Zhengyong Information & Technology (Shanghai) Co., Ltd. ("CFO Zhengyong")	Shanghai, PRC	Aug. 17, 2008	100%	N/A
Zhengtong Information Technology (Shanghai) Co., Ltd ("CFO Zhengtong")	Shanghai, PRC	Jun. 24, 2008	100%	N/A
Rifa Financial Holdings Limited ("Rifa Financial Holdings") (Formerly known as "iSTAR Financial Holdings Limited")	BVI	Jul. 16, 2007	85%	Investment holdings
Rifa Securities Limited ("Rifa Securities") (Formerly known as "iSTAR International Securities Co. Limited")	Hong Kong, PRC	Nov. 23, 2007	85%	Brokerage service
Rifa Futures Limited ("Rifa Futures") (Formerly known as "iSTAR International Futures Co. Limited")	Hong Kong, PRC	Apr. 16, 2008	85%	Brokerage service
Rifa Asset Management Limited ("Rifa Asset Management")	Hong Kong, PRC	Nov. 15, 2016	85%	Asset management service
Rifa Credit Limited ("Rifa Credit") (Formerly known as "iSTAR International Credit Co. Limited")	Hong Kong, PRC	Feb. 10, 2012	85%	N/A
		Sep. 13, 2016	85%	Insurance brokerage

Rifa Wealth Management Co. Limited (“Rifa Wealth Management”)	Hong Kong, PRC			service
Variable interest entities:				
Beijing Fuhua Innovation Technology Development Co., Ltd. (“CFO Fuhua”)	Beijing, PRC	Dec. 31, 2000	Nil	Web portal and advertising service
Shenzhen Newrand Securities Advisory and Investment Co., Ltd. (“CFO Newrand”)	Shenzhen, PRC	Oct. 17, 2008	Nil	Securities investment advising
Shanghai Stockstar Wealth Management Co., Ltd. (“Stockstar Wealth Management”)	Shanghai, PRC	Apr. 12, 2011	Nil	N/A
Beijing Huizhi Fortune Technology Co., Ltd. (“CFO Huizhi”)	Beijing, PRC	Jun. 14, 2012	Nil	N/A
Shenzhen Ganlanren Investment Management Co., Ltd. (“CFO Shenzhen Ganlanren”)	Shenzhen, PRC	Feb. 18, 2016	Nil	N/A
Beijing CFO Premium Technology Co., Ltd. (“CFO Premium”).	Beijing, PRC	June 2, 2009	Nil	N/A
Beijing CFO Glory Technology Co., Ltd.	Beijing, PRC	Sep. 11, 2007	Nil	N/A
Subsidiaries of variable interest entities:				
Shenzhen Newrand Securities Training Center (“CFO Newrand Training”)	Shenzhen, PRC	Oct. 17, 2008	Nil	Securities investment training
Fortune (Beijing) Huiying Investment Consulting Co., Ltd. (“CFO Huiying”)	Beijing, PRC	Dec. 18, 2009	Nil	N/A
Shenzhen Tahoe Investment and Development Co., Ltd (“CFO Tahoe”)	Shenzhen, PRC	Sep. 30, 2013	Nil	N/A
Shenzhen Shangtong Software Co., Ltd. (“CFO Shenzhen Shangtong”)	Shenzhen, PRC	Sep. 23, 2009	Nil	N/A
Zhengjin (Tianjin) Precious Metals Investment Co., Ltd. (“CFO Zhengjin Tianjin”)	Tianjin, PRC	Jul. 23, 2013	Nil	Commodities brokerage
Beijing Jiayi Management Co., Ltd. (“CFO Zhengjin Beijing”)	Beijing, PRC	Jan. 13, 2014	Nil	Commodities brokerage
Yinglibao (Beijing) Technology Co., Ltd. (“CFO Yinglibao”)	Beijing, PRC	Jan. 15, 2014	Nil	Internet-based financial platform

Zhengjin (Jiangsu) Precious Metals Co., Ltd. (“CFO Zhengjin Jiangsu”)	Nanjing, PRC	Nov. 19, 2014	Nil	Commodities brokerage
Zhengjin (Fujian) Precious Metals Co., Ltd. (“CFO Zhengjin Fujian”)	Fujian, PRC	Jan. 6, 2013	Nil	Commodities brokerage
Qingdao Zhengjin Zhida Trading Co., Ltd. (“CFO Qingdao Zhida”)	Qingdao, PRC	Dec. 21, 2015	Nil	Commodities brokerage
Tibet Zhisheng Gold Industry Co., Ltd. (“CFO Tibet Zhisheng”)	Tibet, PRC	Mar. 18, 2016	Nil	Commodities brokerage
Qingdao Zhengjin Taiji Trading Co., Ltd. (“CFO Qingdao Taiji”)	Qingdao, PRC	Mar. 23, 2016	Nil	Commodities brokerage
iTougu (Beijing) Network Technology Co., Ltd. (“CFO iTougu”)	Beijing, PRC	Dec. 8, 2014	Nil	Investment advisory service platform
Beijing Zhongjun Sunshine Investment and Management Co., Ltd (“CFO Zhongjun Sunshine”)	Beijing, PRC	Sep. 30, 2013	Nil	Financial service
Zhongheng Xintai (Beijing) Asset Management Co., Ltd. (“CFO Zhongheng Xintai”)	Beijing, PRC	Jun. 8, 2016	Nil	N/A
Beijing Zhengjin Wealth Management Co., Ltd.	Beijing, PRC	Dec. 24, 2004	Nil	Commodities brokerage
Shenzhen Rifa Commercial Factoring Co. Ltd.	Shenzhen, PRC	Oct. 20, 2016	Nil	Financial service
Shanghai Stockstar Information & Technology Co., Ltd.	Shanghai, PRC	Sec. 24, 2009	Nil	N/A
Shanghai Shangtong Co., Ltd.	Shanghai, PRC	Jun. 6, 2008	Nil	N/A
Shanghai Ganlan Wealth Asset Management Co., Ltd.	Shanghai, PRC	Dec. 19, 2014	Nil	N/A

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Beijing Chuangying Advisory and Investment Co., Ltd. ("CFO Chuangying")	Beijing, PRC	Oct. 9, 1997	Nil	P2P Lending Service
Shanghai Chongzhi Co., Ltd.	Shanghai, PRC	Jun. 6, 2008	Nil	N/A
Tibet Fortune Jinyuan Network Technology Co., Ltd.	Tibet, PRC	Aug. 22, 2015	Nil	N/A

The consolidated financial statements of the Group include the financial statements of the Company and its controlled operating entities including the subsidiaries and the variable interest entities for which the Company is the primary beneficiary. A variable interest entity is the entity in which the Company, through contractual arrangements as the primary beneficiary, bears the risks of, and enjoys the rewards normally associated with ownership of the entity.

People's Republic of China ("PRC") regulations prohibit or restrict direct foreign ownership of business entities providing certain services in PRC, such as internet content service and securities investment advisory service. In order to comply with these regulations, China Finance Online, through its subsidiaries, entered into contractual arrangements with the Company's VIEs and their equity owners who are PRC citizens.

The Group made loans to the shareholders of the VIEs solely for the purposes of capitalizing the VIEs. Pursuant to the loan agreements, these loans can only be repaid by transferring all of their interests in the VIEs to the Group or a third party designated by the Group. The Group has entered into proxy agreements or power of attorney and exclusive equity purchase option agreements with the VIEs and nominee shareholders of the VIEs through the Company's wholly owned significant subsidiaries including CFO Beijing, CFO Software, CFO Zhengyong and CFO Zhengtong (collectively, the "WFOEs" and each a "WFOE"). The foregoing agreements provide the WFOEs the right to direct the activities that most significantly affect the economic performance of the VIEs and to acquire the equity interests in the VIEs when permitted by the PRC laws, respectively. Certain exclusive agreements have been entered into with the VIEs through the WFOEs, which obligate the WFOEs to absorb the majority of the risk of loss from the VIEs' activities and entitle the WFOEs to receive the majority of their residual returns. In addition, the Group has entered into share pledge agreements for the equity interests in the VIEs held by the shareholders of the VIEs.

Despite the lack of technical majority ownership, the agreements with the VIEs provide the WFOEs with effective control over and the ability to receive substantially all of the economic benefits of its VIEs, resembling a parent-subsidiary relationship between the WFOEs and the VIEs. The shareholders of the VIEs effectively assigned all of their voting rights underlying their equity interest in the VIEs to the WFOEs. In addition, through the other exclusive agreements, which consist of strategic consulting services agreement, technical support services agreement and operating support services agreement, the WFOEs demonstrate their ability and intention to continue to exercise the ability to absorb substantially all of the profits and all of the expected losses of the VIEs. The VIEs are subject to operating risks, which determine the variability of the Company's interest in those entities. Based on these contractual arrangements, the Company consolidates the VIEs as required by SEC Regulation SX-3A-02 and Accounting Standards Codification ("ASC") Topic 810 ("ASC 810") because the Company holds all the variable interests of the VIEs through the WFOEs.

The principal terms of the agreements entered into amongst the VIEs, their respective shareholders and the WFOEs are further described below.

Exclusive technology consulting and management service agreement

Pursuant to a series of technology support and service agreements, the WOFEs retain exclusive right to provide the VIEs and their subsidiaries technology support and consulting services and exclusive management consulting service. As a result of these services, the WOFEs are entitled to charge the VIEs and their subsidiaries annual service fees. The terms of the strategic consulting services agreement, the technical support services agreement and the operating support services agreement are twenty, ten and ten years, respectively, and these agreements will be automatically renewed on applicable expiration dates, unless the contracting WOFE informs the corresponding VIE its intention to terminate such contract one month prior to the applicable expiration date. Notwithstanding the foregoing, none of the parties has a right to terminate the service contracts. The principal services agreements that the WOFEs have entered into with VIEs include:

- strategic consulting services agreement, pursuant to which the amount of the fee to be charged is 30% of each VIE's income before tax;
- technical support services agreement, pursuant to which the amount of the fee to be charged is 30% of each VIE's income before tax; and

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- operating support services agreement, pursuant to which the amount of the fee to be charged is 40% of each VIE's income before tax.

Exclusive purchase right agreement on the equity interest of the VIEs

Pursuant to the purchase option agreement, the WOFEs have the unconditional right to purchase the entire equity interest in, or all the assets of the VIEs at a price equal to the total principal amount of the loan lent by the WOFEs to the shareholders of the VIEs when and if such purchase is permitted by the PRC law or the current shareholders of the VIEs cease to be directors or employees of the VIEs. The term of the exclusive purchase right agreement is perpetual and can be terminated at the discretion of the WOFEs.

Power of attorney

Pursuant to the power of attorney, each of the shareholders of the VIEs have executed an irrevocable power of attorney assigning the WOFEs or individuals designated by the WOFEs as their attorney-in-fact to vote on their behalf on all matters of the VIEs requiring shareholder approval under PRC laws and regulations and the articles of association of VIEs.

The Articles of Incorporation of the VIE state that the major rights of the shareholders include the right to appoint directors, the general manager and other senior management. Therefore, through the irrevocable power of attorney arrangement, the WOFEs have the ability to exercise effective control over the VIEs through shareholder votes and, through such votes, to also control the composition of the board of directors. In addition, the senior management team of the VIEs is the same as that of the WOFEs. The term of the power of attorney is twenty years and will be automatically renewed on the expiration date. The contract can be terminated at the discretion of the WOFEs.

Pledge agreement

Pursuant to the equity pledge agreement between the WOFEs and the shareholders of the VIEs, the shareholders of the VIEs pledged all of their equity interests in the VIEs to the WOFEs to guarantee the VIEs' performance of its obligations under the exclusive technology consulting and service agreement. If the VIEs breach their contractual obligations under that agreement, the WOFEs, as the pledge, will be entitled to certain rights, including the rights to sell the pledged equity interests. The shareholders of the VIEs agree that, without prior written consent of the WOFEs, they will not transfer, sell, and dispose of or create any encumbrance on their equity interest in the VIEs. The term of the pledge agreement is twenty years and will be automatically renewed on the expiration date, unless the WOFEs inform the VIEs of their intention to terminate the agreement one month prior to the expiration date.

Through these contractual agreements, the WOFEs have the ability to effectively control the VIEs and are also able to receive substantially all the economic benefits of the VIEs.

Details of significant VIEs and their counterparts which substantially control the VIEs as of December 31, 2018 were as follows:

VIE name	Contractual arrangement date	Counterpart
CFO Fuhua	May 27, 2004	CFO Beijing
CFO Newrand	July 11, 2018	CFO Software
Stockstar Wealth Management	April 12, 2011	CFO Zhengtong

CFO Shenzhen Ganlanren	April 20, 2017	CFO Software
Beijing CFO Premium Technology	June 2, 2009	CFO Software

Risks in relation to the VIE structure

The Company's ability to control the VIEs also depends on the power of attorney the WOFEs have to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Company believes this power of attorney is legally enforceable but may not be as effective as direct equity ownership.

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In addition, if the legal structure and contractual arrangements were found to be in violation of any existing PRC laws and regulations, the regulatory authorities may exercise their discretion and

- revoke the business and operating licenses of our PRC subsidiaries or VIEs;
- restrict the rights to collect revenues from any of our PRC subsidiaries;
- discontinue or restrict the operations of any related-party transactions among our PRC subsidiaries or VIEs;
- require our PRC subsidiaries or VIEs to restructure the relevant ownership structure or operations;
- take other regulatory or enforcement actions, including levying fines that could be harmful to our business; or
- impose additional conditions or requirements with which we may not be able to comply.

The imposition of any of these penalties may result in a material adverse effect on the Company's ability to conduct its business. In addition, if the imposition of any of these penalties causes the Company to lose the rights to direct the activities of the VIEs and their subsidiaries or the right to receive their economic benefits, the Company would no longer be able to consolidate the VIEs. The Company does not believe that any penalties imposed or actions taken by the PRC Government would result in the liquidation of the Company, its subsidiaries, or the VIEs.

The Company has consolidated its VIEs because it was the primary beneficiary of those entities. Through the contractual agreements discussed above, the Company, through its wholly owned subsidiaries, has (1) the power to direct the activities of the VIEs that most significantly affect the entities' economic performance and (2) the right to receive benefits from the VIEs, therefore it consolidates the VIEs.

The VIEs hold important unrecognized revenue-producing assets, such as our domain names and Internet Content Provider Licenses with respect to www.jrj.com and certain value-added technologies, which were also considered revenue-producing assets. However, none of such assets were recorded on the Company's consolidated balance sheets as such assets were all acquired or internally developed with insignificant costs and expenses incurred.

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The following financial statement amounts and balances of the VIEs for which the Company is the primary beneficiary and their subsidiaries were before intercompany elimination as of and for the years ended:

	December 31, 2017	2018
Assets		
Current assets:		
Cash and cash equivalents	$8,176,346	$1,254,459
Restricted cash	2,035,634	—
Accounts receivable – others, net	3,759,927	1,758,057
Short-term investment	155,727	—
Others	36,714,120	8,390,567
Total current assets	50,841,754	11,403,083
Property and equipment, net	4,348,884	2,448,148
Acquired intangible assets, net	—	—
Cost method investment	1,714,058	1,631,892
Equity method investment, net	817,223	778,721
Rental deposits	776,196	590,284
Guarantee fund deposits	311,615	—
Investment in subsidiaries	41,279,679	41,631,407
Deferred tax assets	1,288,064	1,292,263
Total assets	$101,377,473	$59,775,798
Third-party liabilities:		
Current liabilities:		
Accrued expenses and other current liabilities	$20,445,103	$16,561,794
Accounts payable	806,749	189,082
Total current liabilities	21,251,852	16,750,876
Non-current liabilities	243,398	3,197
Total third-party liabilities	$21,495,250	$16,754,073
Inter-company liabilities (assets)	$18,558,400	$(9,782,857)

	Year ended December 31, 2016	2017	2018
Net revenues	$71,559,226	$19,556,988	$24,747,244
Net loss	$(1,815,389)	$(35,738,587)	$(10,013,159)

	Year ended December 31, 2016	2017	2018
Net cash used in operating activities	$(5,879,768)	$(27,938,791)	$(8,265,834)
Net cash (used in) provided by investing activities	(4,211,878)	16,669,443	(69,989)
Net cash provided by (used in) financing activities	9,559,794	(19,083,181)	—
Effect of exchange rate changes	$(3,221,622)	$(3,470,414)	$(621,698)

There are no consolidated VIE's assets that are collateral for the VIE's obligations and can only be used to settle the VIE's obligations.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Basis of consolidation

The consolidated financial statements include the financial statements of China Finance Online, its subsidiaries, VIEs for which the Company is the primary beneficiary and those VIEs’ subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

Cash and cash equivalents

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

Restricted cash

Restricted cash is the deposit in bank accounts for providing guarantee to perform the contract obligation related to “Yinglibao”, a mobile-based financial platform that integrates cash management solutions and mutual fund distribution.

Fair value measurement

Fair value is considered to be the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. The established fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of inputs may be used to measure fair value include:

Level 1Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2Applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Financial instruments include cash and cash equivalents, restricted cash, accounts receivable, short-term investment, cost method investment, equity method investment and accounts payable.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate their fair value due to their short-term maturities. The carrying value of acquired assets was nearly the fair value of the investment based on the valuation performed by the Company as of December 31, 2017 and 2018. See Note 3 for further discussion.

The Group’s short-term investment includes trading securities, held-to-maturity securities, and available-for-sale securities. See Note 6 and Note 7 for further discussion.

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The carrying value of the cost method investment was $1,714,058 and $1,631,892 as of December 31, 2017 and 2018, which approximate the fair value of the investment based on the valuation performed by the Company. See Note 8 and Note 9 for further discussion.

The carrying value of the equity method investment was $817,223 and $778,721 as of December 31, 2017 and 2018, which approximate the fair value of the investments at the acquired date and subsequently adjusted as the net assets of the investee change through the earning of income. See Note 8 and Note 9 for further discussion.

Fair value measurement - continued

The Group measures certain assets, including intangible assets and goodwill at fair value on a nonrecurring basis when they are deemed to be impaired. The fair values of goodwill and intangible assets are determined based on valuation techniques using the best information available, and may include management judgments, future performance projections, See Note 7 for further discussion. The Group measured the fair value for the assets acquired, with the assistance of an independent valuation firm, using discounted cash flow techniques, and these assets were valued using Level 3 inputs, because the Group used unobservable inputs to value them, reflecting the Group's assessment of the assumptions market participants would use in valuing these purchased intangible assets. The Group does not use derivative instruments to manage risks.

Trust bank balances held on behalf of customers

Trust bank balances held on behalf of customers consist two parts: i) Rifa Securities and Rifa Futures receive fund from customers for purpose of buying or selling securities and futures on behalf of its customers and deposits the fund in its interest-bearing bank account; ii) The funds received by CFO Newrand from customers who purchase mutual funds and other wealth management products which are deposited in a trust bank account.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses in the financial statements and accompanying notes. Significant accounting estimates reflected in the Group's financial statements include account receivable, cost method investment, equity method investment, impairment of goodwill and long-lived assets, income taxes, share-based compensation and purchase price allocation. Actual results could differ from those estimates.

Short-term investments

Short-term investments comprise marketable debt and equity securities, which are classified as trading, held-to-maturity or available-for-sale. Trading securities are securities that are bought and held principally for the purpose of selling them in the near term and are reported at fair value, with unrealized gains and losses recognized in earnings. Short-term investments are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. All of the Company's held-to-maturity securities are classified as short-term investments on the consolidated balance sheets based on their contractual maturity dates which are less than one year and are stated at their amortized costs. Short-term investments classified as available for sale are carried at their fair values and the unrealized gains or losses from the changes in fair values are included in accumulated other comprehensive income. Available for sale securities are classified as current assets on the accompanying consolidated balance sheets because they are available for immediate sale.

The Group reviews its short-term investments for other-than-temporary impairment based on the specific identification method. The Company considers available quantitative and qualitative evidence in evaluating potential impairment of its short-term investments. If the cost of an investment exceeds the investment's fair value, the Group considers, among other factors, general market conditions, government economic plans, the duration and the extent to which the fair value of the investment is less than the cost, and the Group's intent and ability to hold the investment, in determining if impairment is needed.

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Property and equipment, net

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

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

Acquired intangible assets, net

Acquired intangible assets are estimated by management based on the fair value of assets acquired. Identifiable intangible assets are carried at cost less accumulated amortization.

Amortization of definite-lived intangible assets is computed using the straight-line method over the estimated average useful lives, which are as follows:

License and related trademarks	10-15 years
Completed technology	5 years
Customer relationship	4-5 years

Certain trademarks resulting from the acquisitions of business and certain trading rights bought by the Group are determined to have indefinite lives. If an intangible asset is determined to have an indefinite life, it is not amortized until its useful life is determined to be no longer indefinite.

Guarantee fund deposits

Guarantee fund deposits consist of i) the funds deposited with Hong Kong Exchange and Clearing Limited by Rifa Futures, to guarantee its customers' settlement obligations; ii) the funds deposited with the commodities exchanges as a result of its customers' trading. The Group needs to deposit certain percentage of its customers' trading margins with the commodities exchanges.

Impairment of long-lived assets with definite lives

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

$491,284, nil and nil impairment losses in relation to the long-lived assets with definite lives for the years ended December 31, 2016, 2017 and 2018.

Business combinations

Business combinations are recorded using the acquisition method of accounting. The assets acquired, the liabilities assumed, and any noncontrolling interest of the acquiree at the acquisition date, if any, are measured at their fair values as of that date. Goodwill is recognized and measured as the excess of the total consideration transferred plus the fair value of any noncontrolling interest of the acquiree, if any, at the acquisition date over the fair values of the identifiable net assets acquired. Common forms of the consideration made in acquisitions include cash and common equity instruments. Consideration transferred in a business acquisition is measured at the fair value as at the date of acquisition.

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Where the consideration in an acquisition includes contingent consideration the payment of which depends on the achievement of certain specified conditions post-acquisition, the contingent consideration is recognized and measured at its fair value at the acquisition date and if recorded as a liability it is subsequently carried at fair value with changes in fair value reflected in earnings.

Impairment of goodwill and indefinite-lived intangible assets

The Group performs a qualitative analysis that includes reviewing the carrying value of intangible assets not subject to amortization, including goodwill, to determine whether impairment may exist, whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable at least annually.

The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheet as goodwill. After a qualitative analysis indicates an impairment test is needed, the Company completes a two-step goodwill impairment test. The first step is to compare the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step is to compare the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being a discounted cash flow.

The impairment test for other intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The estimates of fair values of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. Significant assumptions are inherent in this process, including estimates of discount rates. Discount rate assumptions are based on an assessment of the risk inherent in the respective intangible assets.

The Group performed the annual impairment tests on December 31 of each year. Based on the Group's assessment, the Group recorded $6,659,691, nil and nil goodwill impairment losses during the years ended December 31, 2016, 2017 and 2018, respectively. In addition, the Group recorded $619,865, $291,817 and nil impairment loss in relation to intangible assets with indefinite life during the years ended December 31, 2016, 2017 and 2018.

Revenue recognition

We provided precious metals spot trading, silver product sales and financial investment advisory services ("commodities brokerage services") from 2013 to 2017. We also provide brokerage and related services outside mainland China ("Hong Kong Brokerage services"), financial information and advisory services including subscriptions services for financial data, information services and investment advisory, online P2P lending ("Financial information and advisory services"), and advertising services.

We adopted ASC topic 606, Revenue from Contracts with Customers ("ASC 606"), from January 1, 2018, using the modified retrospective transition method.

Under ASC 606, an entity recognizes revenue as it satisfies a performance obligation when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the

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transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. We only apply the five-step model to contracts when it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services it transfers to the customer.

Commodities brokerage business

During the second quarter of 2017, new commodities trading was suspended by most of precious metal exchange in China. Such suspension announcements have adversely affected companies in commodity brokerage businesses in China, including us. As a result, the Group stopped providing commodities brokerage business in 2017.

During 2013 to 2017, the Group derives commission income, carrying charges and trading revenues from its commodities brokerage services. The Group acted as an agent.

Commission income is recognized on a trade basis based on their customers' trading volumes. The commission earned is fixed no matter how the client's open positions are ultimately settled. Additionally, the Group charges carrying charges to its customers. The commissions and carrying charges are presented in net revenues in the statement of comprehensive income.

Amounts are settled with the Exchange by both the Group and the customers and the exchange then settles with any counterparty. The exchange offsets the Group's gains and losses and amounts receivable and amounts payable from the exchange are presented net on the consolidated balance sheets as the Group and the exchange settle net.

Trading gains, net include brokerage fees and margins generated from derivative trades executed with customers and other counterparties and are recognized when trades are executed. Trading gains, net also include activities where the Group acts as market maker in the purchase and sale of commodities derivative instruments with customers. These transactions may be offset simultaneously with another customer or counterparty, offset with similar but not identical positions on an exchange, made from inventory, or may be aggregated with other purchases to provide liquidity intraday, for a number of days, or in some cases, particularly the commodities brokerage business, even longer periods (during which fair value may fluctuate). Therefore, trading gains, net includes activities from the Group's operations of a proprietary commodity trades. Net trading gains are recognized on a trade-date basis and include realized gains or losses and changes in unrealized gains or losses on investments at fair value.

Unrealized gains/losses on open positions will be marked to market at each period end and may present trading gains and losses which comprise both realized and unrealized gains and losses, on a net basis in the statement of comprehensive income. The open transactions may lead to receivables and/or payables for open transaction which are recorded on the consolidated balance sheets.

Revenue generally is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

The following table presents the totally recognized net revenue from commodities trading business, consisted of:

Years ended

December 31,

	2017	2018
Commodities trading gain (loss)	$(1,466,888)	$(9,864)
Commission income	3,823,586	59,824
Carrying charges	231,728	—
	$2,588,426	$49,960

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Revenue recognition - continued

Hong Kong Brokerage services

The Group also derives commission from its brokerage services provided by the subsidiaries, Rifa Securities and Rifa Futures which buy or sell securities and future contracts on their customers' behalf. The Group acts as an agent with their customers for these transactions. The commission income is recognized on a trade date basis as transactions occur.

Financial information and advisory services

The Group derives revenue from subscription fees from subscribers to their financial data, information services and investment advisory. The Group recognizes revenues when all of the following criteria are met: (1) a contract is identified, (2) performance obligation is identified, (3) the fee is fixed or determinable and (4) performance obligation is satisfied. Upon receipt of the upfront cash payments from the subscriber, the Group will activate the subscriber's account and provide the subscriber the access code. This will commence a certain subscription period according to the customer demand and the full payment will be deferred and recognized ratably over the subscription period. The Group recognizes revenue ratably over the life of the arrangement. Estimated refund of subscription fees is recorded as deduction of revenue and deferred revenue.

The Group also derives revenue from providing services as information intermediary in online P2P lending business. We procure borrowing and lending information from independent third parties, and our professional team evaluates and selects the information provided by third parties, from the perspective of risks. Eventually we display the selected information on the platform of Yinglibao, which is our online consumer finance marketplace. We charge borrowers interests on fixed rates for facilitating loan transactions, and the revenues are recognized upon completion of the services.

Advertising revenue

The Group derives its advertising fees from advertising sales on their website for a fixed period of time, generally less than one year. The Group acts as a principal and revenues from advertising arrangements are recognized ratably over the period the advertising is displayed.

Business taxes and value added taxes

Starting from January 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation launched a Business Tax to value added tax ("VAT") Transformation Pilot Program (the "Pilot Program"), for certain industries in Shanghai. On September 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation extended the Pilot Program to certain industries in other eight regions, including Beijing and Shenzhen. With the adoption of Pilot Program, our advertising-related revenues and certain subscription revenues were subject to VAT tax at a rate of 6%. Our advertising- related revenues, certain subscription revenues and certain commodities brokerage revenues were recognized after deducting VAT and other related surcharges.

Revenue is recorded net of business taxes when incurred. The Group is subject to business taxes of 3%-5% on taxable services provided to its customers. During the years ended December 31, 2016, 2017, and 2018 business taxes and related surcharges totaled $678,594, $262,117 and $349,270, respectively.

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The Group's certain PRC subsidiaries, VIEs and VIEs' subsidiaries are subject to VAT at a rate of 17% before May 1, 2018 and 16% after May 1, 2018 on subscription-based revenue. VAT payable on subscription-based revenue is computed net of VAT paid on purchases. In respect of subscription-based revenue, however, if the net amount of VAT payable exceeds 3% of subscription-based revenue, the excess portion of value added tax can be refunded immediately.

The Group therefore is subject to an effective net VAT burden of 3% from subscription-based revenue and records VAT on a net basis. Net amount of value added tax is recorded either in the line item of other current liabilities or prepaid expenses and other current assets on the face of consolidated balance sheet.

Subscription-based revenue includes the benefit of the refund of value added taxes on sale of the downloadable software received from the Chinese tax authorities as part of the PRC government policy of encouraging software development in the PRC. In 2016, 2017 and 2018, the Group recognized $271,885, $348,165 and $189,335, respectively, in VAT refunds.

Government subsidies

The Group records government subsidies when granted by local government authority and are not subject to future return. The government subsidies include research & development subsidy, business tax refund, innovation fund and high-tech company subsidy.

Deferred revenue

Payments received in advance of for our financial information and advisory service, advertising service are recorded as deferred revenue until earned and when the relevant revenue recognition requirements have been met.

Cost method investment

For investments in an investee over which the Group does not have significant influence, the Group carries the investment at cost and recognizes income as any dividends declared from distribution of investee's earnings. The Group reviews the cost method investments for impairment whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. An impairment loss is recognized in earnings equal to the difference between the investment's cost and its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value of the investment would then become the new cost basis of the investment.

Equity method investment

Under the equity method, the Group initially records its investment at cost. The Group subsequently adjusts the carrying amount of the investment to recognize the Company's proportionate share of each equity investee's net income or loss. The Group will discontinue applying equity method if an investment (and additional financial supports to the investee, if any) has been reduced to zero. When the equity-method investment in ordinary shares is reduced to zero and further investments are made that have a higher liquidation preference than ordinary shares, the Group would recognize the loss based on its percentage of the investment with the same liquidation preference, and the loss would be applied to those investments of a lower liquidation preference first before being further applied to the investments of a higher liquidation preference. An impairment loss on the equity method investments is recognized in the consolidated statements of comprehensive income when the decline in value is determined to be other than-temporary.

Also, noncontrolling interests in the Company's s are reported as a component of equity, separate from the parent company's equity. Results of operations attributable to the non-controlling interest are included in the Company's consolidated statements of comprehensive income (loss).

Foreign currency translation

The functional and reporting currency of the Company is the United States dollar ("U.S. dollar"). The financial records of the Group's subsidiaries, VIEs and VIEs' subsidiaries located in the PRC, Hong Kong

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and British Virgin Islands are maintained in their local currencies, the Renminbi ("RMB"), Hong Kong Dollars ("HK$"), and U.S. Dollars ("US$"), respectively, which are also the functional currencies of these entities.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the statements of operations.

The Group's entities with functional currency of RMB and HK$ translate their operating results and financial position into the US$, the Group's reporting currency. Assets and liabilities are translated using the exchange rates in effect on the balance sheet date. Revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are report as cumulative translation adjustments and are shown as a separate component of other comprehensive income.

Foreign currency risk

The RMB is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of Renminbi into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. Cash and cash equivalents of the Group included aggregate amounts of $46,295,841, $15,237,326 and $4,271,342 at December 31, 2016, 2017 and 2018 which were denominated in RMB.

Product development expenses

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

Advertising costs

The Group expenses advertising costs as incurred. Total advertising expenses were $5,192,126, $1,014,481 and $540,574 for the years ended December 31, 2016, 2017 and 2018, respectively, and have been included as part of sales and marketing expenses in the accompanying consolidated statements of operations.

Commissions paid

Commissions paid are the commission of our Hong Kong brokerage business and the commissions paid to the sales agents of our commodities brokerage business. Total commissions paid were $8,903,424, $13,976,505 and $11,110,741 for the years ended December 31, 2016, 2017 and 2018.

Income taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net operating loss carry forwards and credits by applying enacted statutory tax

rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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

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Comprehensive loss

Comprehensive loss includes net loss, unrealized gain (loss) on short-term investments and foreign currency translation adjustments. Beginning in January 1, 2012, the Group presents the components of net income, the components of other comprehensive income and total comprehensive income a single continuous consolidated statement of comprehensive income.

Share-based compensation

Share-based compensation with employees is measured based on the grant date fair value of the equity instrument. The Group recognizes the compensation costs net of an estimated forfeiture rate using the straight-line method for performance based awards or graded vesting attribution method for service based awards, over the requisite service period of the award, which is generally the vesting period of the award. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of share-based compensation expense to be recognized in future periods.

Share awards issued to nonemployees are measured at fair value at the earlier of the commitment date or the date the services is completed and recognized over the period the service is provided or as goods is received.

Net loss per share

Basic net income (loss) per share attributable to China Finance Online Co. Limited is computed by dividing net income (loss) attributable to China Finance Online Co. Limited by the weighted average number of ordinary shares outstanding during the period. Diluted net income per ordinary share attributable to China Finance Online Co. Limited reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares. The dilutive effect of the stock options and nonvested shares is computed using treasury stock method.

Concentrations of credit risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash, short-term investments, loan receivable and accounts receivable. The Group places its cash and cash equivalents, restricted cash, short-term investments in major financial institutions located in PRC and Hong Kong, which management considers to be of high credit quality.

The Group conducts ongoing credit evaluations of its customers and generally does not require collateral or other security from its customers except for the accounts receivable-margin clients which represents the margin loan to customers for securities purchase. The accounts receivable-margin client was collateralized by the securities the margin client purchased. The Group manages its credit risk by collecting up-front fee from its customers and billing at regular intervals during the contract period. The Group assesses the adequacy of allowance for doubtful accounts primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

Details of clients accounting for 10% or more of accounts receivable are as follows:

	Year ended December 31,			
	2017		2018	
	Amount	%	Amount	%
A	$3,844,569	22.6	*	*

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*Represented less than 10% of consolidated account receivable balance.

There were no customers with 10% or more of the Group's revenues during 2016, 2017, or 2018.

Accounting pronouncements adopted during the year ended December 31, 2018

In May 2017, the FASB issued ASU No. 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting" ("ASU 2017-09"), which provides guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. The amendments in this ASU are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this ASU should be applied prospectively to an award modified on or after the adoption date. The adoption of ASU 2017-09 does not have a material impact on our consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets" ("ASU 2017-05"), which clarifies the scope of the nonfinancial asset guidance in Subtopic 610-20. This ASU also clarifies that the derecognition of all businesses and nonprofit activities (except those related to conveyances of oil and gas mineral rights or contracts with customers) should be accounted for in accordance with the derecognition and deconsolidation guidance in Subtopic 810-10. The amendments in this ASU also provide guidance on the accounting for what often are referred to as partial sales of nonfinancial assets within the scope of Subtopic 610-20 and contributions of nonfinancial assets to a joint venture or other non-controlled investee. The amendments in this ASU are effective for annual reporting reports beginning after December 15, 2017, including interim reporting periods within that reporting period. Public entities may apply the guidance earlier but only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The adoption of ASU 2017-05 does not have a material impact on our consolidated financial statements.

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, in an effort to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments of this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of this guidance does not have a material impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this ASU do not provide a definition of restricted cash or restricted cash equivalents. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The adoption of ASU 2016-08 does not have a material impact on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”), which addresses the following eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from

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equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The adoption of ASU 2016-15 does not have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606), which is effective January 1, 2018. The guidance clarifies that revenue from contracts with customers should be recognized in a manner that depicts both the likelihood of payment and the timing of the related transfer of goods or performance of services. In March 2016, the FASB issued an amendment (ASU 2016-08) to the new revenue recognition guidance clarifying how to determine if an entity is a principal or agent in a transaction. In April (ASU 2016-10), May (ASU 2016-12), and December (ASU 2016-20) of 2016, the FASB further amended the guidance to include performance obligation identification, licensing implementation, collectability assessment and other presentation and transition clarifications. The effective date and transition requirements for the amendments is the same as for ASU 2014-09. The Company adopted the revenue recognition guidance from January 1, 2018 using the modified retrospective method of adoption. The Company has performed an assessment of our revenue contracts and concluded that there will be no change to (1) the timing and pattern of revenue recognition for its current revenue streams in scope of Topic 606, which includes subscription fees, commission income, carrying charges and advertising fees, or (2) the presentation of revenue as gross versus net upon adoption of Topic 606. Because there was no change to the timing and pattern of revenue recognition, there was no material changes to the Company's processes and internal controls and there was no adjustment to beginning retained earnings on January 1, 2018.

Accounting pronouncements not yet effective

In June 2018, the FASB issued ASU 2018-07, which simplifies several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, Compensation-Stock Compensation, to include share-based payment transactions for acquiring goods and services from non-employees. Some of the areas for simplification apply only to nonpublic entities. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted. We do not plan to early adopt this ASU. We are currently evaluating the potential impacts of this updated guidance, and do not expect the adoption of this guidance to have a material impact on our consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"), which provides financial statement preparers with an option to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption of ASU 2018-02 is permitted, including adoption in any interim period for the public business entities for reporting periods for which financial statements have not yet been issued. The amendments in this ASU should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of

the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. We do not expect the adoption of ASU 2018-02 to have a material impact on our consolidated financial statements.

In July 2017, the FASB issued ASU No. 2017-11, “Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain

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Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Non-controlling Interests with a Scope Exception" ("ASU 2017-11"), which addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. The amendments in Part I of this ASU are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact of the adoption of ASU 2017-11 on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"), which removes Step 2 from the goodwill impairment test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. Public business entity that is a U.S. Securities and Exchange Commission filer should adopt the amendments in this ASU for its annual or any interim goodwill impairment test in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently evaluating the impact of the adoption of ASU 2017-04 on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). Financial Instruments—Credit Losses (Topic 326) amends guideline on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available-for-sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. ASU 2016-13 affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this ASU will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact of the adoption of ASU 2016-13 on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Subtopic 842)." The new guidance requires lessees to recognize assets and liabilities arising from leases as well as extensive quantitative and qualitative disclosures. A lessee will need to recognize on its balance sheet a right-of-use asset and a lease liability for the majority of its leases (other than leases that meet the definition of a short-term lease). The lease liabilities will be equal to the present value of lease payments. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayment, lease incentives received and the lessee's initial direct costs. The standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. ASU 2016-02 is required to be applied using the modified retrospective approach for all leases existing as of the effective date and provides for certain practical expedients. The Company is currently evaluating the impact of adopting ASU 2016-02 on its consolidated financial statements.

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3. ACQUISITIONS

Acquisition of Rifa Wealth Management

On September 13, 2016, Rifa Finance Limited ("Rifa Finance", formerly known as iSTAR Finance limited), a BVI company of the Company, acquired 100% of equity interest of Rifa Wealth Management Limited ("Rifa Wealth Management", formerly named as Financial Solutions Wealth Management Limited), which is an insurance broker registered with the Professional Insurance Brokers Association ("PIBA") in Hong Kong and is engaged in provision of insurance brokerage. The Company expects to develop the insurance brokerage business in the future. With the assistance of a third party appraiser, the Company allocated the purchase price to assets acquired and liabilities assumed as of the acquisition date as follows and goodwill was allocated to the insurance brokerage business. The net revenue and net loss of Rifa Wealth Management in the amount of $5,305 and $(34,388), respectively, have been included in the consolidated statement of comprehensive income for the year ended December 31, 2016.

		Useful life
Purchase price allocation:		
Cash and cash equivalents	$11,170	
Prepaid expenses and current assets	5,499	
Accounts receivable	1,062	
Property and equipment, net	219	
Rental deposit	5,130	
Acquired intangible assets:		
PIBA license	112,144	10 years
Total assets acquired	135,224	
Accrued expenses and other current liabilities	(135)	
Accounts payable	(2,627)	
Deferred tax liabilities, non-current	(18,504)	
Total net assets	113,958	
Goodwill	108,831	
Total purchase price	$222,789	

There were no pro forma results of operations presented since Rifa Wealth Management was incorporated in Hong Kong on March 12, 2015 and has a limited substantial operating history.

Acquisition 30% of Beijing Zhongjun Sunshine Investment Management Co., Ltd. ("CFO Zhongjun Yangguang")

In the Second quarter of 2016, Beijing Huizhi Wealth Management Co., Ltd. ("CFO Huizhi"), an affiliate of the Company, acquired 30% of equity interest of CFO Zhongjun Sunshine), which was previously held 70% of equity interest by CFO Huizhi. Total cash consideration was $201,816.

Fair value of acquired assets

The fair value of acquired assets is valued using discounted cash flow method. The Company classifies the valuation technique as Level 3 of fair value measurements, because it involves unobservable inputs with little market activity and management's estimates, including expected future cash flow, discount rate and etc.

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4. ACCOUNTS RECEIVABLE

	December 31, 2017	2018
Accounts receivable-margin clients	$8,010,846	$17,900,557
Less: Allowance for doubtful accounts	—	(149,523)
Accounts receivable- margin clients, net	$8,010,846	$17,751,034
Accounts receivable-others	8,981,187	7,105,317
Less: Allowance for doubtful accounts	(3,579)	(3,407)
Accounts receivable-others, net	$8,977,608	$7,101,910

Accounts receivable- margin clients represent the receivables derived in the Hong Kong brokerage service in Rifa Securities, which is pledged by the customer's purchased securities.

Accounts receivable-others represent the receivables derived in commodities brokerage business and other ordinary business without any collateral or other security from its customers.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2017	2018
Prepayment of advertising fees	$2,983	$18,944
Advertising deposit	35,199	—
Advances to suppliers	1,292,023	1,125,187
VAT refund receivable	460,410	308,532
Interest receivable (i)	36	44,726
Prepayment of office rental	193,060	81,239
Advances to Yinglibao	170,613	—
Advances to employees	793,802	418,271
NCI receivable	378,204	—
Advances to consulting service fees	86,876	17,773
Insurance receivable (Note 23)	2,760	—
Consideration receivable	77,457	77,300
Other current assets	704,878	317,323
	$4,198,301	$2,409,295

(i) The Group launched Qiribao, which is a new product on the wealth management platform (Yinglibao), in July 2016. Once an investor commits funds through the platform of Yinglibao to invest Qiribao, his funds are reinvested by the Group to purchase the held-to-maturity securities. Interest receivable derived from the held-to-maturity securities purchased by the Group. Due to the compliance requirement and our strategy, the Group terminated the purchase of Qiribao starting on April 10, 2017, all the held-to-maturity securities was

redeemed by the end of December 31, 2017.

6. SHORT-TERM INVESTMENTS

As of December 31, 2017, the Group's short-term investment consisted of available-for-sale securities with maturities of one year or less.

The Group measured the trading securities at fair value based on quoted market prices in an active market. As a result, the Group has determined the valuation of its trading securities falls within Level 1 of the fair value hierarchy. As of December 31, 2016 and 2017, the Group did not hold any trading securities. For the year ended December 31, 2015, 2016 and 2017, the Group recognized a loss from the trading securities of

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$18,396, $549,538 and nil as short-term investment income in the consolidated statement of comprehensive income, respectively.

The Group measured the held-to-maturity securities at amortized cost basis, which the Group believes a Level 2 valuation. The amount at which an investment is acquired, adjusted for accretion, amortization, collection of cash, etc. As of December 31, 2017, the Group has no held-to-maturity securities. The Group launched Qiribao, which is a new product on the wealth management platform (Yinglibao), in July 2016. Once an investor commits funds through the platform of Yinglibao to invest Qiribao, his funds are reinvested by the Group to purchase the held-to-maturity securities. The Group recognized a net gain from the held-to-maturity securities of $127,899 in the consolidated statement of comprehensive income for the year ended December 31, 2017. Due to the compliance requirement and our strategy, the Group terminated the purchase of Qiribao starting on April 10, 2017, and all the held-to-maturity securities were redeemed by the end of December 31, 2017.

The Group measured the available-for-sale securities at the fair value shown by the financial institution which the Group believes a Level 2 valuation.

The following table presents changes in level 2 available-for-sale securities measured on a recurring basis for the twelve-month period ended December 31, 2017 and 2018, respectively:

	December 31, 2017	2018
Beginning balance	$1,605,882	$532,912
Purchases	71,492,241	8,995,273
Redemption	(72,572,216)	(9,437,363)
Realized gain(loss)	(64,596)	(72,703)
Exchange difference	71,601	(18,119)
Ending balance	$532,912	$—

The following table provides additional information on the realized gains of the sale of available-for-sale securities as of December 31, 2017 and 2018, respectively. For purposes of determining gross realized gains, the cost of securities sold is based on specific identification.

	Year ended December 31, 2018			
	Proceeds	Costs	Gains	Exchange difference
Available-for-sale securities	$(9,437,363)	$8,995,273	$(72,703)	$(18,119)
Total	$(9,437,363)	$8,995,273	$(72,703)	$(18,119)

	Year ended December 31, 2017			
	Proceeds	Costs	Gains	Exchange difference

Available-for-sale securities	$(72,572,216)	$71,492,241	$(64,596)	$ 71,601
Total	$(72,572,216)	$71,492,241	$(64,596)	$ 71,601

The fair values of trading securities and available-for-sale securities as measured, and held-to-maturity securities as disclosed are further discussed in Note 7.

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7. FAIR VALUE MEASUREMENT

Fair value disclosed or measured on a recurring basis

The fair values of the Group's available-for-sale securities as measured as disclosed are determined based on the discounted cash flow method. The following table summarizes the Group's financial assets measured or disclosed at fair value on a recurring basis.

		Fair value disclosure or measurement at December 31, 2018 using		
	Fair value at December 31, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fair value disclosure				
Cash and cash equivalents:	$ 12,493,135	$ 12,493,135		
Fair value measurement				
Short-term investments:				
Available-for-sale securities	—		—	
Total assets measured at fair value	—		—	

		Fair value disclosure or measurement at December 31, 2017 using		
	Fair value at December 31, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fair value disclosure				
Cash and cash equivalents:				
Cash equivalents	$ 38,692,871	$ 38,692,871	—	—
Fair value measurement				
Short-term investments:				
Available-for-sale securities	532,912	—	532,912	—

Total assets measured at fair value	$532,912	—	$532,912	—

The carrying value of available-for-sale approximates their fair values due to the short term nature and significant inputs are observable or can be derived principally from, or corroborated by, observable market data (Level 2). The following table presents changes of available-for-sale securities measured on a recurring basis for the twelve-month period ended December 31, 2017 and 2018, respectively:

	December 31, 2017	2018
Beginning balance	$1,605,882	$532,912
Purchases	71,492,241	8,995,273
Redemption	(72,572,216)	(9,437,363)
Realized gain	(64,596)	(72,703)
Exchange difference	71,601	(18,119)
Ending balance	$532,912	$—

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Fair value disclosed or measured on a non-recurring basis

The fair value of acquired assets is valued using discounted cash flow method. The Company classifies the valuation technique as Level 3 of fair value measurements, because it involves unobservable inputs with little market activity and management's estimates, including expected future cash flow, discount rate and etc.

The estimated fair values of the investment in equity method investees at the time of impairment test were estimated by applying unobservable inputs to the discounted cash flow valuation methodology that are significant to the measurement of the fair value of these assets. The Group measures investment in equity method investees at fair value on a nonrecurring basis when they are deemed to be impaired. The fair values of these investments are determined based on valuation techniques using the best information available, and may include management judgments, future performance projections, etc. An impairment charge to these investments is recorded when the cost of the investment exceeds its fair value.

The Group's non-financial assets, such as intangible assets, goodwill and fixed assets, would be measured at fair value only if they were determined to be impaired on an other-than-temporary basis. And the fair values of these assets are determined based on valuation techniques using the best information available, and may include management judgments, future performance projections, etc. The inputs used to measure the estimated fair value of goodwill are classified as Level 3. An impairment charge to these investments is recorded when the cost of the investment exceeds its fair value and this condition is determined to be other-than-temporary.

	Fair value at December 31, 2017	Total losses in the year ended December 31, 2017	Fair value at December 31, 2018	Total losses in the year ended December 31, 2018
Non-Recurring				
Goodwill	108,010	—	107,791	—
Intangible Assets	96,457	(291,817)	85,154	—

As of December 31, 2017 and 2018, certain goodwill (Note 13) and intangible assets (Note 12) were written down from their carrying value to fair value, which was measured using significant unobservable inputs (Level 3), with impairment loss incurred and recorded in the consolidated statement of comprehensive income for the year ended December 31, 2017 and 2018.

8. COST METHOD INVESTMENT

In April, 2015, the Group collected $2,168,868, the remaining consideration related to the sale of Ocean Butterflies Holdings Inc.

In May 2015, the Group sold a cost method investment to third parties, which was acquired during 2012 and 2013, and recognized a gain from the sale of cost method investment of $4,648,302 in the consolidated statement of comprehensive income for the year ended December 31, 2015.

In December 2015, the Group entered a series of arrangements to dispose its 90% equity interests in CFO Securities Consulting with third parties. With the assistance of a third party appraiser, the fair value of the 10% retained noncontrolling investment of $477,393 was recognized in the consolidated balance sheets. (Note 10)

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In April 2016, the Group completed the disposal of its 90% equity interests in Shanghai Meining Computer Software Co., Ltd ("CFO Meining") to third parties, based on the arrangements signed in December 2015. With the assistance of a third party appraiser, the fair value of the 10% retained noncontrolling investment of $807,265 was recognized in the consolidated balance sheets. (Note 10)

In December 2016, the Group made a cost method investment of $216,232.

In December 2017, the Group made a cost method investment of $76,520.

As a result, the carrying balance of cost method investment was $1,714,058 and $1,631,892 as of December 31, 2017 and 2018, respectively.

The following table presents changes in cost method investment for the twelve-month period ended December 31, 2017 and 2018, respectively:

	December 31,	
	2017	2018
Beginning balance	$1,542,454	$1,714,058
Acquisitions	76,520	—
Fair value adjustment of retained noncontrolling investment	—	—
Exchange difference	95,084	(82,166)
Ending balance	$1,714,058	$1,631,892

These investments are recorded as cost method investments, as the Group did not have a significant influence to the investee. There was no impairment of the Group's cost method investment for the year ended December 31, 2017 and 2018.

9. EQUITY METHOD INVESTMENT

In June 2015, the Group paid $307,996 to acquire 20% of an investee's the equity interest. In December 2015, the Group entered a contractual arrangement with a third party to transfer its 15% equity interests in Aishang (Beijing) Fortune Technology Co., Ltd. ("CFO Aishang"), which was previously owned 55% equity interests by the Group. The remaining 40% equity interests in CFO Aishang was recorded as equity method investment at the disposal date, as the Group lost control over CFO Aishang. The fair value of the retained noncontrolling investment of $985,586 was recognized in the consolidated balance sheets, based on the valuation performed by a third party. (Note 10)

The Group recognized a gain from equity method investment of $97,820 and a gain from equity method investment of $470 in the consolidated statement of comprehensive income for the year ended December 31, 2017 and 2018, respectively. The carrying balance of equity method investment was $817,223 and $ 778,721 as of December 31, 2017 and 2018, respectively.

The following table presents changes in equity method investment for the twelve-month period ended December 31, 2017 and 2018, respectively:

	December 31, 2017	2018
Beginning balance	$1,019,009	$817,223
Equity method investment income	97,820	470
Consideration Received on Disposal	(350,181)	—
Exchange difference	50,575	(38,972)
Ending balance	$817,223	778,721

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10. DECONSOLIDATION

In April 2016, the Group completed the disposal of its 100% equity interests in Shanghai Fenxin Information Technology Co., Ltd. (“CFO Fenxin”) who hold 90% equity interests in CFO Meining to third parties, based on the aforementioned a series of arrangements. Pursuant to the arrangements, the cash consideration was $21,675,518 and completely received in 2016. With the assistance of a third party appraiser, the fair value of the 10% retained noncontrolling investment of $807,265 was recognized as a cost method investment in the consolidated balance sheets (Note 8), as the Group did not have any significant influence over CFO Meining. The Group recorded a gain on the interest sold and the retained noncontrolling investment of $22,445,303 in the consolidated statement of comprehensive income for the year ended December 31, 2016.

In the second quarter of 2016, the Company fully disposed Henghui (Tianjin) Precious Metals Investment Co., Ltd. (“CFO Henghui”) and Shanghai Yongfu Enterprises Management Consulting Co., Ltd. (“CFO Yongfu”) to third parties, respectively. Both entities were previously owned 57.07% equity interests by the Company. Pursuant to the arrangement, the total cash consideration was $710,659 and $3,800, respectively, and all the consideration was received in 2016. The Group recorded a loss on the interest sold and the retained noncontrolling investment of $3,921,387 and $202,363 in the consolidated statement of comprehensive income for the year ended December 31, 2016, respectively.

Furthermore, the Company deregistered two insignificant affiliates in the second quarter of 2016, which were both previously owned 70.25% equity interest by the Group. The Group recorded a gain on the interest sold and the retained noncontrolling investment of $319 in the consolidated statement of comprehensive income for the year ended December 31, 2016.

In September, 2016, the Company fully disposed iSTAR International Wealth Management Co., Ltd. (“iSTAR Wealth Management”), which was previously owned 85% equity interests by the Company to a third party of Tianfeng Securities Co., Ltd.. Pursuant to the arrangement, the total cash consideration was $3,002,628, of which $2,835,782 was received in 2016. The Group recorded a gain on the interest sold and the retained noncontrolling investment of $2,245,827 in the consolidated statement of comprehensive income for the year ended December 31, 2016.

In the first quarter of 2017, the Company fully disposed Shanghai Stockstar Asset Management Co., Ltd. ("Stockstar Asset Management") which was previously owned 100% equity interests by the Company. Pursuant to the arrangement, the total cash consideration was $1,451,723 and all the consideration was received in 2017. The Group recorded a gain on the interest sold and the retained noncontrolling investment of $1,080 in the consolidated statement of comprehensive income for the year ended December 31, 2017.

Furthermore, the Company deregistered four affiliates, which were all previously owned 59.83% equity interest by the Group. The Group recorded a loss on the interest sold and the retained noncontrolling investment of $738,449 in the consolidated statement of comprehensive income for the year ended December 31, 2017.

In the second quarter of 2017, the Company fully disposed Zhengjin (Qingdao) Wisdom Trading Co., Ltd. ("CFO Zhengjin Qingdao") which was previously owned 59.83% equity interests by the Company. Pursuant to the arrangement, the total cash consideration was $159,907 and all the consideration was received in 2017. The Group recorded a loss on the interest sold and the retained noncontrolling investment of $1,259,044 in the consolidated

statement of comprehensive income for the year ended December 31, 2017.

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In 2018, the Company deregistered seven affiliates, of which five were previously owned 59.83% equity interest by the Group and two were fully owned by the Group. The Group recorded a loss on the interest sold and the retained noncontrolling investment of $1,186,852 in the consolidated statement of comprehensive income for the year ended December 31, 2018.

The gain on the interest sold and the retained noncontrolling investment was calculated as the difference between the aggregate of (i) the fair value of the consideration transferred, (ii) the fair value of any retained noncontrolling investment in the former affiliated company on the date the affiliated company was deconsolidated, if any, (iii) the carrying amount of any noncontrolling interest in the former subsidiary (including any accumulated other comprehensive income or loss attributable to the noncontrolling interests) on the date the subsidiary is deconsolidated, and (iv) the carrying amount of any noncontrolling interest in the former affiliated company on the date the affiliated company was deconsolidated, if applicable; and the carrying amount of the former affiliated company's net assets.

None of the disposals described above was presented as discontinued operation, because none of the disposals meets the criteria of discontinued operation. To meet the criteria of discontinued operation, the disposal group must be qualified as a component of an entity. A component of an entity may be a reportable segment or an operating segment, a reporting unit, a subsidiary, or an asset group. The entities disposed by the company don't constitute any reportable segment or operating segments, so none of the disposals presented as discontinued operations.

11. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of:

	December 31, 2017	2018
Technology infrastructure	$11,322,883	10,730,756
Computer equipment	2,134,959	1,886,170
Furniture, fixtures and equipment	3,906,408	3,383,846
Motor vehicle	1,126,504	1,033,864
Leasehold improvements	4,480,845	4,219,050
	22,971,599	21,253,686
Less: accumulated depreciation	(16,086,338)	(16,794,352)
	$6,885,261	4,459,334

Depreciation expense for the years ended December 31, 2016, 2017 and 2018 were $1,922,818, $2,093,993 and $1,686,588, respectively.

12. ACQUIRED INTANGIBLE ASSETS, NET

Intangible assets as of December 31, 2017 and 2018 were as follows:

December, 31

	2017				2018			
	Gross carrying amount	Accumulated amortization	Impairment	Net carrying amount	Gross carrying amount	Accumulated amortization	Impairment	Net carrying amount
Commodities trading right	$291,817	—	$(291,817)	—	—	—	—	—
Customer relationship	—	—	—	—	—	—	—	—
PIBA license	111,296	(14,839)	—	96,457	111,070	(25,916)	—	85,154
	$403,113	$(14,839)	$(291,817)	$96,457	111,070	(25,916)	—	85,154

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Amortization expenses for the years ended December 31, 2016, 2017 and 2018 were $116,973, $11,165 and $11,112, respectively. Future amortization expenses of acquired intangible assets with determinable lives are $11,107, $11,107, $11,107, $11,107 and $40,726 for 2019, 2020, 2021, 2022, 2023 and thereafter, respectively.

For the year ended December 31, 2015, the Group recorded an impairment loss of $250,360 related to commodities trading right. During 2016, the Group recorded an impairment loss on its intangible assets in the amount of $1,111,149 associated with the acquired commodities trading right and customer relationships due to management's estimation of the expected future cash flows associated with these assets were insufficient to recover their carrying values. During 2017, the Group recorded an impairment loss on its intangible assets in the amount of $291,817 associated with the acquired commodities trading right.

13. GOODWILL

Changes in goodwill for the years ended December 31, 2016, 2017 and 2018 were as follows:

	Commodities brokerage	Investment advisory services	Institution subscription services	Hong Kong brokerage services	Total
Balance as of January 1, 2016	$6,699,620	$—	$—	$—	$6,699,620
Acquisition of Financial Solution Wealth Management (Note 3)	—	—	—	108,831	108,831
Impairment of CFO Guiwo (Note 3)	(17,873)	—	—	—	(17,873)
Impairment of CFO Henghui	(6,641,818)	—	—	—	(6,641,818)
Exchange difference	(39,929)	—	—	40	(39,889)
Balance as of December 31, 2016	$—	$—	$—	108,871	$108,871
Exchange difference	—	—	—	(861)	(861)
Balance as of December 31, 2017	$—	$—	$—	$108,010	$108,010
Exchange difference	—	—	—	(219)	(219)
Balance as of December 31, 2018	—	—	—	107,791	107,791

The goodwill related to the acquisition of CFO Guiwo was allocated to commodities brokerage reporting unit, which was acquired in the second quarter of 2015. The Group performed a goodwill impairment test as of December 31, 2015 and no impairment loss was recorded.

In 2016, the Group concluded that goodwill allocated to the commodities brokerage reporting unit was fully impaired because the estimated growth rates and profit margins for future periods were expected lower than that of prior years based on that assessment. The Group recognized an impairment loss of $6,659,691 related to the commodities brokerage reporting unit for the year ended December 31, 2016.

The goodwill related to the acquisition of Rifa Wealth Management was allocated to Hong Kong brokerage services reporting unit, which was acquired on September 13, 2016. The Company expects to develop the insurance brokerage business in the future and believes there was no goodwill impairment related to the insurance brokerage services reporting unit.

In the goodwill impairment test, the Group used the income approach, which it believed to be more reliable than the market approach in determining the fair value of the Group's reporting units. Accordingly, it adopted a discounted cash flow ("DCF") method under the income approach, which considers a number of factors that include expected future cash flows, growth rates, discount rates, and comparable multiples from publicly traded companies in the industry and requires the Group to make certain assumptions and estimates regarding industry economic factors and future profitability of its business unit. The assumptions are inherently uncertain and subjective.

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14. ACCOUNTS PAYABLE

Accounts payable consist of:

	December 31,	
	2017	2018
Amount due to customers of Hong Kong brokerage business	$8,392,037	$2,748,745
Amount due to sales agents	114,480	114,408
Amount due to noncontrolling shareholders	31,968	—
Others	923,436	84,053
	$9,461,921	$2,947,206

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15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of:

	December 31,	
	2017	2018
Accrued bonus	$3,310,964	$1,889,145
Accrued professional service fees	498,066	450,015
Withholding individual income tax-option exercise	36,696	36,696
Value added taxes and other taxes payable	66,288	(20,502)
Accrued raw data cost	97,896	470,664
Accrued bandwidth cost	115,486	180,151
Accrued welfare benefits	419,230	69,306
Deposit payable (i)	3,032,812	—
Amount due to Yinglibao	170,058	—
Accrued sales service fees	121,086	272,849
Others	2,085,113	8,379,911
	$9,953,695	$11,728,235

(i) Deposit payable is the deposit in bank accounts for providing guarantee to perform the contract obligation related to “Yinglibao”, an internet-based financial platform that integrates cash management solutions and mutual fund distribution.

16. STOCK OPTIONS AND NONVESTED SHARES

As of December 31, 2018, the Company and its subsidiaries have five share-based compensation plans, which are described below. The compensation expenses that had been charged against income for those plans were $5,575,877, $3,068,213 and $2,240,512 for 2016, 2017, and 2018, respectively.

2004 Stock incentive plan

In January 2004, the Company adopted the 2004 stock incentive plan (the “2004 Plan”) which allows the Company to offer a variety of incentive awards to employees, directors, officers and other eligible persons in the Group, and consultants and advisors outside the Group. We amended the 2004 Plan in September 2004, August 2006, June 2009 and June 2010. The total number of ordinary shares authorized under the 2004 Plan was 30,688,488, and all of these authorized ordinary shares were granted to directors, officers, employees and non-employees as of December 31, 2014.

Summary of stock options to employees and non-employees

A summary of the stock option activity is as follows:

2016		2017		2018	
Number	Weighted average	Number	Weighted average	Number	Weighted average

	of options	exercise price	of options	exercise price	of options	exercise price
Outstanding at beginning of year	17,332,760	$ 0.55	16,180,260	$ 0.53	13,677,960	$ 0.46
Exercised	(417,900)	0.25	(107,200)	0.25	(2,400)	0.25
Forfeited	(734,600)	1.08	(2,395,100)	0.98	(473,360)	1.16
Outstanding at end of year	16,180,260	$ 0.53	13,677,960	$ 0.46	13,202,200	$ 0.43
Shares exercisable at end of year	16,180,260	$ 0.53	13,677,960	$ 0.46	13,202,200	$ 0.43

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The following table summarizes information with respect to stock options outstanding at December 31, 2018:

	Options outstanding				Option exercisable		
Stock option with exercise price of:	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Aggregate intrinsic value as of December 31, 2018	Number exercisable	Weighted average exercise price	Aggregate intrinsic value as of December 31, 2018
$ 1.43	2,034,500				2,034,500		
$ 0.25	11,167,700				11,167,700		
	13,202,200	4.02	$ 0.43	$ —	13,202,200	$ 0.43	$ —

2004 Stock incentive plan - continued

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

The total intrinsic value of options exercised during the years ended December 31, 2016, 2017 and 2018 was $198,084, $30,659, and nil, respectively. The total fair value of shares vested during the year ended December 31, 2016, 2017 and 2018 were $1,500,901, nil and nil, respectively. As of December 31, 2016, all share-based compensation expenses relating to the stock options under the 2004 Plan were recognized.

Restricted shares to employees

On January 2, 2014, the Company granted remaining 1,100,240 ordinary shares, which were in the form of restricted shares, to employees under 2004 Plan. The vesting of the restricted shares is subject to rendering service to the Company for three years. Based on the Company's requisite service period stated in the 2004 Plan, all the granted restricted shares were vested as of January 2, 2017, of which 330,085 shares were issued to employees as of December 31, 2018. The fair value of restricted shares is $1.106, which equal to the fair market value of the Company's shares at the date of grant. The Company recognized share-based compensation expenses of $324,496 and $129,801 for the years ended December 31, 2015 and 2016. As of December 31, 2016, all the share-based compensation expenses relating to the restricted shares under the 2004 Plan were recognized.

2007 Equity incentive plan

In July 2007, the Company adopted the 2007 Equity incentive plan (the “2007 Plan”) and granted nonvested shares covering 10,558,493 ordinary shares of the Company to the employees who were eligible for the 2007 Plan. The vesting of the nonvested shares are subject to achieving certain operating performance targets and rendering service to the Company for the requisite service period stated in the 2007 Plan. Based on the Company’s operating performance, 8,658,048 shares were vested as of December 31, 2010.

In June 2014, the Annual General Meeting approved the amendment to the 2007 Plan and the Restricted Stock Issuance and Allocation Agreement of 2007 Plan. Pursuant to such agreement, together with the remaining 1,900,445 ordinary shares which were not vested due to the operating performance targets under 2007 Plan not being achieved, 3,000,000 ordinary shares were collectively granted to the employees who were eligible. The fair value of a nonvested share on the grant date was measured at the quoted market price of the Company’s equity shares. The nonvested shares shall become activated and vest during the period commencing from the grant date and ending on December 31, 2016 based on the Company’s achievement of the performance targets.

As of December 31, 2014, there was no nonvested shares become activated and vested due to the performance targets were not achieved, and nil share-based compensation expenses relating to the nonvested shares was recognized.

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As of December 31, 2015, the granted shares were activated and vested based on the Group's achievement of performance target. The fair value of granted share is $0.82, which equal to the fair market value of the Company's shares at the date of grant. The Company recognized share-based compensation expenses of $984,000, nil and nil for the years ended December 31, 2016, 2017 and 2018, respectively. As of December 31, 2016, all the share-based compensation expenses relating to the restricted shares under the 2007 Plan were recognized.

2010 Equity incentive plan of Rifa Financial Holdings

In November 2010, Rifa Financial Holdings, a subsidiary of the Company, implemented the "2010 equity incentive plan" (the "2010 Plan") under which the Company transferred 1,500 nonvested shares which representing 15% of total Rifa Financial Holdings' equity interest to its management group as a share incentive. If the grantees left the Company before the third anniversary of the grant date when the nonvested shares become vested, they should transfer the shares to the Company at no consideration. Therefore, the total share based compensation expenses are recognized ratably over the three years of vesting period. In addition, as the grantees are entitled to all the shareholder's rights, including the dividend rights since the date of grant, the 15% share of the earnings of Rifa Financial Holdings is recognized as noncontrolling interest on the Company's consolidated financial statements since November 1, 2010, the date of grant.

The fair value of the share incentive was determined to be $1,188 per share. The Group recognized $495,848 share based compensation cost in 2013. As of December 31, 2013, all compensation cost relating to nonvested shares was recognized.

2014 Stock incentive plan

In July 2014, the Company adopted the 2014 stock incentive plan (the "2014 Plan") which allows the Company to offer a variety of incentive awards to employees, directors, officers and other eligible persons in the Group, and consultants and advisors outside the Group. The maximum number of ordinary Shares that may be delivered pursuant to awards granted to eligible persons under 2014 Plan during calendar year 2014 is equal to 5,000,000 ordinary shares; provided, that, as of January 1 of each calendar year thereafter during the term of 2014 plan, the maximum number of ordinary shares that may be delivered pursuant to awards granted to eligible persons under 2014 Plan shall be increased by 3,000,000 Ordinary Shares. As of result, the total number of ordinary shares authorized under the 2014 Plan was 17,000,000 as of December 31, 2018. As of December 31, 2018, 5,839,900 shares were available for future grant of awards.

Options to employees

During 2015, 2017 and 2018, the Company granted totaling 120,000, 2,490,000 and 280,000 stock options to employees at an exercise price that equaled the trading price of the stock upon the stock option grant, respectively. These options vest over 3 years.

The fair value of employee options was estimated on the basis of the Black-Scholes Option Price model with the following assumptions:

	Years ended December 31,

	2015	2017	2018
Weighted average risk free rate of return	1.32% - 2.13%	1.88% - 2.52%	
Weighted average expected option life	6.86 years	7.36 – 7.38 years	7.34 years
Expected volatility rate	77.81% - 77.87%	73.31% - 76.76%	76.44%
Dividend yield	—	—	—

(1) Expected volatility

The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of the Company over the past years.

(2) Risk-free interest rate

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Risk-free interest rate was estimated based on the yield to maturity of treasury bonds of the United States with a maturity period close to the expected term of the options.

(3) Expected option life

The expected life was estimated based on historical information.

(4) Dividend yield

The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

(5) Exercise price

Options are generally granted at an exercise price equal to the fair market value of the Company's shares at the date of grant.

2014 Stock incentive plan - continued

Options to non-employees

During 2014 and 2017, the Company granted 30,000 and 200,000 options under the 2014 Plan to a consultant. The fair value of non-employee options is estimated using the Black-Scholes Option Pricing model as such method provided a more accurate estimate of the fair value of services provided by the consultants and strategic advisers. The fair value of the stock options is remeasured as of the end of each reporting period until the services of these non-employees are complete under the service contracts. These options vest over 3 years.

Summary of stock options to employees and non-employees

A summary of the stock option activity is as follows:

	2016		2017		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	1,235,000	$ 0.88	1,105,000	$ 0.87	3,755,000	$ 0.49
Granted	—	—	2,690,000	0.34	280,000	0.43
Exercised	(14,800)	0.89	—	—	—	—
Forfeited	(115,200)	0.90	(40,000)	0.89	(360,000)	0.62
Outstanding at end of year	1,105,000	$ 0.87	3,755,000	$ 0.49	3,675,000	$ 0.48
Shares exercisable at end of year	805,400	0.88	1,045,800	$ 0.88	1,877,000	$ 0.59

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The following table summarizes information with respect to stock options outstanding at December 31, 2018:

	Options outstanding				Option exercisable		
Stock option with exercise price of:	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Aggregate intrinsic value as of December 31, 2018	Number exercisable	Weighted average exercise price	Aggregate intrinsic value as of December 31, 2018
$ 0.878	725,000				725,000		
$ 0.920	40,000				40,000		
$ 1.032	—				—		
$ 1.038	—				—		
$ 0.870	120,000				120,000		
$ 0.302	880,000				387,200		
$ 0.348	1,680,000				604,800		
$ 0.434	230,000				—		
	3,675,000	6.39	$ 0.48	—	1,877,000	$ 0.59	—

2014 Stock incentive plan - continued

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

The weighted-average grant-date fair value of options granted during the years 2015, 2017 and 2018 was $0.61, $0.24 and $0.32, respectively. The total intrinsic value of options exercised during the years ended December 31, 2016, 2017 and 2018 was nil, nil and nil, respectively. The total fair value of shares vested during the year ended December 31, 2016, 2017 and 2018 was $260,944, $174,360 and $646,612, respectively.

The Company recognized share-based compensation expenses of $174,672, $115,428 and $360,884 for stock option under 2014 Plan in the years ended December 31, 2016, 2017 and 2018, respectively.

As of December 31, 2018, there were $209,481 unrecognized share-based compensation expenses relating to the stock options under 2014 Plan, which are expected to be recognized over a weighted average period of 1.9 year.

Restricted shares to employees

During 2014, the Company granted 1,780,000 restricted shares under the 2014 Plan to directors and employees. The vesting of the restricted shares is subject to rendering service to the Company for two years. Based on the Company’s requisite service period stated in the 2014 Plan, all the 1,780,000 shares were vested, of which 250,885 shares were issued as of December 31, 2018. The fair value of restricted shares was $0.878, which was the fair market value of the Company’s shares at the date of grant.

On November 16, 2015, the Company granted 3,800,000 restricted shares under the 2014 Plan to selected directors and employees. Subject to the agreement, the awards became activated and vest during the period commencing on the grant date and ending on November 16, 2018 (the "Vesting Term"), provided that the participant has achieved all the performance targets. The fair value of restricted shares was $0.742, which was the fair market value of the Company's shares at the date of grant. As of December 31, 2018, 2,414,500 granted shares were activated, all of which were vested based on the participant's achievement of performance target and the Company's requisite service period stated. Furthermore, 227,940 shares were issued as of December 31, 2018.

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On November 8, 2016, the Company granted 200,000 restricted shares under the 2014 Plan to a selected employee. The vesting of the restricted shares is subject to rendering service to the Company for two years. As of December 31, 2018, all of 200,000 shares were vested, and no share was issued as of December 31, 2018.

On July 12, 2017, the Company granted 150,000 restricted shares under the 2014 Plan to a selected employee. The vesting of the restricted shares is subject to rendering service to the Company for 2.5 years. As of December 31, 2018, 90,000 shares were vested, and no share was issued as of December 31, 2018.

On December 28, 2018, the Company granted 1,900,000 restricted shares under the 2014 Plan to a selected employee. The vesting of the restricted shares is subject to rendering service to the Company for 3 years. As of December 31, 2018, no share was vested, and no share was issued as of December 31, 2018.

The Company recognized share-based compensation expenses of $1,091,923, $682,424 and $497,531 relating to the restricted shares granted to employees in 2016, 2017 and 2018, respectively. As of December 31, 2018, there were $301,802 unrecognized share-based compensation expenses relating to the restricted shares granted to employees, which are expected to be recognized over a weighted average period of 2.97 years.

Restricted shares to non-employees

During 2014, the Company granted 1,150,000 restricted shares under the 2014 Plan to consultants. The fair value of the stock options is remeasured as of the end of each reporting period until the services of these non-employees are completed under the service contracts. These options vest over two years except 50,000 restricted shares granted to one consultant which vest over three years. As of December 31, 2018, there were no unrecognized share-based compensation expenses relating to the restricted shares granted to non-employees.

Restricted shares of Shanghai Shangtong Co., Ltd. (“CFO Shangtong”), Fortune Zhengjin and CFO Tahoe

On July 1, 2014, CFO Shangtong and Fortune Zhengjin, two affiliates of the Company, entered into a series of contractual arrangement with selected employees of the Group. Pursuant to the agreement, these employees were granted 10% restricted shares of CFO Shangtong and Fortune Zhengjin. The vesting of the restricted shares is subject to rendering service to the Company for five years. The fair value of restricted shares is $28,965 and $2,464,455, which equal to the fair value of the CFO Shangtong and Fortune Zhengjin’s 10% net assets at the effective date of the agreement, respectively.

On July 1, 2015, Fortune Zhengjin entered into an additional arrangement with selected employees of the Group. Pursuant to the agreement, these employees were granted 8% restricted shares of Fortune Zhengjin. The vesting of the restricted shares is subject to rendering service to the Company for five years. The fair value of restricted shares is $4,681,533, which equal to the fair value of Fortune Zhengjin’s 8% net assets at the effective date of the agreement. CFO Tahoe also entered an arrangement with selected employees of the Group. Pursuant to the agreement, these employees were granted 1.95% restricted shares of CFO Tahoe. The fair value of restricted shares is subject to rendering service to the Company for five years. The fair value of restricted shares is $1,141,124, which equal to the fair value of CFO Tahoe’s 1.95% net assets at the effective date of the agreement.

On May 31, 2016, Fortune Zhengjin entered into another arrangement with selected employees of the Group. Pursuant to the agreement, these employees were granted 5.35% restricted shares of Fortune Zhengjin. The vesting of the

restricted shares is subject to rendering service to the Company for five years. The fair value of restricted shares is $2,460,213, which equal to the fair value of Fortune Zhengjin's 5.35% net assets at the effective date of the agreement.

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The Company recognized share-based compensation expenses of $6,584 and $560,187 in 2014 relating to CFO Shangtong, Fortune Zhengjin, respectively. There were $10,200, $1,965,535 and $267,565 share-based compensation expenses recorded in 2015 relating to CFO Shangtong, Fortune Zhengjin and CFO Tahoe, respectively. There were $5,541, $2,787,475 and $399,927 share-based compensation expenses recorded in 2016 relating to CFO Shangtong, Fortune Zhengjin and CFO Tahoe, respectively. There were $3,223, $2,056,930 and $225,864 share-based compensation expenses recorded in 2017 relating to CFO Shangtong, Fortune Zhengjin and CFO Tahoe, respectively. There were $1,769, $1,240,580 and $139,749 share-based compensation expenses recorded in 2018 relating to CFO Shangtong, Fortune Zhengjin and CFO Tahoe, respectively.

As of December 31, 2018, there were $516 and $502,607 and $46,566 unrecognized share-based compensation expenses relating to CFO Shangtong, Fortune Zhengjin and CFO Tahoe, respectively, which are expected to be recognized over a weighted average period of 2.5 years.

17. INCOME TAXES

Hong Kong

China Finance Online, Rifa Securities, Rifa Futures, Rifa Credit, Rifa Wealth Management and other nine subsidiaries were established in Hong Kong. These companies were subject to Hong Kong profit tax at 16.5%. In addition, companies who incorporated outside of Hong Kong and carried on a trade, profession or business in Hong Kong were also subject to Hong Kong profit tax in respect of their profits arising in or derived from Hong Kong.

British Virgin Islands

Companies that were incorporated in the BVI are not subject to taxation in their country of incorporation. Subsidiaries incorporated in the BVI include Rifa Financial Holdings and other eleven subsidiaries.

PRC

The Group’s PRC entities are subject to 25% PRC Enterprise Income Tax (“EIT”) on the taxable income in accordance with the relevant PRC income tax laws, except for certain entities that enjoy preferential tax rates, which are lower than the statutory rates, as described below.

Under the EIT Law and its implementing rules, an enterprise which qualifies as a “high and new technology enterprise” (“the HNTE”) is entitled to a tax rate of 15%.

Under the EIT law and its implementing rules, enterprises that obtain status of “Software Enterprises” are entitled to be exempted from EIT tax for the first two profit-making years and enjoy a preferential 12.5% tax rate, which is half of the standard EIT rate of 25% for the three years thereafter.

A summary of the main PRC entities that subject to tax preferential policies for the year ended December 31, 2018 is as follows:

PRC entities	Chinese EIT rate	Qualification for preferential tax rate

CFO Genius	Preferential tax rate of 15% from 2018 to 2020.	HNTE
CFO Tibet	Preferential tax rate of 9% from 2015 to 2017 and 15% thereafter	Preferential tax rate for enterprises in Tibet, China
Tibet Lieqian Network Technology Co., Ltd	Preferential tax rate of 15% from 2018 and thereafter	Preferential tax rate for enterprises in Tibet, China

Under the EIT Law, the HNTE status is valid for three years and qualifying entities can then apply to renew for an additional three years provided their business operations continue to qualify for the HNTE status.

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CFO Meining obtained its HNTE status in 2008 and obtained the renewal successfully in 2011 and 2014. In 2012, CFO Genius also obtained the HNTE status and successfully renewed it in 2015.

In 2013 and 2014, CFO Chongzhi and CFO Shangtong filed their EIT by adopting the “deemed-profit method”. In 2014, Shanghai Yongfu Enterprises Management Consulting Co., Ltd. adopted this method. In 2015, Zhengjin (Jiangsu) Precious Metals Co., Ltd. also adopted this method. In 2016, CFO Qingdao Zhida and our other four affiliates adopted this method. Under this method, the qualifying entities filed their income tax by calculating as 2.5% of the gross revenues. This method is subject to be reevaluated by the local tax authority in the future.

The EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for PRC Income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the EIT Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc., occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that currently the legal entities organized outside of the PRC within the Group should be treated as residents for EIT law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed a resident enterprise, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income tax at a rate of 25%.

If the Company were to be non-resident for PRC tax purpose, dividends paid to it out of profits earned after January 1, 2008 would be subject to a withholding tax. In the case of dividends paid by PRC subsidiaries the withholding tax would be 10% not considering the arrangements for the Avoidance of Double Taxation on income and Prevention of Fiscal Evasion with respect to Taxes on Income between mainland and Hong Kong.

Aggregate deficits of the Company’s subsidiaries located in the PRC were approximately $42.4 million at December 31, 2018. And accordingly, no provision has been made for the Chinese dividend withholding taxes.

Aggregate undistributed earnings of the Company’s VIEs and its VIEs’ subsidiaries located in the PRC that is available for distribution to the Company of approximately $1.0 million at December 31, 2018. A deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting amounts over tax basis amounts, including those differences attributable to a more than 50% interest in a domestic subsidiary. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Company has not recorded any such deferred tax liability attributable to the undistributed earnings of its financial interest in VIEs because it believes such excess earnings can be distributed in a manner that would not be subject to income tax.

Income tax expense was as follows:

	December 31,		
	2016	2017	2018
Current	$(4,723,267)	$(578,367)	$(169,033)
Deferred	562,664	253,951	116,254
Total	$(4,160,603)	$(324,416)	$(52,779)

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The principal components of deferred income taxes were as follows:

	December 31, 2017	2018
Deferred tax assets:		
Deferred revenue	$1,608,723	$1,220,370
Accrued expenses and other liabilities	63,972	246,452
Net operating loss carrying forwards	24,662,909	23,845,672
	26,335,603	25,312,494
Less: valuation allowance	(24,715,317)	(23,839,888)
Total deferred tax assets	$1,620,286	$1,472,606
Deferred tax liabilities:		
Account receivable and other assets	(220,222)	(14,632)
Intangible assets	(16,374)	(14,050)
Total deferred tax liabilities	$(236,596)	$(28,682)

A valuation allowance of $24,715,317 and $23,839,888 was established as of December 31, 2017 and 2018, respectively, for the entities that have incurred losses because the Group believes that it is more likely than not that the related deferred tax assets will not be realized in the future. At December 31, 2018, operating loss carry forwards includes approximately $90.5 million which will expire by 2023, and $19.8 million which will carry forward indefinitely.

Reconciliation between total income tax expense and the amount computed by applying the PRC EIT statutory rate to income before income taxes is as follows:

	Years ended December 31, 2016	2017	2018
Loss before tax	$(6,805,575)	$(42,064,021)	$(22,198,074)
Income tax benefits calculated at 25%	(1,701,394)	(10,516,005)	(5,549,519)
Effect of tax holiday	(4,431,103)	(14,009)	(81,327)
Effect of income tax rate difference in other jurisdictions	236,759	(223,454)	(263,288)
Non-deductible expenses	3,645,741	10,229,536	3,108,453
Non-taxable income	(113,170)	(3,780,428)	(3,064,834)
Change in valuation allowance	6,523,770	4,628,776	5,903,294
Income tax expense	$4,160,603	$324,416	$52,779

During the years ended December 31, 2016, 2017 and 2018, if the Company’s subsidiaries, VIEs and VIEs’ subsidiaries in the PRC were neither in the tax holiday period nor had they been specifically allowed special tax concessions, they would have recorded additional income tax expense of $209,418, $8,123 and nil, respectively. There were no significant impact of the tax holidays on basic net loss per ordinary share for the year ended December 31, 2016, 2017 and 2018, respectively.

The Group did not identify significant unrecognized tax benefits for the years ended December 31, 2016, 2017 and 2018. The Group did not incur any interest and penalties related to potential underpaid income tax expenses and also believed that the adoption of pronouncement issued by FASB regarding accounting for uncertainty in income taxes did not have a significant impact on the unrecognized tax benefits within 12 months from December 31, 2018.

In accordance with relevant PRC tax administration laws, tax years from 2013 to 2018 of the Group's PRC subsidiaries and VIEs remain subject to tax audits as of December 31, 2018, at the tax authority's discretion.

18. AMERICAN DEPOSITARY SHARES ("ADS") PLAN

In September 2015, the Group issued 4,000,000 ordinary shares to its American Depositary Receipt bank and in exchange received 800,000 ADSs under the 2004 Plan and 2014 Plan. As of December 31, 2018, 2,227,675 shares were available for future exercise of options and vesting of granted shares.

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19. NET LOSS PER SHARE

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

	Years ended December 31,		
	2016	2017	2018
Net loss attributable to China Finance Online Co. Limited	$(1,678,813)	$(36,736,553)	$(19,950,120)
Weighted average ordinary shares outstanding used in computing basic net loss per share	113,213,912	113,601,949	113,883,030
Plus: Incremental shares from assumed conversions of stock options, restricted shares and nonvested shares	—	—	—
Weighted average ordinary shares outstanding used in computing diluted net loss per share	113,213,912	113,601,949	113,883,030
Net loss per share attributable to China Finance Online Co. Limited			
- basic	$(0.01)	$(0.32)	$(0.18)
- diluted	$(0.01)	$(0.32)	$(0.18)

For the year ended December 31, 2017, 5,286,305 options, 4,906,268 restricted shares and 3,000,000 nonvested shares, were anti-dilutive, respectively, because the Group was in the loss position. For the year ended December 31, 2018, 4,094,656 options, 5,637,453 restricted shares and 3,000,000 nonvested shares, were anti-dilutive, respectively, because the Group was in the loss position.

20. MAINLAND CHINA CONTRIBUTION PLAN AND PROFIT APPROPRIATION

Full time employees of the Group in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. The total provisions for such employee benefits were $5,255,982, $4,768,614 and $ 4,000,211 for the years ended December 31, 2016, 2017 and 2018, respectively.

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21. NONCONTROLLING INTERESTS

	Commodities brokerage Services	Investment Advisory services	Institution Subscription services	Rifa Financial Holdings Brokerage services	Other	Total
Balance as of January 1, 2016	$11,418,320	$ —	$ —	$(227,266)	—	$11,191,054
Dividends paid to noncontrolling shareholders	(10,117,946)	—	—	—	—	(10,117,946)
Changes in controlling ownership interest	171,542	—	—	—	—	171,542
Deconsolidation	2,404,822	—	—	105,953	—	2,510,775
Share-based compensation (Note 16)	1,162,066	—	—	—	—	1,162,066
Net income (loss)	(9,563,735)	—	—	276,370	—	(9,287,365)
Balance as of December 31, 2016	$(4,524,931)	$ —	$ —	$155,057	—	$(4,369,874)
Dividends paid to noncontrolling shareholders	—	—	—	—	—	—
Changes in controlling ownership interest	—	—	—	—	—	—
Deconsolidation	809,692	—	—	—	—	809,692
Share-based compensation (Note 16)	876,995	—	—	—	—	876,995
Net income (loss)	(6,388,746)	—	—	736,862	—	(5,651,884)
Balance as of December 31, 2017	$(9,226,990)	$ —	$ —	$891,919	—	$(8,335,071)
Dividends paid to noncontrolling interest	—	—	—	—	—	—
Changes in controlling ownership interest	—	—	—	—	—	—
Deconsolidation	1,216,007	—	—	—	—	1,216,007
Share-based compensation (Note 16)	529,600	—	—	—	—	529,600

Net income (loss)	(3,249,840)	—	—	729,465	— (2,520,375)
Balance as of December 31, 2018	$(10,731,223)	$ —	$ —	$1,621,384	— $(9,109,839)

22. COMMITMENTS AND CONTINGENCIES

Commitments

The Group leases certain office premises and purchases data under non-cancelable leases. Rent expenses under operating leases for 2016, 2017 and 2018 were $5,555,144, $5,597,774 and $4,119,527, respectively.

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

Year ending	
2019	5,554,501
2020	5,073,914
2021	3,714,020
Total	$14,342,435

Securities Litigation

The Company was named as a defendant in a putative securities class action, Wang, et al., v. China Finance Online Co. Limited, 1:15-cv-07894-RMB. The original complaint was filed on June 5, 2015 in the Central District of California. The case was subsequently consolidated with several other similar actions and transferred to the Southern District of New York, where an amended consolidated complaint was filed in December 2015. The amended consolidated complaint alleged that the Company violated Exchange Act Section 10(b) and Rule 10b-5 by failing to disclose certain of its transactions involving Langfang Shengshi Real Estate Development Co. Limited as related party transactions. The amended consolidated complaint also made claims under Exchange Act Section 10(b) and Rule 10b-5 against certain of the Company's current officers and its current and former auditors and under Exchange Act Section 20(a) against certain of its current officers and former directors. Lead plaintiffs subsequently voluntarily dismissed (without prejudice) all defendants other than the Company from the action. The Company filed a motion to dismiss the complaint on April 8, 2016, to which Plaintiffs filed an opposition on May 6, 2016 and the Company filed a reply on May 13, 2016.

During a mediation session in May 2016, the parties agreed to settle the action for $3.0 million. The same amount as specified in the settlement term sheet, which was fully covered under its existing insurance policies. The settlement was preliminarily approved on November 18, 2016 and notice of the settlement was provided to putative class members. No class members objected to the settlement and none requested exclusion. The settlement includes a release of all claims asserted in the Complaint (or any of the previous versions of the complaint) or all claims that could have been asserted based on the same operative facts at issue in the Complaint. This release applies not only as to the Company, but also as to individuals and entities included within the definition of "Releasees," which definition includes, among others, current and former officers and directors of the Company. In the light of ASC450, the contingent losses were probable and reasonably estimable in the Company's judgment. There is no P&L impact because the full amount of the loss is covered under insurance. Therefore, the accrual amount of $3.0 million and the expected insurance recovery of $3.0 million should be reflected in the Company's balance sheet as of December 31, 2016.

Following a March 21, 2017 fairness hearing, an order was entered on March 24, 2017 approving the settlement. The order reflects that a judgment in the action will be entered after lead plaintiffs file their motion for final distribution of the settlement amount. On June 23, 2017, the court granted the lead plaintiffs' motion for a first distribution of the settlement amount, less attorneys' fees and expenses. On June 28, 2017, lead plaintiffs informed the court checks representing the net settlement amount were mailed to class members. On April 18, 2018, lead plaintiffs informed the court that checks representing all but $2,759.76 of the net settlement amount had been cashed, requested that the court authorize a second and final distribution for the remaining amount, and requested that the court enter the judgment. The court has not yet responded to this request. On August 10, 2018, the company received the final judgment as

anticipated by the settlement approval order and there are no appeals within 30 days after the judgment is entered.

Litigation

The Group was involved in certain cases pending in some PRC courts as of December 31, 2015. These cases include a copyright infringement case, among others. In the copyright infringement dispute, we are claimed for a public apology for the violation, and compensated a damage of $7.7 million (RMB50 million,

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equivalently). Through a series of litigation proceedings, among other things, cross-examination, China International Capital Corporation Limited ("CICC") reached a settlement agreement in 2017.

For these proceedings, the Company is currently unable to estimate the reasonably possible loss or a range of reasonably possible losses as the proceedings are in the early stages, and/or there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among different jurisdictions. As a result, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, which includes eventual loss, fine, penalty or business impact, if any, and therefore, an estimate for the reasonably possible loss or a range of reasonably possible losses cannot be made. However, the Company believes that such matters, individually and in the aggregate, when finally resolved, are not reasonably likely to have a material adverse effect on the Company's consolidated results of operations, financial position and cash flows.

23. SEGMENT AND GEOGRAPHIC INFORMATION

The Group has three operating segments (1) commodities brokerage services, (2) online financial information and advisory service, and other related services in PRC, (3) Hong Kong brokerage services. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-makers in deciding how to allocate resources and in assessing performance. The Group's chief executive officer has been identified as the chief operating decision makers. The Group's chief operating decision maker directs the allocation of resources to operating segments based on the profitability and cash flows of each respective segment.

The Group evaluates performance based on several factors, including net revenue, cost of revenue, operating expenses, income from operation. The following tables show the operations of the Group's operating segments:

For the year ended December 31, 2018

	Commodities brokerage services	Subscription services and other related services	Hong Kong brokerage services	Consolidated
Net revenues	$49,960	$34,498,830	$22,440,556	$56,989,346
Less: intersegment sales	—	(11,414,814)	(96,606)	(11,511,420)
Net revenues from external customer	49,960	23,084,016	22,343,950	45,477,926
Cost of revenues	2,813	6,257,144	11,205,210	17,465,167
Less: intersegment cost of revenues	—	(623,252)	—	(623,252)
Cost of revenues after elimination	2,813	5,633,892	11,205,210	16,841,915
Operating expenses:				
General and administrative	3,231,080	7,094,670	4,071,812	14,397,562
Product development	321,648	24,394,373	—	24,716,021
Sales and marketing	2,062,382	17,577,075	2,520,731	22,160,188
Loss from impairment of intangible assets	—	—	—	—
Loss from impairment of goodwill	—	—	—	—

Total segments operating expenses	5,615,110	49,066,118	6, 592,543	61,273,771
Less: intersegment operating expenses	—	(10,791,561)	(238,109)	(11,029,670)
Total operating expenses	5,615,110	38,274,557	6,354,434	50,244,101
Government subsidies	—	—	—	—
Income (loss) from operations	$(5,567,963)	$(20,824,433)	$4,784,306	$(21,608,090)
Total segments assets	13,270,815	155,233,577	76,274,814	244,779,206
Less: intersegment asset.	(12,624,577)	(131,472,347)	(19,992,932)	(164,089,856)
Total assets	$646,238	$23,761,230	$56,281,882	$80,689,350

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For the year ended December 31, 2017

	Commodities brokerage services	Subscription services and other related services	Hong Kong brokerage services	Consolidated
Net revenues	$3,698,857	$23,984,993	$25,497,974	$53,181,824
Less: intersegment sales	(1,110,431)	(9,232,502)	(216,241)	(10,559,174)
Net revenues from external customer	2,588,426	14,752,491	25,281,733	42,622,650
Cost of revenues	(60,504)	7,453,185	14,540,997	21,933,678
Less: intersegment cost of revenues	—	—	—	—
Cost of revenues after elimination	(60,504)	7,453,185	14,540,997	21,933,678
Operating expenses:				
General and administrative	4,511,167	7,565,268	3,930,479	16,006,914
Product development	1,776,007	23,502,362	—	25,278,369
Sales and marketing	11,115,488	16,830,525	2,933,763	30,879,776
Loss from impairment of intangible assets	—	291,817	—	291,817
Loss from impairment of goodwill	—	—	—	—
Total segments operating expenses	17,402,662	48,189,972	6,864,242	72,456,876
Less: intersegment operating expenses	(1,110,431)	(9,439,947)	(689,002)	(11,239,380)
Total operating expenses	16,292,231	38,750,025	6,175,240	61,217,496
Government subsidies	230,174	—	—	230,174
Income (loss) from operations	$(13,413,127)	$(31,450,719)	$4,565,496	$(40,298,350)
Total segments assets	21,569,350	187,122,375	89,004,771	297,696,496
Less: intersegment asset.	(13,995,983)	(149,214,015)	(19,882,645)	(183,092,643)
Total assets	$7,573,367	$37,908,360	$69,122,126	$114,603,853

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For the year ended December 31, 2016

	Commodities brokerage services	Subscription services and other related services	Hong Kong brokerage services	Consolidated
Net revenues	$69,980,296	$16,654,534	$8,956,501	$95,591,331
Less: intersegment sales	(10,003,579)	(2,529,856)	—	(12,533,435)
Net revenues from external customer	59,976,717	14,124,678	8,956,501	83,057,896
Cost of revenues	5,729,464	10,392,343	4,258,451	20,380,258
Less: intersegment cost of revenues	—	—	—	—
Cost of revenues after elimination	5,729,464	10,392,343	4,258,451	20,380,258
Operating expenses:				
General and administrative	6,026,102	10,090,294	3,992,953	20,109,349
Product development	3,374,144	12,995,022	—	16,369,166
Sales and marketing	46,648,934	13,029,524	1,054,695	60,733,153
Loss from impairment of intangible assets	1,111,149	—	—	1,111,149
Loss from impairment of goodwill	6,659,691	—	—	6,659,691
Total segments operating expenses	63,820,020	36,114,840	5,047,648	104,982,508
Less: intersegment operating expenses	(10,003,579)	(2,524,975)	(277,731)	(12,806,285)
Total operating expenses	53,816,441	33,589,865	4,769,917	92,176,223
Government subsidies	1,194,775	—	—	1,194,775
Income (loss) from operations	$1,625,587	$(29,857,530)	$(71,867)	$(28,303,810)
Total segments assets	42,343,571	197,412,591	77,656,701	317,412,863
Less: intersegment balances	(13,508,587)	(116,348,234)	(19,932,216)	(149,789,037)
Total assets	$28,834,984	$81,064,357	$57,724,485	$167,623,826

Enterprise wide disclose

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

	Years ended December 31,		
	2016	2017	2018
Commodities brokerage services revenues	$59,976,717	$2,588,426	$49,960
Financial information and advisory services revenues	10,696,523	10,271,822	14,891,267
Advertising revenues	2,893,707	3,588,499	7,312,947
Hong Kong brokerage services revenues	8,956,501	25,281,733	22,343,950
Others	534,448	892,170	879,802
Total revenue from external customers	$83,057,896	$42,622,650	$45,477,926

Substantially all of the Company's revenues for the years ended December 31, 2016, 2017 and 2018 were generated from the PRC and Hong Kong.

As of December 31, 2016, 2017 and 2018, respectively, substantially all of long-lived assets of the Group are located in the PRC and Hong Kong.

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24. STATUTORY RESERVES AND RESTRICTED NET ASSETS

PRC legal restrictions permit payments of dividends by the Group's PRC entities only out of their retained earnings, if any, determined in accordance with PRC regulations. Prior to payment of dividends, pursuant to the laws applicable to the PRC Domestic Enterprises and PRC Foreign Investment Enterprises, the PRC entities must make appropriations from after-tax profit to non-distributable statutory reserve funds as determined by the Board of Directors of the Group. These reserve funds include the (1) general reserve, (2) enterprise expansion fund and (3) staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires annual appropriations of not less than 10% of after-tax profit (as determined under accounting principles and financial regulations applicable to PRC enterprises at each year-end); the other two funds are to be made at the discretion of the board of directors of each of the Group's subsidiaries.

These reserve funds can only be used for specific purposes and are not distributable as cash dividends.

The appropriation to these reserves by the Group's PRC subsidiaries was $353,069, $59,293 and $ 23,974 in 2016, 2017 and 2018.

The balance of the statutory reserves was $9,052,883 and $ 9,076,857 as of December 31 2017 and 2018. Such reserves have been included in the retained earnings of the Company's consolidated balance sheet.

As a result of these PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Group. Amounts restricted include paid-in capital and the statutory reserves of the Company's PRC subsidiaries and VIEs. As of December 31, 2018, the aggregate amounts restricted which represented the amount of net assets of the relevant subsidiaries and VIEs in the Group not available for distribution was $21,260,218. As a result of the above restrictions, parent-only financials are presented on financial statement Schedule I.

25. SUBSEQUENT EVENT

In January 2019, the Company signed a strategic partnership agreement with Founder CIFCO Futures Co. Ltd ("Founder CIFCO Futures"), a leading futures brokerage firm in China. Pursuant to the partnership agreement, both parties will collaborate in the development of more advanced trading system, smart market news alert, cloud-based research platform and industry forums.

In April 2019, the Company received all consideration of HK$ 73.8 million (about US$ 9.4 million) in full from the share transfer agreement made with West Platinum Limited (the "Buyer") In November 2018 to sell 1,552,000 shares, 20% of Rifa Financial Holdings Limited.

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CHINA FINANCE ONLINE CO. LIMITED

Additional Information - Financial Statement Schedule I

Financial information of Parent Company

Balance sheets

(In U.S. dollars, except share-related data)

	December 31, 2017	2018
Assets		
Current assets:		
Cash and cash equivalents	$7,614,175	$2,375,055
Amounts due from subsidiaries, VIEs and VIE's subsidiaries	9,845,705	9,840,733
Prepaid expenses and other current assets	144,353	104,338
Dividends receivable	—	—
Total current assets	17,604,233	12,320,126
Investments in subsidiaries, VIEs and VIE's subsidiaries	46,306,964	41,009,649
Total assets	$63,911,197	$53,329,775
Liabilities and shareholders' equity		
Current liabilities:		
Accrued expenses and other current liabilities	91,143	4,793,891
Contingent liability	2,760	—
Amounts due to subsidiaries, VIEs and VIE's subsidiaries	9,770,611	13,090,208
Total current liabilities	$9,864,514	$17,884,099
Shareholders' equity		
Ordinary shares (118,098,018 and 118,098,018 shares issued and outstanding as of December 31, 2017 and 2018, respectively)	57,000,417	57,001,017
Additional paid-in capital	34,368,210	36,079,122
Accumulated other comprehensive income	6,654,191	6,291,793
Retained deficits	(43,976,136)	(63,926,256)
Total shareholders' equity	54,046,682	35,445,676
Total liabilities and shareholders' equity	$63,911,197	$53,329,775

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CHINA FINANCE ONLINE CO. LIMITED

Financial information of Parent Company

Statements of Comprehensive Income

(In U.S. dollars)

	December 31,		
	2016	2017	2018
Cost of revenues	$34,740	$84,717	$85,493
Gross loss	(34,740)	(84,717)	(85,493)
Operating expenses:			
General and administrative	2,150,680	1,122,440	1,069,590
Product development	—	—	—
Sales and marketing	—	181,073	17,526
Share-based compensation	2,382,934	782,196	858,415
Total operating expenses	4,533,614	2,085,709	1,945,531
Interest income	—	2,246	4,851
Equity in earnings (deficits) of subsidiaries, VIEs and VIE's subsidiaries	3,049,831	(34,540,850)	(17,888,289)
Exchange loss, net	(159,868)	(2,785)	(10,608)
Other income (loss), net	(422)	(24,738)	(25,050)
Gain from sales of cost method investment	—	—	—
Net income (loss)	$(1,678,813)	$(36,736,553)	$(19,950,120)
Other comprehensive income (loss), net of tax:			
Changes in foreign currency translation adjustment	(4,343,652)	2,400,548	(362,398)
Other comprehensive income (loss), net of tax	(4,343,652)	2,400,548	(362,398)
Comprehensive income (loss)	$(6,022,465)	$(34,336,005)	$(20,312,518)

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CHINA FINANCE ONLINE CO. LIMITED

Financial Information of Parent Company

Statement of Shareholders' Equity

(In U.S. dollars, except share data)

	Ordinary shares		Additional	Accumulated other		Total
	Shares	Amount	paid-in capital	comprehensive income (loss)	Retained earnings (deficits)	shareholders' equity
Balance as of January 1, 2016	118,098,018	$56,856,000	$28,145,846	$ 8,597,295	$(5,560,770)	$88,038,371
Exercise of share options by employees	—	117,632	—	—	—	117,632
Share-based compensation	—	—	2,382,934	—	—	2,382,934
Equity pick up from compensation of VIE's subsidiaries	—	—	2,030,877	—	—	2,030,877
Changes in controlling ownership interest	—	—	(382,665)	—	—	(382,665)
Foreign currency translation adjustment	—	—	—	(4,343,652)	—	(4,343,652)
Net loss	—	—	—	—	(1,678,813)	(1,678,813)
Balance as of December 31, 2016	118,098,018	$56,973,632	$32,176,992	$ 4,253,643	$(7,239,583)	$86,164,684
Exercise of share options by employees	—	26,785	—	—	—	26,785
Share-based compensation	—	—	782,196	—	—	782,196
Equity pick up from compensation of VIE's	—	—	1,409,022	—	—	1,409,022

subsidiaries						
Foreign currency translation adjustment	—	—	—	2,400,548	—	2,400,548
Net loss	—	—	—	—	(36,736,553)	(36,736,553)
Balance as of December 31, 2017	118,098,018	$57,000,417	$34,368,210	$ 6,654,191	$(43,976,136)	$54,046,682
Exercise of share options by employees	—	600	—	—	—	600
Share-based compensation	—	—	858,415	—	—	858,415
Equity pick up from compensation of VIE's subsidiaries	—	—	852,497	—	—	852,497
Changes in controlling ownership interest	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	(362,398)	—	(362,398)
Net income	—	—	—	—	(19,950,120)	(19,950,120)
Balance as of December 31,2018	118,098,018	$57,001,017	$36,079,122	$ 6,291,793	$(63,926,256)	$35,445,676

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CHINA FINANCE ONLINE CO. LIMITED

Financial information of Parent Company

Statements of Cash Flows

(In U.S. dollars, except share-related data)

	December 31, 2016	2017	2018
Operating activities:			
Net income (loss)	$(1,678,813)	$(36,736,553)	$(19,950,120)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Share-based compensation	2,382,934	782,196	858,415
Equity in deficits (earnings) of subsidiaries, VIEs and VIE's subsidiaries	(3,049,831)	34,540,850	17,888,289
Changes in assets and liabilities:			
Prepaid expenses and other current assets	65,990	83,021	37,254
Amounts due from subsidiaries, VIEs and VIE's subsidiaries	(2,523,274)	28,544	4,972
Rental deposits	—	—	—
Accrued expenses and other current liabilities	(3,712)	(211,691)	235,882
Amounts due to subsidiaries, VIEs and VIE's subsidiaries	(3,409,764)	(326,263)	3,319,598
Net cash (used in) provided by operating activities	(8,216,470)	(1,839,898)	2,394,290
Investing activities:			
Dividend received from subsidiaries	16,529,639	—	—
Capital paid to subsidiaries	—	—	(12,100,010)
Proceeds from sales of cost method investment	—	—	—
Net cash provided by (used in) investing activities	16,529,639	—	(12,100,010)
Financing activities:			
Proceeds from stock options exercised by employees	142,618	26,786	600
Proceeds from paid-in capital of noncontrolling shareholders	—	—	4,466,000
Net cash provided by financing activities	142,618	26,786	4,466,600
Net (decrease) increase in cash, cash and restricted cash equivalents	8,455,787	(1,813,112)	(5,239,120)
Cash, cash equivalents and restricted cash, beginning of the year	971,500	9,427,287	7,614,175
Cash, cash equivalents and restricted cash, end of the year	$9,427,287	$7,614,175	$2,375,055

Note:

Basis for preparation

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