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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

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**FORM 20-F**

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(Mark One)

☐ **Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934**

**or**

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the fiscal year ended December 31, 2010.**

**or**

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

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

**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: 001-33768**

**CNINSURE INC.**

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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No. 299 Yanjiang Zhong Road  
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People's Republic of China  
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People's Republic of China

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Ordinary shares, par value US\$0.001 per share* American depositary shares, each representing 20 ordinary shares	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)

\* Not for trading, but only in connection with the listing on The NASDAQ Global Select Market of American depositary shares, each representing 20 ordinary shares.

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

None  
(Title of Class)

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

None  
(Title of Class)

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.

**1,010,997,726 ordinary shares, par value US\$0.001 per share as of December 31, 2010**

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

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

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

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## INTRODUCTION

In this annual report, unless the context otherwise requires:

- “we,” “us,” “our company,” “our” or “CNinsure” refer to CNinsure Inc., its subsidiaries and any entity carrying on CNinsure’s current business prior to the restructuring transactions in July 2007, through which CNinsure became the listing vehicle in our initial public offering, and their respective subsidiaries and consolidated affiliated entities;
- “China” or “PRC” refers to the People’s Republic of China, excluding, solely for the purpose of this annual report, Taiwan, Hong Kong and Macau;
- “provinces” of China refers to the 22 provinces, the four municipalities directly administered by the central government (Beijing, Shanghai, Tianjin and Chongqing) and the five autonomous regions (Xinjiang, Tibet, Inner Mongolia, Ningxia and Guangxi);
- “shares” or “ordinary shares” refers to our ordinary shares, par value US\$0.001 per share;
- “ADSs” refers to our American depositary shares, each of which represents 20 ordinary shares;
- all references to “RMB” or “Renminbi” are to the legal currency of China and all references to “\$,” “dollars,” “US\$” and “U.S. dollars” are to the legal currency of the United States; and
- all discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

## FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains statements of a forward-looking nature. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- our anticipated growth strategies;
- the anticipated growth of our life insurance business;
- our future business development, results of operations and financial condition;
- factors that affect our future revenues and expenses;
- the future growth of the Chinese insurance industry as a whole and the professional insurance intermediary sector in particular;
- trends and competition in the Chinese insurance industry; and
- economic and demographic trends in the PRC.

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You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements. We would like to caution you not to place undue reliance on forward-looking statements and you should read these statements in conjunction with the risk factors disclosed in “Item 3. Key Information —D. Risk Factors” of this annual report. Those risks are not exhaustive. We operate in an emerging and evolving environment. New risk factors emerge from time to time and it is impossible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable law.

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

Not Applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not Applicable.

**Item 3. Key Information**

**A. Selected Financial Data**

The following selected consolidated statements of operations data for the years ended December 31, 2008, 2009 and 2010 and the consolidated balance sheet data as of December 31, 2009 and 2010 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. The selected consolidated statements of operations data for the years ended December 31, 2006 and 2007 and the selected consolidated balance sheet data as of December 31, 2006, 2007 and 2008 have been derived from our audited consolidated financial statements, which are not included in this annual report.

In this annual report, our consolidated financial information for 2006 through 2010 refers collectively to our consolidated financial information for the years ended December 31, 2006, 2007, 2008, 2009 and 2010. Our historical results do not necessarily indicate results expected for any future periods. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” below. Our audited consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

For the Year Ended December 31,						
	2006	2007	2008	2009	2010	
	RMB	RMB	RMB	RMB	RMB	US\$
(in thousands, except shares, per share and per ADS data)						
<b>Consolidated Statement of Operations Data</b>						
<b>Net revenues:</b>						
Commissions and fees	245,652	446,929	843,107	1,154,090	1,484,389	224,907
Other service fees	897	1,216	855	761	640	97
<b>Total net revenues</b>	<b>246,549</b>	<b>448,145</b>	<b>843,962</b>	<b>1,154,851</b>	<b>1,485,029</b>	<b>225,004</b>
<b>Operating costs and expenses:</b>						
Commissions and fees	(133,076)	(232,550)	(436,803)	(579,911)	(708,403)	(107,333)
Selling expenses	(11,288)	(9,514)	(17,328)	(49,498)	(73,567)	(11,147)
General and administrative expenses <sup>(1)</sup>	(52,119)	(68,177)	(180,031)	(199,246)	(271,444)	(41,128)
<b>Total operating costs and expenses</b>	<b>(196,483)</b>	<b>(310,241)</b>	<b>(634,162)</b>	<b>(828,655)</b>	<b>(1,053,414)</b>	<b>(159,608)</b>
<b>Income from operations</b>	<b>50,066</b>	<b>137,904</b>	<b>209,800</b>	<b>326,196</b>	<b>431,615</b>	<b>65,396</b>
<b>Other income (expense), net:</b>						
Gain on disposal of investment in a subsidiary	—	—	525	—	—	—
Investment income	—	—	—	18,905	41,244	6,249
Interest income	5,364	16,235	47,967	33,299	26,924	4,080
Interest expense	(34)	(25)	(95)	(4)	(5)	(1)
Others, net	5	(2)	(28)	1,408	391	59
Changes in fair value of contingent consideration payables	—	—	—	(5,946)	—	—
<b>Net income before income taxes and income of affiliates</b>	<b>55,401</b>	<b>154,112</b>	<b>258,169</b>	<b>373,858</b>	<b>500,169</b>	<b>75,783</b>
Income tax benefit (expense)	573	(3,178)	(62,438)	(95,618)	(96,743)	(14,658)
Share of income of affiliates	—	—	135	774	12,904	1,955
<b>Net income</b>	<b>55,974</b>	<b>150,934</b>	<b>195,866</b>	<b>279,014</b>	<b>416,330</b>	<b>63,080</b>
Less: Net income (loss) attributable to the noncontrolling interests	(1,421)	(2,424)	4,129	(21,827)	(5,978)	(906)
<b>Net income attributable to the CNinsure Inc.'s shareholders</b>	<b>57,395</b>	<b>153,358</b>	<b>191,737</b>	<b>300,841</b>	<b>422,308</b>	<b>63,986</b>
<b>Net income per share (giving effect to the 10,000-for-1 share exchange in 2007):</b>						
Basic	0.0883	0.2178	0.2101	0.3297	0.4408	0.0668
Diluted	0.0875	0.2143	0.2090	0.3241	0.4264	0.0646
<b>Net income per ADS:</b>						
Basic	1.7660	4.3551	4.2025	6.5938	8.8162	1.3358
Diluted	1.7500	4.2858	4.1803	6.4815	8.5288	1.2922
<b>Shares used in calculating net income per share (giving effect to the 10,000-for-1 share exchange in 2007):</b>						
Basic	650,000,000	704,273,232	912,497,726	912,497,726	958,029,717	958,029,717
Diluted	655,970,000	715,649,950	917,335,390	928,312,312	990,318,528	990,318,528
Dividends declared per share <sup>(2)</sup>	585	0.1023	—	0.075	0.089	0.013

(1) Including (i) share-based compensation expenses of RMB45.7 million, RMB7.6 million and RMB22.2 million (US\$3.4 million) for the years ended December 31, 2008, 2009 and 2010, respectively; and (ii) impairment loss on intangible assets of nil, nil and RMB4.6 million (US\$0.7 million) for the years ended December 31, 2008, 2009 and 2010, respectively.

(2) The 2004 and 2005 dividends were declared in 2006 and the 2006 and 2007 dividends were declared in 2007. These dividends were not paid at the time they were declared. In 2007, we paid all of the previously declared but unpaid dividends totaling approximately RMB140.0 million. The per-share amount for 2006 was determined based on the number of shares of CISG Holdings Ltd., or CISG Holdings, outstanding as of the record date for the dividends declared, without giving effect to the 10,000-for-1 share exchange in July 2007. Dividend of US\$0.22 per ADS was declared on May 21, 2009, payable to our shareholders of record as of the close of business on June 26, 2009. Dividend of US\$0.26 per ADS was declared on April 23, 2010, payable to our shareholders of record as of the close of business on May 20, 2010.

	As of December 31,					
	2006	2007	2008	2009	2010	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	223,926	1,544,817	1,510,432	1,457,890	1,924,884	291,649
Total current assets	355,703	1,608,256	1,876,883	1,727,499	2,302,425	348,852
Total assets	379,622	1,640,164	2,046,515	2,545,965	3,854,456	584,008
Total current liabilities	75,524	53,337	190,222	337,648	288,361	43,691
Total liabilities	76,321	54,928	200,444	359,260	337,393	51,120
Noncontrolling interests	13,717	18,324	94,423	194,897	456,079	69,103
Total equity	303,301	1,585,236	1,846,071	2,186,705	3,517,063	532,888
Total liabilities and shareholders' equity	379,622	1,640,164	2,046,515	2,545,965	3,854,456	584,008

#### Exchange Rate Information

Our business is primarily conducted in China and all of our revenues are denominated in RMB. This annual report contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the readers. Unless otherwise noted, all translations from RMB to U.S. dollars in this annual report were made at a rate of RMB6.6000 to US\$1.00, the noon buying rate in effect as of December 30, 2010 in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. On April 29, 2011, the noon buying rate was RMB6.4900 to US\$1.00.

The following table sets forth information concerning exchange rates between the RMB 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 future periodic reports or any other information to be provided to you.

Period	Noon Buying Rate (RMB per US\$1.00)			
	Period End	Average(1)	Low	High
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
November	6.6670	6.6538	6.6892	6.6330
December	6.6000	6.6497	6.6745	6.6000
2011				
January	6.6017	6.5964	6.6364	6.5809
February	6.5713	6.5761	6.5965	6.5520
March	6.5483	6.5645	6.5743	6.5483
April (through April 29)	6.4900	6.5267	6.5477	6.4900

Source: Federal Reserve Bank of New York

(1) Annual averages are calculated from month-end rates. 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 Related to Our Business and Our Industry**

***Our limited operating history, especially our limited experience in distributing life insurance products and providing claims adjusting services, may not provide an adequate basis to judge our future prospects and results of operations.***

We have a limited operating history. We commenced our insurance intermediary business in 1999 by distributing automobile insurance products and expanded our offerings to other types of property and casualty insurance products in 2002. We started distributing individual life insurance products in January 2006 and began providing insurance claims adjusting services in 2008. Life insurance products accounted for 14.3%, 20.0% and 32.8% of our total net revenues in 2008, 2009 and 2010, respectively. Claims adjusting services accounted for 10.6%, 12.2% and 11.9% of our total net revenues in 2008, 2009 and 2010, respectively. While we regard life insurance distribution and claims adjusting services as two major areas of our future growth strategy, we cannot assure you that our efforts to further develop these businesses will be successful. If our life insurance distribution and claims adjusting businesses fail to grow, our future growth will be significantly affected. In addition, our limited operating history, especially our limited experience in selling life insurance products and providing claims adjusting services, may not provide a meaningful basis for you to evaluate our business, financial performance and prospects.

***If we fail to attract and retain productive agents, especially entrepreneurial agents, and qualified claims adjustors, our business could suffer.***

A substantial portion of our sales of property and casualty insurance products and our entire sales of life insurance products are conducted through our individual sales agents, who are not our employees. Some of these sales agents are significantly more productive than others in generating sales. In recent years, some entrepreneurial management staff or senior sales agents of major insurance companies in China have chosen to leave their employers or principals and become independent agents. We refer to these individuals as entrepreneurial agents. An entrepreneurial agent is usually able to assemble and lead a team of sales agents. We have been actively recruiting and will continue to recruit entrepreneurial agents to join our distribution and service network as our sales agents. Entrepreneurial agents have been instrumental to the development of our life insurance business. In addition, we rely entirely on our in-house claims adjustors to provide claims adjusting services. Because claims adjusting requires technical skills, the technical competence of claims adjustors is essential to establishing and maintaining our brand image and relationships with our customers. If we are unable to attract and retain the core group of highly productive sales agents, particularly entrepreneurial agents, and qualified claims adjustors, our business could be materially and adversely affected. Competition for sales personnel and claims adjustors from insurance companies and other insurance intermediaries may also force us to increase the compensation of our sales agents, in-house sales representatives and claims adjustors, which would increase operating costs and reduce our profitability.

***Our business and prospects could be materially and adversely affected if we are not able to manage our growth successfully.***

We commenced our insurance intermediary business in 1999 and have expanded our operations substantially in recent years. Our distribution and service networks expanded from one company in one province to 39 insurance agencies, three insurance brokerages, three claims adjusting firms and one online insurance service company in 23 provinces as of April 8, 2011. Meanwhile, we have broadened our service offerings from the distribution of only automobile insurance products to cover a wide variety of property and casualty insurance and life insurance products, and insurance claims adjusting services. We anticipate continued growth in the future through multiple means. Our expansion has placed, and will continue to place, substantial demands on our managerial, operational, technological and other resources. To manage and support our continued growth, we must continue to improve our operational, administrative, financial and technological systems, procedures and controls, and expand, train and manage our growing employee and agent base. Furthermore, our management will be required to maintain and expand our relationships with insurance companies, other insurance intermediaries, regulators and other third parties. We cannot assure you that our current and planned personnel, systems, procedures and controls will be adequate to support our future operations. Any failure to effectively and efficiently manage our expansion could materially and adversely affect our ability to capitalize on new business opportunities, which in turn could have a material adverse effect on our results of operations.

***We may be unsuccessful in identifying and acquiring suitable acquisition candidates, which could adversely affect our growth.***

Since our initial public offering in October 2007, we have significantly expanded our operations through a number of acquisitions. We expect a significant portion of our future growth to come from acquisitions of high-quality independent insurance agencies, brokerages and claims adjusting firms. There is no assurance that we can successfully identify suitable acquisition candidates, especially in those provinces where we do not yet have a presence. Even if we identify suitable candidates, we may not be able to complete an acquisition on terms that are commercially acceptable to us. In addition, we compete with other entities to acquire high-quality independent insurance agencies, brokerages and claims adjusting firms. Many of our competitors may have substantially greater financial resources than we do and may be able to outbid us for these acquisition targets. If we are unable to complete acquisitions, our growth strategy may be impeded and our earnings or revenue growth may be negatively affected.

***The change of acquisition model might increase our acquisition risks and costs or even adversely affect our growth.***

The professional insurance intermediary sector in China is still at its early stage of development, and is fragmented with over 2,500 professional insurance intermediaries, most of which are small and not highly regulated. Acquisitions in the professional insurance intermediary sector involve substantial risks. We have adopted two acquisition models to target insurance intermediary companies in different development stages. For mature insurance intermediary companies, we tend to acquire majority equity interest directly from management who will be holding the remaining equity interest of the acquired entities. In order to mitigate risks associated with acquiring small businesses which generally carry higher risks, including potential legal risks and hidden tax or debt liability, we partnered with Chengdu Jingshi Investment Co., Ltd., or Chengdu Jingshi, a third-party venture capital fund investing in start-up companies in the financial services industry for such acquisitions. On May 5, 2008, we entered into a cooperation agreement with Chengdu Jingshi. Pursuant to the agreement, we agreed to allow insurance intermediaries which have been acquired or invested by Chengdu Jingshi to join CNinsure as a franchise and use our brand, management system, contracts and platforms while Chengdu Jingshi agreed that CNinsure would have a pre-emptive right to purchase the shares of the franchised entity when they become more mature and satisfy our acquisition requirements. In addition, we had the right to have Chengdu Jingshi repurchase the franchised entity if, within 12 months of CNinsure's acquisition of the franchised entity, the franchised entity is unable to fulfill the guaranteed performance targets. These arrangements have effectively reduced the risks and costs of our acquisitions in the past years.

However, in order to simplify the acquisition model and avoid any unnecessary misunderstanding, on February 15, 2011, we and Chengdu Jingshi entered into a cooperation termination agreement, pursuant to which both parties agree to continue to honor existing agreements related to the ongoing projects and to discontinue cooperation for future acquisitions. As of the effective date of the cooperation termination agreement, we have cooperated with Chengdu Jingshi on 21 ongoing projects. We have acquired controlling stakes in 10 of the ongoing projects and we have the right of first refusal to acquire the remaining stakes in them in three to five years. Nine projects are still in the development stage and the remaining two were acquired by us and later bought back by Chengdu Jingshi upon our request as they failed to meet our performance or management requirements. For these 11 projects, we have preemptive rights to acquire controlling stakes or 100% of the stakes if the businesses satisfy our requirements.

Upon termination of the cooperation with Chengdu Jingshi, our future acquisition targets may be limited to relatively more mature insurance intermediary companies or we may have to develop start-up companies by ourselves as future acquisition targets, which can be time-consuming and as a result slow down our acquisition pace. In addition, we may have to take the risks and bear all the losses by ourselves if we fail in any of the acquisitions. Although we have accumulated experience from our previous acquisitions, there is no assurance that we can identify and eradicate all the risks and make acquisitions in an efficient and cost-effective manner, which might increase our acquisition risks and costs and have an adverse impact on our growth and results of operations.

***If we fail to integrate acquired companies efficiently, or if the acquired companies do not perform to our expectations, our business and results of operations may be adversely affected.***

Even if we succeed in acquiring other insurance agencies, brokerages and claims adjusting firms, our ability to integrate an acquired entity and its operations is subject to a number of factors. These factors include difficulties in the integration of acquired operations and retention of personnel, especially the sales agents who are not employees of the acquired company, entry into unfamiliar markets, unanticipated problems or legal liabilities, and tax and accounting issues. The need to address these factors may divert management's attention from other aspects of our business and materially and adversely affect our business prospects. In addition, costs associated with integrating newly acquired companies could negatively affect our operating margins.

Furthermore, the acquired companies may not perform to our expectations for various reasons, including legislative or regulatory changes that affect the insurance products in which a company specializes, the loss of key clients after the acquisition closes, general economic factors that impact a company in a direct way and the cultural incompatibility of an acquired company's management team with us. If an acquired company can not be operated at the same profitability level as our existing operations, the acquisition would have a negative impact on our operating margin. Our inability to successfully integrate an acquired entity or its failure to perform to our expectations may materially and adversely affect our business, prospects, results of operations and financial condition.

***If we are required to write down goodwill and other intangible assets, our financial condition and results may be materially and adversely affected.***

When we acquire a business, a substantial portion of the purchase price of the acquisition is generally allocated to goodwill and other identifiable intangible assets. The amount of the purchase price that is allocated to goodwill and other intangible assets is determined by the excess of the purchase price over the net identifiable tangible assets acquired. As of December 31, 2010, goodwill represented RMB1,154.4 million (US\$174.9 million), or 32.8% of our total shareholders' equity, and other net intangible assets represented RMB145.7 million (US\$22.1 million), or 4.1% of our total shareholders' equity. Management performs impairment assessment annually and we recognized an impairment loss of RMB4.6 million (US\$0.7 million) in intangible assets in the fourth quarter of 2010. Under current accounting standards, if we determine that goodwill or intangible assets are further impaired, we will be required to write down the value of such assets and recognize corresponding impairment charges. As we implement our growth strategy through acquisitions, goodwill and intangible assets may comprise an increasingly larger percentage of our shareholders' equity. As such, any write-down related to such goodwill and intangible assets may adversely and materially affect our shareholders' equity and financial results.

***Because the commission and fee revenue we earn on the sale of insurance products is based on premiums, commission and fee rates set by insurance companies, any decrease in these premiums, commission or fee rates may have an adverse effect on our results of operations.***

We are engaged in the insurance agency, brokerage and claims adjusting business and derive revenues primarily from commissions and fees paid by the insurance companies whose policies our customers purchase and to whom we provide claims adjusting services. The commission and fee rates are set by insurance companies and are based on the premiums that the insurance companies charge or the amount recovered from insurance companies. Commission and fee rates and premiums can change based on the prevailing economic, regulatory, taxation-related and competitive factors that affect insurance companies. These factors, which are not within our control, include the ability of insurance companies to place new business, underwriting and non-underwriting profits of insurance companies, consumer demand for insurance products, the availability of comparable products from other insurance companies at a lower cost, the availability of alternative insurance products such as government benefits and self-insurance plans, as well as the tax deductibility of commissions and fees and the consumers themselves. In addition, premium rates for certain insurance products, such as the mandatory automobile liability insurance that each automobile owner in the PRC is legally required to purchase, are tightly regulated by China Insurance Regulatory Commission, or the CIRC.

Because we do not determine, and cannot predict, the timing or extent of premium or commission and fee rate changes, we cannot predict the effect any of these changes may have on our operations. Since China's entry into the WTO in December 2001, intense competition among insurance companies has led to a gradual decline in premium rate levels of some property and casualty insurance products. Although such decline may stimulate demand for insurance products and increase our total sales volume, it also reduces the commissions and fees we earn on each policy sold. Any decrease in premiums or commission and fee rates may significantly affect our profitability. In addition, our budget for future acquisitions, capital expenditures and other expenditures may be disrupted by unexpected decreases in revenues caused by decreases in premiums or commission and fee rates, thereby adversely affecting our operations.

***Competition in our industry is intense and, if we are unable to compete effectively, we may lose customers and our financial results may be negatively affected.***

The insurance intermediary industry in China is highly competitive, and we expect competition to persist and intensify. In insurance product distribution, we face competition from insurance companies that use their in-house sales force, exclusive sales agents, telemarketing and internet channels to distribute their products, and from business entities that distribute insurance products on an ancillary basis, such as commercial banks, postal offices and automobile dealerships, as well as from other professional insurance intermediaries. In our claims adjusting business, we primarily compete with other independent claims adjusting firms. We compete for customers on the basis of product offerings, customer services and reputation. Many of our competitors have greater financial and marketing resources than we do and may be able to offer products and services that we do not currently offer and may not offer in the future. If we are unable to compete effectively against those competitors, we may lose customers and our financial results may be negatively affected.

***Quarterly and annual variations in our commission and fee revenue may have unexpected impacts on our results of operations.***

Our commission and fee revenue is subject to both quarterly and annual fluctuations as a result of the seasonality of our business, the timing of policy renewals and the net effect of new and lost business. Historically, our commission and fee revenue, particularly revenue derived from distribution of property and casualty insurance products, for the fourth quarter of any given year has been the highest among all four quarters, while our commission and fee revenue for the first quarter of any given year has been the lowest among all four quarters. The factors that cause the quarterly and annual variations are not within our control. Specifically, consumer demand for insurance products can influence the timing of renewals, new business and lost business, which generally includes policies that are not renewed, and cancellations. As a result, you may not be able to rely on quarterly or annual comparisons of our operating results as an indication of our future performance.

***If our contracts with insurance companies are terminated or changed, our business and operating results could be adversely affected.***

We primarily act as agents for insurance companies in distributing their products to retail customers. We also provide claims adjusting services principally to insurance companies. Our relationships with the insurance companies are governed by agreements between us and the insurance companies. Most of the contracts with our major insurance company partners for the distribution of life insurance products are entered into at the corporate headquarters level. While this approach allows us to obtain more favorable terms from insurance companies by combining the sales volumes of our affiliated insurance agencies and brokerages, it also means that the termination of a major contract could have a material adverse effect on our life insurance business. Our contracts for the distribution of property and casualty insurance and the provision of claims adjusting services are primarily entered into at a local level between the respective provincial, city and district branches of the insurance companies and our affiliated insurance agencies, brokerages and claims adjusting firms. Generally, each branch of these insurance companies has independent authority to enter into contracts with our affiliated insurance agencies, brokerages and claims adjusting firms, and the termination of a contract with one branch has no significant effect on our contracts with the other branches. See “Item 4. Information on the Company—B. Business Overview—Insurance Company Partners.” These contracts establish, among other things, the scope of our authority, the pricing of the insurance products we distribute and our fee rates. These contracts typically have a term of one year and some of them can be terminated by the insurance companies with little advance notice. Moreover, before or upon expiration of a contract, the insurance company that is a party to that contract may agree to renew it only with changes in its terms, including the amount of commissions and fees we receive, which could reduce our revenues from that contract.

For the year ended December 31, 2010, our top five insurance company partners were PICC Property and Casualty Company Limited, or PICC, China Pacific Property Insurance Co., Ltd., or CPIC, AVIVA-COFCO Life Insurance Co., Ltd., or AVIVA-COFCO, Ping An Property & Casualty Insurance Company of China, Ltd., or Ping An, and Sino Life Insurance Co., Ltd., or Sino Life. Among them, PICC, CPIC, AVIVA-COFCO and Ping An each accounted for more than 10% of our total net revenues in 2010, with PICC accounting for 18.6%, CPIC accounting for 13.6%, AVIVA-COFCO accounting for 13.0% and Ping An accounting for 10.5%. The termination of our contracts with insurance companies that in aggregate account for a significant portion of our business, or changes to material terms of these contracts, could adversely affect our business and operating results.

***Our operating structure may make it difficult to respond quickly to operational or financial problems, which could negatively affect our financial results.***

We currently operate through affiliated insurance agencies, brokerages and claims adjusting firms located in 23 provinces in China. These companies report their results to our corporate headquarters monthly. If these companies delay either reporting results or informing corporate headquarters of negative business developments such as loss of relationship with insurance companies, regulatory inquiries or any other negative events, we may not be able to take action to remedy the situation in a timely fashion. This in turn could have a negative effect on our financial results. In addition, if one of these companies were to report inaccurate financial information, we might not learn of the inaccuracies on a timely basis and be able to take corrective measures promptly, which could negatively affect our ability to report our financial results.

***Our dependence on the founders and key managers of the acquired firms may limit our ability to effectively manage our business.***

In the acquisitions we have completed to date, the founders and key managers of the acquired firms continue to manage the acquired business. They are responsible for ordinary course operational decisions, including personnel and office location, subject to our oversight. They also maintain the primary relationship with customers and the local branches of insurance companies. Although we maintain internal controls to oversee our nationwide operations, this operating structure exposes us to the risk of losses resulting from day-to-day decisions of the managers of the acquired firms. Unsatisfactory performance by these managers could hinder our ability to grow and could have a material adverse effect on our business.

***Our future success depends on the continuing efforts of our senior management team and other key personnel, and our business may be harmed if we lose their services.***

Our future success depends heavily upon the continuing services of the members of our senior management team and other key personnel, in particular Mr. Yinan Hu, our chairman and chief executive officer, Mr. Qiuping Lai, our president, Mr. Peng Ge, our chief financial officer, Mr. Chunlin Wang, our vice president, chief operating officer and head of our property and casualty business unit, and Mr. Feng Jin, our vice president, chief information officer and the head of our life insurance business unit. If one or more of our senior executives or other key personnel, are unable or unwilling to continue in their present positions, we may not be able to replace them easily, or at all. As such, our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Competition for senior management and key personnel is intense, the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. As is customary in the PRC, we do not have insurance coverage for the loss of our senior management team or other key personnel.

In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose customers, sensitive trade information and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement with us which contains confidentiality and non-competition provisions. These agreements generally have an initial term of three years, and are automatically extended for successive one-year terms unless terminated earlier pursuant to the terms of the agreement. See “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Employment Agreements” for a more detailed description of the key terms of these employment agreements. If any disputes arise between any of our senior executives or key personnel and us, we cannot assure you of the extent to which any of these agreements may be enforced.

***Sales person and employee misconduct is difficult to detect and deter and could harm our reputation or lead to regulatory sanctions or litigation costs.***

Sales person and employee misconduct could result in violations of law by us, regulatory sanctions, litigation or serious reputational or financial harm. Misconduct could include:

- making misrepresentation when marketing or selling insurance products to customers;
- hindering insurance applicants from making full and accurate mandatory disclosures or inducing applicants into make misrepresentations;
- hiding or falsifying material information in relation to the insurance contracts;

- fabricating or altering insurance contracts without authorization from relevant parties, selling false policies, or providing false documents on behalf of the applicants;
- falsifying insurance agency business or fraudulently returning insurance policies to obtain commissions;
- colluding with applicants, insured, or beneficiaries to obtain insurance benefits;
- engaging in false claims; or
- otherwise not complying with laws and regulations or our control policies or procedures.

We cannot always deter sales person or employee misconduct, and the precautions we take to prevent and detect these activities may not be effective in all cases. We cannot assure you, therefore, that sales person or employee misconduct will not lead to a material adverse effect on our business, results of operations or financial condition.

***All of our personnel engaging in insurance agency, brokering or claims adjusting activities are required under relevant PRC regulations to have a qualification certificate issued by the CIRC. If these qualification requirements are strictly enforced in the future, our business may be materially and adversely affected.***

All of our personnel who engage in insurance agency, brokering and claims adjusting activities are required under relevant PRC regulations to obtain a qualification certificate from the CIRC in order to conduct insurance agency, brokering or claims adjusting business. See “Item 4. Information on the Company—B. Business Overview—Regulation.” In addition, we understand that the CIRC requires that every individual agent carry the qualification certificate and other credentials showing specified information when conducting agency business. Under the relevant PRC regulations, an insurance agency, brokerage or claims adjusting firm that retains unqualified personnel to engage in insurance intermediary activities may be fined up to RMB10,000. As of April 8, 2011, approximately 85% of our sales professionals had received a qualification certificate. If more local CIRC agencies were to strictly enforce these regulations in the future, and if a substantial number of our sales forces remain unqualified, our business may be adversely affected. Moreover, we may be subject to fines and other administrative proceedings for the failure of our insurance professionals to obtain the necessary CIRC qualification certificate. Any such fines or administrative proceedings could materially and adversely affect our business, financial condition and results of operations.

***The implementation of the insurance sales system reform involves substantial uncertainties and the fee-based revenue scheme adopted by several of our affiliated property and casualty insurance agencies may be subject to challenge by the PRC tax authorities.***

The CIRC issued a consultation paper for opinions on the reform of insurance sales system in June 2009, which aims to replace the pyramid structure commonly used in insurance industry organization with a retail distribution system in order to clarify the employment status of all insurance agents. Under this consultation paper, all insurance salespersons may become (i) employees of insurance companies or insurance intermediaries; (ii) employees of labor services companies, who are engaged to provide labor services to insurance companies; or (iii) individual sales agents, including independent sales agents who are allowed to register as sole-proprietors or partnership companies and who may sell insurance products on behalf of a variety of insurance companies, as well as insurance sales agents who are allowed to register as self-employed industrial and commercial households and may sell insurance products on behalf of one insurance company only. The reform is expected to be completed within five years. Currently there are no regulations setting forth the procedures for the registration of individual sales agents. The implementation and development of this insurance sales reform involves substantial uncertainties.

In response to the consultation paper, we submitted a proposal to the CIRC in June 2009 with respect to our pilot experiment and our trial fee-based revenue scheme. Under our proposal, individual insurance agents will be entitled to receive fees from insurance companies directly while we will become a platform service provider for sales agents and insurance companies and be compensated by platform service fees. In contrast, historically we have received commissions from insurance companies and we have paid fees to insurance salespersons out of these commissions. This has created a double taxation issue as we are required to pay business tax for the commissions we receive from the insurance companies and those insurance salespersons are also required to pay income tax for the fees that they receive from us.

As part of the pilot experiment proposal we submitted to the CIRC, with the approval from the CIRC, several of our affiliated property and casualty insurance agencies have adopted a trial revenue scheme since the second quarter of 2009. Under this scheme, only the platform service fees that we receive from insurance companies will be recognized as revenue and subject to business tax. As of April 8, 2011, with the written approval from the CIRC, eight of our affiliated entities located in Tianjin, and Zhejiang, Henan, Fujian, Hunan, Shandong and Liaoning provinces have implemented the trial fee-based revenue scheme. Although tax authorities in Hunan, Jiangsu and Zhejiang provinces have adopted regulations to avoid double taxation, it is uncertain whether and when such regulations will be adopted by other provinces. If the PRC tax authorities determine that the tax liability assessment of those eight affiliated entities under the trial revenue scheme is inappropriate, the business tax liabilities of our affiliated entities could increase and our affiliated entities may be subject to fines for tax underpayment, which may materially adversely affect our results of operations.

***Our businesses are highly regulated, and the administration, interpretation and enforcement of the laws and regulations currently applicable to us involve uncertainties, which could materially and adversely affect our business and results of operations.***

We operate in a highly regulated industry. The CIRC has extensive authority to supervise and regulate the insurance industry in China. In exercising its authority, the CIRC is given wide discretion, and the administration, interpretation and enforcement of the laws and regulations applicable to us involve uncertainties that could materially and adversely affect our business and results of operations. For example, it is not clear when the CIRC will start strictly enforcing the qualification requirements for sales professionals affiliated with professional insurance intermediaries like us. Although we have not had any material violations to date, we cannot assure you that our operations will always be consistent with the interpretation and enforcement of the laws and regulations by the CIRC from time to time.

***Further development of regulations in China may impose additional costs and restrictions on our activities.***

China's insurance regulatory regime is undergoing significant changes. Some of these changes and the further development of regulations applicable to us may result in additional restrictions on our activities or more intensive competition in this industry. For example, under the provisions for administration of professional insurance agencies and brokerages adopted on September 18, 2009, insurance agencies and brokerage companies are required to increase their guaranty deposit, which generally cannot be withdrawn without the CIRC's approval, when they open any new branches. Furthermore, pursuant to the provisions, the minimum registered capital requirements for insurance agencies, brokerages and claims adjusting firms have been increased substantially. See "Item 4. Information on the Company—B. Business Overview—Regulation." Insurance agencies, brokerages and claims adjusting firms that have been established before October 1, 2009 will be given a three-year phase-in period until October 1, 2012 to meet the new minimum registered capital requirement. Such increase would reduce the amount of cash available for other business purposes. In addition, according to the Insurance Law amended on February 28, 2009, sole-proprietor insurance agencies are now allowed. According to the Opinions on Improving Sales Agent Management System issued by the CIRC on September 20, 2010, insurance companies are encouraged to establish exclusive sales agencies or insurance sales companies and all types of capital, including foreign capital are encouraged to invest in large scale insurance agencies and insurance sales companies. These changes may lead to intensified competition among insurance agencies. Such development of regulations could materially and adversely affect our business and results of operations.

***We have conducted some of our business through four of our subsidiaries, which do not possess insurance agency or brokerage licenses.***

Four of our subsidiaries run our operating platform and maintain our customer database. In addition, they have provided information about potential customers to insurance companies, which paid fees to these subsidiaries if these customers purchased insurance policies. Our PRC counsel, Commerce & Finance Law Offices, has informed us that in its opinion, the provision of customer information to and the collection of fees from insurance companies by our subsidiaries comply with existing PRC laws and regulations. We cannot assure you, however, that the relevant PRC regulatory authorities will not take a view contrary to ours or that of our PRC counsel. If the CIRC clarifies existing regulations on insurance agencies and brokerages or adopts new regulations that classify the provision of customer information to insurance companies as a form of insurance agency or brokerage services, our subsidiaries may be deemed to have engaged in insurance agency or brokerage services without proper license and as a result, we may be subject to administrative penalties, which may have a material adverse effect on our results of operations.

***If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud.***

We are subject to reporting obligations under U.S. securities laws. Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules adopted by the Securities and Exchange Commission, every public company is required to include a management report on the company's internal controls over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal controls over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company's internal controls over financial reporting. These requirements first apply to our annual report on Form 20-F for the fiscal year ended on December 31, 2008.

Our management has concluded that our internal control over financial reporting was effective as of December 31, 2010. See "Item 15. Controls and Procedures." However, there is no assurance that we will be able to maintain effective internal controls over financial reporting in the future. If we fail to do so, we may not be able to produce reliable financial reports and prevent fraud. Moreover, if we were not able to conclude that we have effective internal controls over financial reporting, investors may lose confidence in the reliability of our financial statements, which would negatively impact the trading price of our ADSs. Our reporting obligations as a public company, including our efforts to comply with Section 404 of the Sarbanes-Oxley Act, will continue to place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

***We may face legal action by the former employers or principals of entrepreneurial agents who join our distribution and service network.***

Competition for productive sales agents is intense within the Chinese insurance industry. When an entrepreneurial agent leaves his or her employer or principal to join our distribution and service network as our sales agent, we may face legal action by the former employer or principal of the entrepreneurial agent on the ground of unfair competition or breach of contract. As of the date of this annual report, there has been no such action filed or threatened against us. We cannot assure you that this will not happen in the future. Any such legal actions, regardless of merit, could be expensive and time-consuming and could divert resources and management's attention from the operation of our business. If we were found liable in such a legal action, we might be required to pay substantial damages to the former employer or principal of the entrepreneurial agent, and our business reputation might be harmed. Moreover, the filing of such a legal action may discourage potential entrepreneurial agents from leaving their employers or principals, thus reducing the number of entrepreneurial agents we can recruit and potentially harming our growth prospects.

***If we are unable to successfully expand into the consumer financial services and wealth management sectors, our business and results of operations may be adversely affected.***

We have been expanding into new business areas to leverage our existing sales network, customer resources and operating platform so as to better serve our customers' needs for insurance protection, financing and wealth management. For example, in October 2009, we acquired a non-controlling equity interest in Sincere Fame International Limited, or Sincere Fame, which owns 100% of the equity interest in China Financial Services Group Limited, or CFSG, a consumer credit brokerage company specializing in the distribution of personal loans and residential mortgage loans for commercial banks. This investment marked our expansion into the consumer financial services sector. In November 2010, we formed a joint venture, Fanhua Puyi Investment Management Co., Ltd., or Fanhua Puyi, with Shanghai Puyi Investment Consulting Co., Limited, or Shanghai Puyi, and Chengdu Ronghai Investment Co., Ltd., or Chengdu Ronghai, to engage in independent investment research and wealth management services. CNinsure, Shanghai Puyi and Chengdu Ronghai hold 19.48%, 44.61% and 35.91%, respectively, of the equity interest of Fanhua Puyi. We plan to continue our expansion in these areas in the future. However, our efforts to develop these new businesses may not be successful or yield the benefits that we anticipate due to our limited experience in distributing non-insurance related financial services and products. In addition, our expansion may subject us to risks associated with operating in the consumer financial services and wealth management sectors in China, including but not limited to, changes in monetary or industry policies and other economic measures that may affect our cooperation with financial institutions and their product supply, as well as competition from other consumer credit brokerage companies and other financial services companies that offer wealth management products. Currently, changes in regulations for the consumer credit brokerage and wealth management sectors may impose burdensome approval, licensing or other requirements on CFSG and its affiliated subsidiaries and Puyi. Any failure to successfully identify, execute and integrate acquisitions, investments, joint ventures and alliances as part of our expansion into the consumer financial services sector may have a material adverse impact on our growth, business prospects and results of operations, which could lead to a decline in the price of our ADSs.

***If our investment in e-commerce platform is not successful, our business and results of operations may be adversely affected.***

We recently decided to build an e-commerce platform to distribute commodity-type insurance products, such as auto insurance, accident insurance and travel insurance. On November 1 2010, we completed the acquisition of a majority equity interest in InsCom Holding Limited, or InsCom Holding, which beneficially owns 100% of the equity interest in Shenzhen InsCom E-commerce Co., Ltd., or Shenzhen InsCom, a leading independent online insurance service provider in China. See “Item 4. Information on the Company—History and Development of the Company—Principal Transactions — Acquisition of InsCom Holding”. We intend to devote significant investments in the construction of the IT infrastructure and call center related to the e-commerce insurance platform and in marketing to build brand awareness in the next few years. However, our efforts to develop this new business may not be successful or yield the benefits that we anticipate due to our limited experience in online insurance distribution business. In addition, our expansion may depend on a number of factors, many of which are beyond our control, including but not limited to:

- The effectiveness of our marketing campaign to build brand recognition among consumers and our ability to attract and retain customers;
- The acceptance of third party e-commerce platform as an effective channel for underwriters to distribute their insurance products;
- Public concerns over security of e-commerce transactions and confidentiality of information;
- Increased competition from insurance companies which directly sell insurance products through their own websites and call centers, portal websites which provide insurance product information and links to insurance companies’ websites and other professional insurance intermediary companies which may launch independent online insurance distribution in the future; and
- Further development and changes in applicable rules and regulations which may increase our operating costs and expenses, impede the execution of our business plan or change the competitive landscape.

Since online insurance distribution has emerged only recently in China and is evolving rapidly, the PRC government has not adopted a unified regulatory framework governing the sector. The CIRC has recently circulated a consultation paper for opinions on the provisional regulations with respect to the internet insurance business. This regulation may introduce higher barriers for insurance companies, business entities that distribute insurance products on an ancillary basis, and professional insurance intermediaries to enter into this sector. For example, online insurance distribution licenses may only be granted to those that are able to meet certain criteria in internal control, organizational structure and technologic competence and have obtained nation-wide operating licenses. However, the development and implementation of the regulation involves uncertainty.

Any failure to successfully identify the risks as part of our expansion into the online insurance distribution business may have a material adverse impact on our growth, business prospects and results of operations, which could lead to a decline in the price of our ADSs.

***Any significant failure in our information technology systems could have a material adverse effect on our business and profitability.***

Our business is highly dependent on the ability of our information technology systems to timely process a large number of transactions across different markets and products at a time when transaction processes have become increasingly complex and the volume of such transactions is growing rapidly. The proper functioning of our financial control, accounting, customer database, customer service and other data processing systems, together with the communication systems of our various subsidiaries and consolidated affiliated entities and our main offices in Guangzhou, is critical to our business and to our ability to compete effectively. We cannot assure you that our business activities would not be materially disrupted in the event of a partial or complete failure of any of these primary information technology or communication systems, which could be caused by, among other things, software malfunction, computer virus attacks or conversion errors due to system upgrading. In addition, a prolonged failure of our information technology system could damage our reputation and materially and adversely affect our future prospects and profitability.

***If we are unable to respond in a timely and cost-effective manner to rapid technological change in the insurance intermediary industry, it may result in an adverse effect.***

The insurance industry is increasingly influenced by rapid technological change, frequent new product and service introductions and evolving industry standards. For example, the insurance intermediary industry has increased use of the Internet to communicate benefits and related information to consumers and to facilitate information exchange and transactions. We believe that our future success will depend on our ability to continue to anticipate technological changes and to offer additional product and service opportunities that meet evolving standards on a timely and cost-effective basis. There is a risk that we may not successfully identify new product and service opportunities or develop and introduce these opportunities in a timely and cost-effective manner. In addition, product and service opportunities that our competitors develop or introduce may render our products and services uncompetitive. As a result, we can give no assurances that technological changes that may affect our industry in the future will not have a material adverse effect on our business and results of operations.

***We face risks related to health epidemics, severe weather conditions and other catastrophes, which could materially and adversely affect our business.***

Our business could be materially and adversely affected by the outbreak of avian flu, severe acute respiratory syndrome, or SARS, another health epidemic, severe weather conditions or other catastrophes. In April 2009, influenza A (H1N1), a new strain of flu virus commonly referred to as “swine flu,” was first discovered in North America and quickly spread to other parts of the world, including China. In January and February 2008, a series of severe winter storms afflicted extensive damages and significantly disrupted people’s lives in large portions of southern and central China. In May 2008, an earthquake measuring 8.0 on the Richter scale hit Sichuan Province in southwestern China, causing huge casualties and property damages. Because our business operations rely heavily on the efforts of individual sales agents, in-house sales representatives and claims adjusters, any prolonged recurrence of avian flu or SARS, or the occurrence of other adverse public health developments such as influenza A (H1N1), severe weather conditions such as the massive snow storms in January and February 2008 and other catastrophes such as the Sichuan earthquake may significantly disrupt our staffing and otherwise reduce the activity level of our work force, thus causing a material and adverse effect on our business operations.

#### **Risks Related to Our Corporate Structure**

***If the PRC government finds that the agreements that establish the structure for operating our China business do not comply with applicable PRC laws and regulations, we could be subject to severe penalties.***

PRC laws and regulations place certain restrictions on foreign investment in and ownership of insurance intermediary companies. We conduct our operations in China principally through contractual arrangements among our PRC affiliated subsidiaries (Guangdong Meidiya Investment Co., Ltd., or Meidiya Investment, Sichuan Yihe Investment Co., Ltd., or Yihe Investment, Shenzhen Xinbao Investment Management Co., Ltd., or Xinbao Investment), and the individual shareholders and the subsidiaries of Meidiya Investment, Yihe Investment and Xinbao investment. Meidiya Investment, Yihe Investment and Xinbao Investment together, directly or indirectly, held equity interests ranging from 51% to 100% in 39 agencies, three brokerage companies, three claims adjusting firms and one online insurance service company as of April 8, 2011. These wholly and majority-owned subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment hold the licenses and permits necessary to conduct our insurance intermediary business in China.

Our contractual arrangements with Meidiya Investment, Yihe Investment, Xinbao Investment, their shareholders and their subsidiaries enable us to:

- exercise effective control over Meidiya Investment, Yihe Investment, Xinbao Investment and their subsidiaries;
- receive a substantial portion of the economic benefits of the subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment in consideration for the services provided by our wholly-owned subsidiaries in China; and
- have an exclusive option to purchase all or part of the equity interests in each of Meidiya Investment, Yihe Investment, Xinbao Investment and their subsidiaries when and to the extent permitted by PRC law.

Because of these contractual arrangements, we are the primary beneficiary of Meidiya Investment, Yihe Investment, Xinbao Investment and their subsidiaries and have consolidated them into our consolidated financial statements. If we, our PRC subsidiaries, Meidiya Investment, Yihe Investment, Xinbao Investment or any of the existing and future subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the CIRC, will have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of our PRC subsidiaries and consolidated affiliated entities;
- restricting or prohibiting any related-party transactions among our PRC subsidiaries and consolidated affiliated entities;
- imposing fines or other requirements with which we, our PRC subsidiaries or our consolidated affiliated entities may not be able to comply;
- requiring us, our PRC subsidiaries or our consolidated affiliated entities to restructure the relevant ownership structure or operations; or
- restricting or prohibiting us from providing additional funding for our business and operations in China.

The imposition of any of these penalties could result in a material and adverse effect on our ability to conduct our business.

***We rely principally on contractual arrangements with Meidiya Investment, Yihe Investment, Xinbao Investment and their subsidiaries and shareholders for our China operations, which may not be as effective in providing operational control as direct ownership.***

PRC laws and regulations place certain restrictions on foreign investment in and ownership of insurance intermediary companies. Although on August 26, 2010, the CIRC released a Circular on the Cancellation of the Fifth Batch of Administrative Approval Items, pursuant to which foreign ownership in a professional insurance intermediary in excess of 25%, for which prior approval was previously required, is required to be filed with relevant authorities only, there remains uncertainty regarding the interpretation and implementation of the regulation and its Implementation Rules and it is uncertain whether we will succeed in obtaining direct ownership in our PRC affiliated subsidiaries. We have relied principally and expect to continue to rely on contractual arrangements with our PRC consolidated affiliated entities, Meidiya Investment, Yihe Investment, Xinbao Investment and their subsidiaries and individual shareholders to operate our business in China. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure.” These contractual arrangements may not be as effective in providing us with control over Meidiya Investment, Yihe Investment and Xinbao Investment and their subsidiaries as direct ownership.

If we had direct controlling ownership of Meidiya Investment, Yihe Investment, Xinbao Investment and their subsidiaries, we would be able to exercise our rights as a controlling shareholder to effect changes in the board of directors of Meidiya Investment, Yihe Investment, Xinbao Investment and their subsidiaries, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. But under the current contractual arrangements, as a legal matter, if Meidiya Investment, Yihe Investment, Xinbao Investment or any of their subsidiaries and shareholders fails to perform its or his obligations under these contractual arrangements, we may have to incur substantial costs and other resources to enforce such arrangements and rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. For example, if the shareholders of Meidiya Investment, Yihe Investment and Xinbao Investment were to refuse to transfer their equity interest in Meidiya Investment, Yihe Investment and Xinbao Investment to us or our designee when we exercise the call option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal action to compel them to fulfill their contractual obligations.

All of our contractual arrangements with Meidiya Investment, Yihe Investment, Xinbao Investment and their subsidiaries and individual shareholders are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our consolidated affiliated entities, and our ability to conduct our business may be negatively affected.

***The individual shareholders of Meidiya Investment, Yihe Investment and Xinbao Investment may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.***

Two individual shareholders, Mr. Qiuping Lai and Mr. Peng Ge, collectively hold 80% of the equity interest in each of Meidiya Investment and Yihe Investment and two individual shareholders, Mr. Chunling Wang and Mr. Yuan Tian, collectively hold 100% of the equity interest in Xinbao Investment. Conflicts of interest may arise between the dual roles of Mr. Lai, Mr. Ge, Mr. Wang and Mr. Tian as a shareholder of our consolidated affiliated entities and as an executive officer of our company. We do not have existing arrangements to address these potential conflicts of interest and cannot assure you that when conflicts arise, those individuals will act in the best interest of our company or that conflicts will be resolved in our favor.

***Contractual arrangements we have entered into with the subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.***

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 between our subsidiaries and the subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment are not on an arm's-length basis and adjust the income of the subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by the subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment, which could in turn increase their respective tax liabilities. Moreover, the PRC tax authorities may impose penalties on our consolidated affiliated entities for underpayment of taxes. Our consolidated net income may be materially and adversely affected by the occurrence of any of the foregoing.

***PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans to our PRC subsidiaries and consolidated affiliated entities or making additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.***

We are an offshore holding company conducting our operations in China through PRC subsidiaries and consolidated affiliated entities. In order to provide additional funding to our PRC subsidiaries and consolidated affiliated entities, we may make loans to our PRC subsidiaries and consolidated affiliated entities, or we may make additional capital contributions to our PRC subsidiaries.

Any loans we make to any of our directly-held PRC subsidiaries (which are treated as foreign-invested enterprises under PRC law), Fanhua Zhonglian Enterprise Image Planning (Shenzhen) Co., Ltd. (formerly known as Haidileji Enterprise Image Planning (Shenzhen) Co., Ltd.), or Zhonglian Enterprise, and Fanhua Xinlian Information Technology Consulting (Shenzhen) Co., Ltd. (formerly known as Yiqiman Enterprise Management Consulting (Shenzhen) Co., Ltd.), or Xinlian Information, and Ying Si Kang Information Technology (Shenzhen) Co., Ltd., or Ying Si Kang Information, cannot exceed statutory limits and must be registered with the State Administration of Foreign Exchange, or the SAFE, or its local counterparts. Under applicable PRC law, the Chinese regulators must approve the amount of a foreign-invested enterprise's registered capital, which represents shareholders' equity investments over a defined period of time, and the foreign-invested enterprise's total investment, which represents the total of the company's registered capital plus permitted loans. The registered capital/total investment ratio cannot be lower than the minimum statutory requirement and the excess of the total investment over the registered capital represents the maximum amount of borrowings that a foreign-invested enterprise is permitted to have under PRC law. Our directly-held PRC subsidiaries were allowed to incur a total of HK\$336.0 million (US\$43.2 million) in foreign debts as of April 8, 2011. If we were to provide loans to our directly-held PRC subsidiaries in excess of the above amount, we would have to apply to the relevant government authorities for an increase in their permitted total investment amounts. The various applications could be time consuming and their outcomes would be uncertain. Concurrently with the loans, we might have to make capital contributions to these subsidiaries in order to maintain the statutory minimum registered capital/total investment ratio, and such capital contributions involve uncertainties of their own, as discussed below. Furthermore, even if we make loans to our directly-held PRC subsidiaries that do not exceed their current maximum amount of borrowings, we will have to register each loan with the SAFE or its local counterpart within 15 days after the signing of the relevant loan agreement. Subject to the conditions stipulated by the SAFE, the SAFE or its local counterpart will issue a registration certificate of foreign debts to us within 20 days after reviewing and accepting our application. In practice, it may take longer to complete such SAFE registration process.

Any loans we make to any of our indirectly-held PRC subsidiaries (those PRC subsidiaries which we hold indirectly through Zhonglian Enterprise and Xinlian Information) or to any of our PRC consolidated affiliated entities, all of which are treated as PRC domestic companies rather than foreign-invested enterprises under PRC law, are also subject to various PRC regulations and approvals. Under applicable PRC regulations, medium- and long-term international commercial loans to PRC domestic companies are subject to approval by the National Development and Reform Commission. Short-term international commercial loans to PRC domestic companies are subject to the balance control system effected by the SAFE. Due to the above restrictions, we are not likely to make loans to any of our indirectly-held PRC subsidiaries or to any of our PRC consolidated affiliated entities.

Any capital contributions we make to our PRC subsidiaries, including directly-held and indirectly-held PRC subsidiaries, must be approved by the PRC Ministry of Commerce or its local counterparts, and registered with the SAFE or its local counterparts. Such applications and registrations could be time consuming and their outcomes would be uncertain.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or PRC consolidated affiliated entities, or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

#### **Risks Related to Doing Business in China**

***Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.***

Substantially all of our business operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past 30 years or so, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. While some of these measures benefit the overall PRC economy, they may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

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, the PRC government still owns a substantial portion of productive assets in China. 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. Actions and policies of the PRC government could materially affect our ability to operate our business.

***Uncertainties with respect to the PRC legal system could adversely affect us.***

We conduct our business primarily through our subsidiaries and consolidated affiliated entities in China. Our operations in China are governed by PRC laws and regulations. Our subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

Although since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

***Governmental control of currency conversion may affect the value of your investment.***

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. But approval from appropriate government authorities is required where RMB 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. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under our current corporate structure, the primary source of our income at the holding company level is dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries and our consolidated affiliated entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency needs, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

***The PRC Enterprise Income Tax Law may increase the enterprise income tax rate applicable to some of our PRC subsidiaries and consolidated affiliated entities, which could have a material adverse effect on our result of operations.***

According to the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008, as further clarified by subsequent tax regulations implementing the EIT Law, foreign-invested enterprises and domestic enterprises are subject to enterprise income tax, or EIT, at a uniform rate of 25%, unless otherwise provided. Enterprises that were established and enjoyed preferential tax treatments before March 16, 2007 will continue to enjoy such preferential tax treatments in the following manners: (1) in the case of preferential tax rates, for a five-year transition period starting from January 1, 2008, during which the EIT rate of such enterprises will gradually increase to the uniform 25% EIT rate by January 1, 2012; or (2) in the case of preferential tax exemption or reduction with a specified term, until the expiration of such term. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make a profit, its term for preferential treatments will be deemed to start from 2008.

As a result of the implementation of the EIT Law, certain preferential tax treatments enjoyed by some of our consolidated affiliated entities expired on January 1, 2008. According to the EIT Law and related regulations, the preferential tax rates enjoyed by some of our PRC subsidiaries and consolidated affiliated entities incorporated in Shenzhen, a special economic zone, will gradually increase to the uniform 25% EIT rate during the five year transition period. An increase in the EIT rates for those entities pursuant to the EIT Law could result in an increase in our effective tax rate, which could materially and adversely affect our results of operations.

***Our global income or the dividends we receive from our PRC subsidiaries may be subject to PRC tax under the EIT Law, which could have a material adverse effect on our results of operations.***

Under the EIT Law, 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 EIT at the rate of 25% on its worldwide income. The Implementation Rules of the EIT Law, or the Implementation 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.” If we are deemed a resident enterprise, we may be subject to the EIT at 25% on our global income, except that the dividends we receive from our PRC subsidiary will be exempt from the EIT. If we are considered a resident enterprise and earn income other than dividends from our PRC subsidiaries, a 25% EIT on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

Under the applicable PRC tax laws in effect before January 1, 2008, dividend payments to foreign investors made by foreign-invested enterprises in China, such as our subsidiaries Zhonglian Enterprise and Xinlian Information, were exempt from PRC withholding tax. We have also been advised by our PRC counsel, Commerce & Finance Law Offices, that pursuant to the EIT Law and the Implementation Rules, however, dividends payable by a foreign-invested enterprise in China to its foreign investors will be subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The British Virgin Islands, where our wholly-owned subsidiary and the 100% shareholder of Zhonglian Enterprise and Xinlian Information is incorporated, does not have such a tax treaty with China. Under the EIT Law and the Implementation Rules, if we are regarded as a resident enterprise, the dividends we receive from our PRC subsidiaries will be exempt from the EIT. If, however, we are not regarded as a resident enterprise, our PRC subsidiaries will be required to pay a 10% withholding tax for any dividends they pay to us. As a result, the amount of fund available to us to meet our cash requirements, including the payment of dividends to our shareholders and ADS holders, could be materially reduced.

***Under the EIT Law, dividends payable by us and gains on the disposition of our shares or ADSs could be subject to PRC taxation.***

We have been advised by our PRC counsel, Commerce & Finance Law Offices, that because there remains uncertainty regarding the interpretation and implementation of the EIT Law and its Implementation Rules, it is uncertain whether any dividends to be distributed by us, if we are regarded as a PRC resident enterprise, to our non-PRC shareholders and ADS holders would be subject to any PRC withholding tax. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our non-PRC corporate shareholders and ADS holders, or if gains on the disposition of our shares or ADSs are subject to the PRC EIT, your investment in our ADSs or ordinary shares may be materially and adversely affected.

***We rely principally on dividends and other distributions on equity paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.***

We are a holding company, and we rely principally on dividends from our subsidiaries in China and service, license and other fees paid to our subsidiaries by our consolidated affiliated entities for our cash requirements, including any debt we may incur. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year as reported in its PRC statutory financial statements, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital, and each of our PRC subsidiaries that are considered foreign-invested enterprises is required to further set aside a portion of its after-tax profits as reported in its PRC statutory financial statements to fund the employee welfare fund at the discretion of the board. These reserves are not distributable as cash dividends. As of December 31, 2010, the total retained earnings of our PRC subsidiaries available for dividend distributions were RMB1.1 billion (US\$161.9 million). Furthermore, if our subsidiaries and consolidated affiliated entities in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements we currently have in place in a manner that would materially and adversely affect our subsidiaries' ability to pay dividends and other distributions to us. Any limitation on the ability of our subsidiaries and consolidated affiliated entities to distribute dividends or other payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

***PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect us.***

The SAFE issued a public notice in October 2005, commonly known in China as “SAFE Circular 75,” requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China, referred to in the notice as an “offshore special purpose company,” for the purpose of raising capital backed by assets or equities of PRC companies. PRC residents that are shareholders of offshore special purpose companies established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Foreign Exchange—Foreign Exchange Registration of Offshore Investment by PRC Residents.”

We have requested our beneficial owners who to our knowledge are PRC residents to make the necessary applications, filings and amendments as required under SAFE Circular 75 and other related rules. We attempt to comply, and attempt to ensure that our beneficial owners who are subject to these rules comply, with the relevant requirements. However, we cannot assure you that all of our beneficial owners who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 75 or other related rules. The failure of these beneficial owners to timely amend their SAFE registrations pursuant to SAFE Circular 75 or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 75 may subject such beneficial owners to fines and legal sanctions and may also limit our ability to contribute capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to our company or otherwise adversely affect our business.

On December 25, 2006, the People's Bank of China promulgated the Measures for the Administration of Individual Foreign Exchange, and on January 5, 2007, the SAFE further promulgated implementation rules for those measures. We refer to these regulations collectively as the Individual Foreign Exchange Rules. The Individual Foreign Exchange Rules became effective on February 1, 2007. According to these regulations, PRC citizens who are granted shares or share options by a company listed on an overseas stock market according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or any other qualified PRC agent, to register with the SAFE and to complete certain other procedures related to the share option or other share incentive plan. Foreign exchange income received from the sale of shares or dividends distributed by the overseas listed company may be remitted into a foreign currency account of such PRC citizen or be exchanged into Renminbi. Our PRC citizen employees who have been granted share options became subject to the Individual Foreign Exchange Rules upon the listing of our ADSs on the Nasdaq Global Market. If we or our PRC citizen employees fail to comply with these regulations, we or our PRC option holders may be subject to fines and legal sanctions.

***Fluctuation in the value of the RMB may have a material adverse effect on your investment.***

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately more than 20% appreciation of the RMB against the U.S. dollar over the following five years. However, under the current global financial and economic conditions, it is impossible to predict with any certainty how the RMB will move vis-à-vis the U.S. dollar in the near future.

Our revenues and costs are mostly denominated in the RMB, and a significant portion of our financial assets are also denominated in RMB. We rely entirely on dividends and other fees paid to us by our subsidiaries and consolidated affiliated entities in China. Any significant appreciation or depreciation of the RMB against the U.S. dollar may affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, a further appreciation of the RMB against the U.S. dollar would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into the RMB for such purposes. An appreciation of the RMB against the U.S. dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our U.S. dollar denominated financial assets into the RMB, as the RMB is our reporting currency. Conversely, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our reported earnings, and may adversely affect the price of our ADSs.

***The approval of the China Securities Regulatory Commission, or the CSRC, may have been required in connection with our initial public offering in October 2007 under a PRC regulation adopted in August 2006. Based on advice of our PRC counsel, we did not seek CSRC's approval for our initial public offering. Any requirement to obtain prior CSRC approval and a failure to obtain this approval, if required, could have a material adverse effect on our business, operating results, reputation and trading price of our ADSs.***

On August 8, 2006, six PRC regulatory agencies, namely, the PRC Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the CSRC and the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rule, which became effective on September 8, 2006. These regulations purport, among other things, to require offshore special purpose vehicles, or SPVs, formed for overseas listing purposes and controlled by PRC companies or individuals to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings.

At the time of our initial public offering in October 2007, while the application of the new regulations remained unclear, our PRC counsel, Commerce & Finance Law Offices, advised us that, based on their understanding of the PRC laws and regulations effective at that time as well as the procedures announced on September 21, 2006:

- the CSRC had jurisdiction over our offering;
- the CSRC by then had not issued any definitive rule or interpretation concerning whether offerings like our initial public offering were subject to this new procedure; and
- despite the above, given that we had completed our inbound investment before September 8, 2006, the effective date of the M&A Rule, an application was not required under the M&A Rule to be submitted to the CSRC for its approval of the listing and trading of our ADSs on the Nasdaq Global Market, unless we were clearly required to do so by subsequent rules of the CSRC.

Based on advice of our PRC counsel, we did not seek CSRC's approval for our initial public offering. We, however, cannot assure you that the relevant PRC government agencies, including the CSRC, would have reached the same conclusion as our PRC counsel. If the CSRC or other PRC regulatory agencies subsequently determine that the CSRC's approval was required for our initial public offering, we may face sanctions by the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs.

***The regulation discussed above could also make it more difficult for us to pursue growth through acquisitions.***

The regulation discussed in the preceding risk factor also established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. To date, we have conducted our acquisitions in China exclusively through our PRC consolidated affiliated entities. In the future, we may grow our business in part by directly acquiring complementary businesses rather than through our PRC consolidated affiliated entities, although we currently do not have any plans to do so. Complying with the requirements of the new regulations to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may prevent us from completing such transactions on a timely basis, or at all, which could affect our ability to expand our business or maintain our market share.

***The PRC Labor Contract Law and its implementing rules may adversely affect our business and results of operations.***

On June 29, 2007, the Standing Committee of the National People's Congress of China enacted the Labor Contract Law, which became effective on January 1, 2008. On September 18, 2008, the State Council adopted the implementing rules for the Labor Contract Law, which became effective upon adoption. This new labor law and its implementing rules have reinforced the protection for employees, who, under the existing PRC Labor Law, already have certain rights, such as the right to have written labor contracts, the right to enter into labor contracts with no fixed terms under specific circumstances, the right to receive overtime wages when working overtime, and the right to terminate or alter terms in the labor contracts. In addition, the Labor Contract Law and its implementing rules have made some amendments to the existing PRC Labor Law and added some clauses that could increase cost of labor to employers. For example, under the Labor Contract Law, employers are required to base their decisions to dismiss employees on seniority, as opposed to merit, under certain circumstances. As the Labor Contract Law and its implementing rules are relatively new, there remains significant uncertainty as to their interpretation and application by the PRC government authorities. In the event that we decide to significantly reduce our workforce, the Labor Contract Law and its implementing rules could adversely affect our ability to effect these changes cost-effectively or in the manner we desire, which could lead to a negative impact on our business and results of operations.

**Risks Related to Our ADSs**

***The market price for our ADSs may be volatile.***

The market price for our ADSs may be volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- conditions in the Chinese insurance industry;
- changes in the economic performance or market valuations of other insurance intermediaries;
- announcements by us or our competitors of new products, acquisitions, strategic partnerships, joint ventures or capital commitments;
- addition or departure of key personnel;
- fluctuations of exchange rates between the RMB and U.S. dollar or other foreign currencies;
- potential litigation or administrative investigations;
- sales of additional ADSs; and
- general economic or political conditions in China.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our ADSs.

***We may need additional capital, and the sale of additional ADSs or other equity securities could result in additional dilution to our shareholders.***

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

***Substantial future sales of our ordinary shares or ADSs, or the perception that these sales could occur, could cause the price of our ADSs to decline.***

Additional 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. If any existing shareholder or shareholders sell a substantial amount of ordinary shares in the form of ADSs, the market price of our ADSs could decline. In addition, we may issue additional ordinary shares as considerations for future acquisitions. If we do so, your ownership interests in our company would be diluted and this in turn could have an adverse effect on the price of our ADSs.

***Our corporate actions are substantially controlled by our officers, directors and principal shareholders.***

As of April 8, 2011, our executive officers, directors and principal shareholders beneficially owned approximately 46.9% of our outstanding shares. These shareholders could exert substantial influence over matters requiring approval by our shareholders, including electing directors and approving mergers or other business combination transactions, and they may not act in the best interests of other noncontrolling shareholders. This concentration of our share ownership also may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders.

***You may not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.***

Except as described in this annual report and in the deposit agreement, holders of our ADSs will not be able to exercise voting rights attaching to the shares evidenced by our ADSs on an individual basis. Holders of ADSs may instruct the depositary to exercise the voting rights attaching to the shares represented by the ADSs. If no instructions are received by the depositary on or before a date established by the depositary, the depositary shall deem the holders to have instructed it to give a discretionary proxy to a person designated by us to exercise their voting rights. You may not receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

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

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the depositary will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act of 1933 or exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

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

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

***You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited, because we are incorporated under Cayman Islands law, conduct substantially all of our operations in China and most of our directors and officers reside outside the United States. In addition, Cayman Islands securities laws provide significantly less protection to investors as compared to U.S. laws.***

We are incorporated in the Cayman Islands, and conduct substantially all of our operations in China through our wholly owned subsidiaries and consolidated affiliated entities in China. Most of our directors and officers reside outside the United States and some or all of the assets of those persons are located outside of the United States. As a result, it may be difficult for you to effect service of process within the United States or elsewhere outside China upon these persons. It may also be difficult for you to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, most of whom are not residents in the United States and some or all of whose assets are located outside of the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or our officers and directors predicated upon the civil liability provisions of the securities laws of the United States or any state. Our PRC counsel has advised us that China does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. It is also uncertain whether the Cayman Islands or PRC courts would be competent to hear original actions brought in the Cayman Islands or the PRC against us or our officers and directors predicated upon the securities laws of the United States or any state.

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law (2010 Revision) and common law of the Cayman Islands. The rights of shareholders to take legal action against our directors, actions by noncontrolling shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, because Cayman Islands law has no legislation specifically dedicated to the rights of investors in securities, and thus no statutorily defined private causes of action specific to investors in securities such as those found under the Securities Act or the Securities Exchange Act of 1934 in the United States, it provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

***Our articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.***

Our articles of association contain provisions limiting the ability of others to acquire control of our company or cause us to enter into change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

***You may have to rely on price appreciation of our ADSs for any return on your investment.***

Our board of directors has discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

*We may become a passive foreign investment company, which could result in adverse U.S. federal income tax consequences for U.S. Holders of our ADSs or ordinary shares.*

Based on the market price of our ADSs, the value of our assets, and the composition of our income and assets, we do not believe we were a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes for our taxable year ended December 31, 2010. A non-U.S. corporation will be a PFIC for any taxable year if either (1) at least 75% of its gross income for such year is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income. We must make a separate determination after the close of each taxable year as to whether we were a PFIC for that year. The composition of our income and assets will be affected by how, and how quickly, we use any cash we generate from our operations or raise in any offering. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs or ordinary shares, fluctuations in the market price of our ADSs or ordinary shares may cause us to become a PFIC. If we are a PFIC for any taxable year during which a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation”) holds our ADSs or ordinary shares, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—Passive Foreign Investment Company.”

#### **Item 4. Information on the Company**

##### **A. History and Development of the Company**

Our founders, Mr. Yinan Hu and Mr. Qiuping Lai, formed two PRC companies, Guangzhou Nanyun Car Rental Services Co., Ltd. and Guangdong Nanfeng Automobile Association Co., Ltd., initially to provide automobile-related services, such as car rental and emergency services. In 1999, we began distributing automobile insurance products and automobile loans on an ancillary basis. In 2001, our founders transferred their interests in the two PRC companies to China United Financial Services Holdings Limited (then known as China Automobile Association Holdings Limited), or China United Financial Services, a newly established British Virgin Islands company, as part of a series of transactions in which Cathay Capital Group, a private equity group, made an investment in China United Financial Services by subscribing for 40% of the equity interests.

We established two insurance agencies, Beijing Fanlian Insurance Agency Co., Ltd. and Guangdong Fanhua Nanfeng Insurance Agency Co., Ltd. (formerly known as Guangdong Nanfeng Insurance Agency Co., Ltd.), or Guangdong Nanfeng, in April and May 2002, respectively, and obtained professional agency licenses to distribute insurance products in Beijing and Guangdong.

As part of its corporate restructuring to facilitate international fundraising, China United Financial Services incorporated CISG Holdings, a British Virgin Islands company, in June 2004 as the holding company for its insurance agency and brokerage businesses and transferred to CISG Holdings all of its rights and interests in four PRC insurance intermediary companies it then controlled. In September 2004, Cathay Capital Group subscribed for approximately 27.8% of the equity interests in CISG Holdings.

From June 2004 to December 2005, we expanded our operations by establishing eight insurance agencies and brokerages in Beijing, Sichuan and Guangdong.

In December 2005, an entity affiliated with CDH Growth Capital Holdings Company Limited, or CDH Growth Capital Holdings, a private equity firm, subscribed for approximately 26.4% of the equity interests in CISG Holdings. Through CDH China Holdings Management Company Limited, or CDH Investment, we commenced our life insurance business by acquiring controlling interests in three insurance agencies in Sichuan, Hebei and Fujian and further expanded our operation by establishing four insurance agencies in Shandong, Hunan, Shenzhen and Shanghai in 2006. We established one insurance agency in Fujian and one insurance brokerage in Guangdong in early 2007.

In anticipation of our initial public offering, we incorporated CNinsure Inc. in the Cayman Islands in April 2007. In July 2007, CNinsure Inc., on a 10,000-for-one basis, issued its ordinary shares to the then existing shareholders of CISG Holdings in exchange for all of the outstanding shares of CISG Holdings. After this restructuring transaction, CNinsure Inc. became the ultimate holding company of our group.

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On October 31, 2007, we listed our ADSs on the Nasdaq Global Market under the symbol “CISG.” We and certain selling shareholders of our company completed the initial public offering of 13,526,773 ADSs, each representing 20 ordinary shares, on November 5, 2007.

On July 14, 2010, we completed a follow-on public offering of 4,600,000 ADSs, each representing 20 ordinary shares. We received net proceeds of approximately US\$109.7 million, after deducting underwriting discounts and commissions and offering expenses payable by the Company.

From the completion of our initial public offering to April 8, 2011, we further expanded our service offerings to include claims adjusting services and certain consumer financial products and services, and extended our distribution and service network both organically and through acquisitions. As of April 8, 2011, we, through our consolidated affiliated entities, directly or indirectly, owned majority interests in the range of 51% to 100% of 39 agencies, three brokerage companies, three claims adjusting firms and one online insurance service company. We also own 18.16% equity interest in a consumer credit brokerage company and 19.48% equity interest in a wealth management service company. The following table sets forth detailed information of the entities we acquired or established in China between January 1, 2010 and April 8, 2011:

<b>Date of Acquisition<sup>(1)</sup> or Establishment<sup>(2)</sup></b>	<b>Name of Established or Acquired Company</b>	<b>% of Equity Interests Attributable to Us</b>	<b>Main Insurance Products Distributed or Services Provided</b>	<b>Location (Province)</b>
January 1, 2010 <sup>(1)</sup>	Hebei Fanlian Insurance Agency Co., Ltd.	51%	Distribution of property and casualty insurance products	Hebei
January 1, 2010 <sup>(1)</sup>	Litian Zhuoyue Software (Beijing) Co., Ltd.	100%	Operating platform management and maintenance	Beijing
March 30, 2010 <sup>(1)</sup>	Fujian Fanhua Investment Co., Ltd. (3)	45%	Holding Company	Fujian
April 1, 2010 <sup>(1)</sup>	Shandong Fanhua Mintai Insurance Agency Co., Ltd.	51%	Distribution of property and casualty insurance products	Shandong
April 1, 2010 <sup>(1)</sup>	Ningbo Fanhua Baolian Insurance Agency Co., Ltd.	51%	Distribution of property and casualty insurance products	Zhejiang
October 1, 2010 <sup>(1)</sup>	Shenyang Fangda Insurance Agency Co., Ltd.	51%	Distribution of property and casualty insurance products	Liaoning
November 1, 2010 <sup>(1)</sup>	Shenzhen InsCom E-commerce Co., Ltd (4)	65.1%	Distribution of insurance products online	Guangdong
November 19, 2010 <sup>(2)</sup>	Fanhua Puyi Investment Management Co., Ltd.	19.48%	Offering wealth management services	Sichuan
February 17, 2011 <sup>(2)</sup>	Fanhua Lianxing Insurance Sales Co., Ltd.	100%	Distribution of life insurance products	Beijing
March 2, 2011 <sup>(2)</sup>	Shenzhen Bangbang Auto Services Co., Ltd.	100%	Automobile services	Guangdong

(1) Refers to the date on which we acquired and began to consolidate the acquired entity.

(2) Refers to the date on which we obtained business licenses for the newly established company.

(3) We acquired additional 45% equity interests in Fujian Fanhua Investment Co., Ltd. in which we previously held 55% equity interests.

(4) As of November 1, 2010, we held 65.1% of the equity interest in InsCom Holding, which beneficially owned 100% of the equity interest in Shenzhen InsCom.

Our principal executive offices are located at 22/F, Yinhai Building, No. 299 Yanjiang Zhong Road, Guangzhou, Guangdong 510110, People's Republic of China. Our telephone number at this address is +86-20-6122-2777. Our registered office is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place as our board of directors may from time to time decide. Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

## **Principal Transactions**

### ***Acquisition of InsCom Holding***

In July 2010, CISG Holdings, our wholly owned subsidiary incorporated in the British Virgin Islands, entered into a Subscription and Shares Purchase and Shareholders Agreement, or the First Agreement, with Apollo & Muse Holding Ltd., or Apollo, and Clever Star Holdings Ltd., or CSH, the then two existing shareholders of InsCom Holding, a company incorporated in British Virgin Islands which beneficially owns 100% of the equity interest in Shenzhen InsCom, a limited liability company incorporated in the PRC. Under the First Agreement, Apollo agreed to sell its 6,588 ordinary shares of InsCom Holding to CISG Holdings at a consideration of RMB84,000,000 (US\$12.7 million). According to the First Agreement, Apollo and CSH guaranteed that InsCom Holding shall have a book value of net cash asset of not less than RMB10,000,000 or the equivalent in U.S. dollars as of the date of completion of the First Agreement.

We subsequently undertook a restructuring by transferring the beneficial equity interests in six PRC affiliated companies, Henan Fanhua Anlian Insurance Agency Co., Ltd., Hangzhou Fanhua Zhixin Insurance Agency Co., Ltd., Tianjin Fanhua Xianghe Insurance Agency Co., Ltd., Fujian Fanhua Guoxin Insurance Agency Co., Ltd., Changsha Lianyi Insurance Agency Co., Ltd. and Ningbo Baolian Insurance Agency Co., Ltd., held by CISG Holdings to Ying Si Kang Information, a wholly owned subsidiary of InsCom Holding incorporated in the PRC, or its associated companies in the PRC. In November 2010, CISG Holdings completed the transfer of its beneficial equity interests in five of the aforesaid six PRC companies to Xinbao Investment, an affiliated entity of Ying Si Kang Information. The equity transfer for the remaining PRC company is expected to be completed in the second quarter of 2011.

Pursuant to the First Agreement, Apollo and CSH agreed on net profit targets of InsCom Holding in 2011, 2012 and 2013. Due to changes in the growth strategy for our e-commerce insurance business, a Supplemental Subscription and Shares Purchase and Shareholders Agreement was entered into in April 2011, pursuant to which the exact net profit targets are under negotiation and shall be determined by December 31, 2011. If no agreement is reached by December 31, 2011, then the net profit targets in 2011, 2012 and 2013 shall be RMB102,600,000, RMB136,300,000 and RMB170,200,000, respectively. In the event that InsCom Holding fails to fulfill the net profit target in any single year, CISG Holdings shall have the right to demand Apollo to pay to CISG Holdings a compensation equivalent to such portion of net profit that falls short of the target for that particular year. However, the aggregate compensation for these three years shall not in any event exceed the total amount of RMB84,000,000 (US\$12.7 million). In the event that the net profit of InsCom Holding in any single year between 2011 and 2013 is less than 70% of the target, CISG Holdings shall have the right to demand CSH in any of such year to transfer such number of shares constituting 3% of the entire issued share capital of InsCom Holding at a nominal consideration of US\$1.00 to CISG Holdings. However, the aggregate transferred shares shall not exceed 9% of the entire issued share capital of InsCom Holding at a nominal consideration of US\$3.00 if the net profit for all three years is less than 70% of the target.

Under the First Agreement, upon completion of the equity transfer, the board of directors of InsCom Holding will consist of three members, two of whom will be appointed by CISG Holdings and the other by Apollo. Constitution of the board of directors of each of the subsidiaries shall be the same as InsCom Holding and all directors shall be appointed as directors of the subsidiaries unless otherwise agreed by InsCom Holding. CISG Holdings has the right to select the CFO and the relevant executive officers handling the finance and accounts of InsCom Holding. CISG Holdings agreed that if there are no capital raising events, such as an initial public offering or a sale of the majority of assets to an unrelated third party, within three years from the completion of the First Agreement, each of Apollo and two other shareholders, Wang Strategic Capital Partners (II) Limited, or WSCP, an exempted limited liability company incorporated under the laws of the Cayman Islands, and Harbor Pacific Capital Partners I, LP, or HPC, an exempted limited partnership registered in the Cayman Islands, shall have the right and option to put to our chairman and require our chairman to purchase or to cause any of his affiliates or to procure any third party to purchase all of the shares held by Apollo and those two shareholders at a specific price.

In October 2010, Apollo and CSH entered into a Subscription and Share Purchase Agreement, or the Second Agreement, with WSCP and HPC. Under the Second Agreement, Apollo agreed to sell 230 ordinary shares in InsCom Holding to WSCP and HPC at a consideration of RMB23,000,000 (US\$3.5 million), and WSCP and HPC agreed to subscribe for an aggregate of 120 ordinary shares of InsCom Holding at a consideration of RMB12,000,000 (US\$1.8 million).

Concurrently with the execution of the Second Agreement, CISG Holdings, Apollo, CSH, WSCP and HPC entered into a Deed of Adherence, or the Deed, which was made subject to the terms and conditions of the First Agreement. Pursuant to the Deed, WSCP and HPC agreed to perform, assume, comply with and be bound by all the terms, covenants, obligations and provisions in the First Agreement as if WSCP and HPC were original parties to the First Agreement. Specifically, WSCP and HPC will have the same rights and obligations as CSH under the First Agreement. The parties to the Deed agreed to establish a strategic committee under the supervision of the board of directors of InsCom Holding. Unless otherwise agreed by CISG Holdings, the strategic committee shall consist of six committee members of whom four shall be appointed by CISG Holdings, one shall be appointed by Apollo and one shall be appointed by WSCP and HPC.

The First Agreement, the Second Agreement and the Deed were executed on and before November 1, 2010.

In March 2011, we announced our plan to expedite expansion into the e-commerce insurance business, which may significantly affect the achievement of the original net profit targets of InsCom Holding, the holding company of our e-commerce insurance business, for 2011, 2012 and 2013 as agreed by Apollo and CSH pursuant to the First Agreement. As such, we are in the process of renegotiating the net profit targets.

### ***Sale of Datong***

We started our life insurance distribution business by building a Life Insurance Business Unit in 2006 and established Datong Life Business Unit in 2008 by acquiring 55% stake in Beijing Fanhua Datong Investment Management Cop., Ltd., or Datong. The remaining 45% of Datong is held by Mr. Keping Lin, or Mr. Lin. Over the past two years, both of our life insurance business units have achieved astonishing growth. However, the difference in the two business units' business philosophies and corporate cultures has been increasingly presenting challenges to us in resources allocation. Therefore, in order to avoid potential internal friction and streamline our business structure for more effective management and resources allocation, we decided to sell all the equity interest we held in Datong.

In December 2010, we executed a share subscription agreement with Datong International Holdings Limited, or Datong International, incorporated in Cayman Island, Mr. Lin, other founders and Winner Sight Global Limited, or Winner Sight, an affiliated entity of Warburg Pincus LLC incorporated under the laws of the British Virgin Islands, pursuant to which CISG Holdings subscribed for 513,333,767 Class B ordinary shares, representing 54% ownership of Datong International for US\$981,946. Mr. Lin and Winner Sight owned the remaining 45% and 1% of Datong International, respectively.

As PRC regulations require the shareholders of the offshore acquirer to register with relevant PRC government authorities and obtain their approval for the purchase. Mr. Lin, Winner Sight and the Company respectively registered with the PRC regulators as shareholders of Datong International in January 2011 and received all necessary approval in February 2011. In March 2011, the Company entered into an agreement to sell its 54% in Datong International to Winner Sight. As a result, our liability of the initial purchase amount of \$981,946 for subscription to Datong International has been transferred to Winner Sight. Concurrently, we executed an agreement to sell our 55% interest in Datong to Beijing Min Si Lian Hua Investment Management Co., Ltd., or Min Si Lian Hua, a subsidiary of Datong International resulting in Winner Sight being the ultimate owner of 55% of Datong as of March 2011. In addition, Mr. Lin and Datong Investment agreed to pay a cash dividend of RMB10 million exclusively to us and we agreed to return to Mr. Lin the remaining amount of the security deposit held by us that was originally paid by Mr. Lin as part of the contingent consideration in relation to our 2008 acquisition of Datong.

As of December 31, 2010, we did not believe that the sale of Datong was probable within one year as there existed significant uncertainties relating to the terms of the sale and the conditions precedent to the consummation of the sale at that time. As such, the assets of Datong remained classified as held for use as of December 31, 2010.

### **B. Business Overview**

We are a leading independent insurance intermediary company operating in China. With 46,038 sales professionals, 1,367 claims adjusters and 533 sales and service outlets operating in 23 provinces as of April 8, 2011, our distribution and service network reaches some of China's most economically developed regions and some of the most affluent cities in China, such as Beijing, Shanghai, Guangzhou and Shenzhen.

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As an insurance intermediary company, we do not assume underwriting risks. Instead, we distribute to customers in China a wide variety of property, casualty and life insurance products underwritten by domestic and foreign insurance companies operating in China and provide insurance claims adjusting services, such as damage assessment, survey, authentication and loss estimation. We also provide certain value-added services, such as 24-hour emergency services in select cities and assistance with claim settlement, to our customers—individuals and institutions that purchase insurance products through us. In addition, we provide information about potential customers to insurance companies, which then sell insurance products to them, either directly or through our affiliated insurance intermediaries. We are compensated for our services primarily by commissions and fees paid by insurance companies, typically based on a percentage of the premium paid by the insured or a percentage of the amount recovered from insurance companies. Commission and fee rates generally depend on the type of insurance products, the particular insurance company and the region in which the products are sold. Furthermore, we offer certain consumer financial products and services and wealth management services through a consumer credit brokerage company and a wealth management company in which we hold noncontrolling interests.

As of April 8, 2011, we had one affiliated online insurance service company and 45 affiliated insurance intermediary companies in the PRC, of which 39 are insurance agencies, three are insurance brokerages and three are insurance adjusting firms. We also own 18.16% of the equity interest in a consumer credit brokerage company and 19.48% of the equity interest in a wealth management service company. According to the Insurance Intermediary Market Development Report for 2010 published by the CIRC, our affiliates included:

- nine of China's top 20 insurance agencies, accounting for approximately 11.96% of total insurance agency revenue in China in 2010;
- one of China's top 20 insurance brokerage, accounting for approximately 0.9% of total insurance brokerage revenue in China in 2010; and
- two of China's top 20 insurance claims adjusting firms, accounting for approximately 14.94% of total claims adjusting firm revenue in China in 2010.

The professional insurance intermediary sector in China is at an early stage of development and highly fragmented. We believe this offers substantial opportunities for further growth and consolidation. We intend to take advantage of these opportunities to increase our market share by aggressively expanding our distribution network through selective acquisitions, recruitment of experienced and entrepreneurial sales agents and franchising. In particular, we intend to devote significant resources to distributing life insurance products in order to benefit from the recurring fee income they generate and to better capture the significant opportunities presented by China's rapidly growing life insurance market.

### **Products and Services**

We market and sell to our customers' two broad categories of insurance products: property and casualty insurance products and life insurance products, both focused on meeting the insurance needs of individuals. The insurance products we sell are underwritten by some of the leading insurance companies in China. We also provide insurance claims adjusting services to both insurance companies and the insured as well as certain value-added services to our customers in conjunction with distributing automobile insurance products. In addition, in October 2009, we acquired a noncontrolling equity interest in CFSG, a consumer credit brokerage company specialized in distributing personal loans and residential mortgage loans for commercial banks. This acquisition marked our expansion into the consumer financial services sector. In November 2010, we established Fanhua Puyi to offer independent investment research and wealth management services to both institutions and individuals.

#### ***Property and Casualty Insurance Products***

Our main property and casualty insurance products are automobile insurance. In addition, we also offer individual accident insurance, commercial property insurance, and construction insurance products. Total net revenues from property and casualty insurance products accounted for 55.3% of our total net revenue in 2010. The property and casualty insurance products we distribute can be further classified into the following categories:

- *Automobile Insurance.* Automobile insurance is the largest segment of property and casualty insurance in the PRC in terms of gross written premiums. We distribute both standard automobile insurance policies and supplemental policies, which we refer to as riders. The standard automobile insurance policies we sell generally have a term of one year and cover damages caused to the insured vehicle by collision and other traffic accidents, falling or flying objects, fire, explosion and natural disasters. We also sell standard third party liability insurance policies, which cover bodily injury and property damage caused by an accident involving an insured vehicle to a person not in the insured vehicle. The riders we distribute cover additional losses, such as liability to passengers, losses arising from vehicle theft and robbery, broken glass and vehicle body scratches.

- *Individual Accident Insurance.* The individual accident insurance products we distribute generally provide a guaranteed benefit during the coverage period, which usually is one year or a shorter period, in the event of death or disability of the insured as a result of an accident, or a reimbursement of medical expenses to the insured in connection with an accident. These products typically require only a single premium payment for each coverage period. Because most of the individual accident insurance products we distribute are underwritten by property and casualty insurance companies, we classify individual accident insurance products as property and casualty insurance products.
- *Commercial Property Insurance.* The commercial property insurance products we distribute include basic, comprehensive and all risk policies. Basic commercial property insurance policies generally cover damage to the insured property caused by fire, explosion and thunder and lightning. Comprehensive commercial property insurance policies generally cover damage to the insured property caused by fire, explosion and certain natural disasters. All risk commercial property insurance policies cover all causes of damage to the insured property not specifically excluded from the policies.
- *Homeowner Insurance.* The homeowner insurance products we distribute are primarily home mortgage-based insurance policies. Home mortgage-based policies cover damage to mortgaged property caused by a number of standard risks such as fire, flood and explosion. Some policies also provide mortgage repayment protection in the event the policyholder is unable to make mortgage payment due to death or injury.
- *Cargo Insurance.* The cargo insurance products we distribute cover damage to or loss of goods in transit by sea, land or air.
- *Hull Insurance.* The hull insurance products we distribute cover vessels against losses, liabilities and expenses caused by natural calamities, negligence of crew members and marine accidents, as well as collision liability.
- *Liability Insurance.* The liability insurance products we distribute are primarily product liability and employer's liability insurance products. These products generally cover losses to third parties due to the misconduct or negligence of the insured party, but exclude losses due to fraud or the willful misconduct of the insured party.
- *Construction Insurance.* The construction insurance products we distribute cover property damages and personal injury losses caused by natural disasters and accidents in connection with construction projects in China.

The property and casualty insurance products we distributed in 2010 were primarily underwritten by PICC, CPIC, Ping An, Tian Ping Auto Insurance Co., Ltd. and Alltrust Insurance Co., Ltd.

#### ***Life Insurance Products***

The life insurance products we distribute can be broadly classified into the categories set forth below. Due to constant product innovation by insurance companies, some of the insurance products we distribute combine features of one or more of the categories listed below. Total net revenues from life insurance products accounted for 32.8% of our total net revenues in 2010.

- *Individual Whole Life Insurance.* The individual whole life insurance products we distribute provide insurance for the insured person's entire life in exchange for the periodic payment of fixed premiums over a pre-determined period, generally ranging from five to 20 years, or until the insured reaches a certain age. The face amount of the policy or, for some policies, the face amount plus accumulated interests is paid upon the death of the insured.
- *Individual Term Life Insurance.* The individual term life insurance products we distribute provide insurance for the insured for a specified time period or until the attainment of a certain age, in return for the periodic payment of fixed premiums over a pre-determined period, generally ranging from five to 20 years. Term life insurance policies generally expire without value if the insured survives the coverage period.

- *Individual Endowment Life Insurance.* The individual endowment products we distribute generally provide maturity benefits if the insured reaches a specified age, and provide to a beneficiary designated by the insured guaranteed benefits upon the death of the insured within the coverage period. In return, the insured makes periodic payment of premiums over a pre-determined period, generally ranging from five to 25 years.
- *Individual Education Annuity.* The individual annuity products we distribute are primarily education related products. They provide annual benefit payments after the insured attains a certain age, e.g., 18, for a fixed time period, or e.g., four years, and a lump payment at the end of the coverage period. In addition, the beneficiary designated in the annuity contract will receive guaranteed benefits upon the death of the insured during the coverage period. In return, the purchaser of the annuity products makes periodic payment of premiums during a pre-determined accumulation period.
- *Universal Insurance.* We distribute certain universal insurance products that provide not only insurance coverage but also a minimum guaranteed return on the amount the insured puts into an individual investment account. In return the insured makes periodic payment of premiums over a pre-determined period.
- *Individual Health Insurance.* The individual health insurance products we distribute primarily consist of dread disease insurance products, which provide guaranteed benefits for specified dread diseases during the coverage period. In return, the insured makes periodic payment of premiums over a pre-determined period.
- *Group Life Insurance.* We distribute several group life insurance products, including group health insurance. These group products generally have a policy period of one year and require a single premium payment.

In addition to the periodic premium payment schedules described above, most of the individual life insurance products we distribute also allow the insured to choose to make a single, lump-sum premium payment at the beginning of the policy term. If a periodic payment schedule is adopted by the insured, a life insurance policy can generate periodic payment of fixed premiums to the insurance company for a specified period of time. This means that once we sell a life insurance policy with a periodic premium payment schedule, we will be able to derive commission and fee income from that policy for an extended period of time, sometimes up to 25 years. Because of this attractive feature and the expected sustained growth of life insurance sales in China, we have focused significant resources since 2006 on developing our capability to distribute individual life insurance products with periodic payment schedules. We expect that sales of life insurance products will become an important source of our revenue in the next several years. The life insurance products we distributed in 2010 were primarily underwritten by AVIVA-COFCO, Sino Life., Minsheng Life Insurance Co., Ltd., Huaxia Life Insurance Co., Ltd. and Sinatay Life Insurance Co., Ltd.

#### ***Insurance Claims Adjusting Services***

In 2010, total net revenues from claims adjusting services accounted for 11.9% of our total net revenue. We offer the following insurance claims adjusting services:

- *Pre-underwriting Survey.* Before an insurance policy is sold, we conduct a survey of the item to be insured to assess its current value and help our clients determine the insurable value and the amount to be insured. We also help our clients assess the underwriting risk with respect to the item to be insured through survey, appraisal and analysis.
- *Claims Adjusting.* When an accident involving the insured subject matter has occurred, we conduct onsite survey to determine the cause of the accident and assess damage. We then determine the extent of the loss to the insured subject matter and prepare and submit a report to the insurance company summarizing our preliminary findings. Upon final conclusion of the case, we prepare and submit a detailed report to the insurance company setting forth details of the accident, cause of the loss, details of the loss, adjustment and determination of loss, indemnity proposal and, where appropriate, request for payment.

- *Disposal of Residual Value.* In the course of providing claims adjusting services, we also can appraise the residual value of the insured property and offer suggestions on the disposal of such property. Upon appointment by the insurance company, we can handle the actual disposal of the insured property through auction, discounted sale, lease or other means.
- *Loading and Unloading Supervision.* Upon appointment by ship owners, shippers, consignees or insurance companies, we can monitor and record the loading and unloading processes of specific cargos.
- *Consulting Services.* We provide consulting services to both the insured and the insurance companies on risk assessment and management, disaster and damage prevention, investigation, and loss assessment.

We are compensated primarily by insurance companies for our claims adjusting services, which we provide on behalf of insurance companies. The fees we receive are calculated based on the types of insurance involved. For services provided in connection with property and casualty insurance (other than marine cargo insurance and automobile insurance), our fees are calculated as a percentage of the recovered amount from insurance companies plus travel expenses. For services provided in connection with marine cargo insurance, our fees are charged primarily on an hourly basis and, in some cases, as a percentage of the amount recovered from insurance companies. For automobile insurance, our fees are generally fixed and the amounts collected are based on the types of services provided. In 2010, we primarily provided claims adjusting services to PICC, Ping An, CPIC, Tian Ping Auto Insurance Co., Ltd. and Bank of China Insurance Company Limited.

As competition intensifies and the insurance market becomes more mature in China, we believe there will be a further division of labor in the insurance intermediary sector. We expect that more insurance companies will choose to outsource claims adjusting functions to professional service providers while they focus on the core aspects of their business, including product development, asset and risk management. We believe we are well-positioned to capture such outsourcing opportunities.

#### ***Other Services***

In conjunction with the sale of automobile insurance products, we provide our customers with a number of value-added services under our service slogan, “You take care of driving, and we’ll take care of the rest.” For example, we assist our customers with obtaining vehicle licenses and subsequent annual inspections. We maintain 24-hour service hotlines in most of our principal markets. When an accident involving an insured vehicle occurs within these markets, our service staff can arrive at the scene quickly after being notified through the 24-hour service hotline and provide onsite assistance to our customer.

In addition, we also distribute mortgage loan, re-mortgage loan, homeowner loan and auto loan through CFSG, a consumer credit brokerage company in which we hold noncontrolling interests, and offer independent investment research and wealth management services to both institutions and individuals through Fanhua Puyi, a joint venture which we established in November 2010.

#### **Entrepreneurial Agent Program**

In recent years, some entrepreneurial management staff and senior sales agents of major insurance companies in China have chosen to leave their employers or principals and become independent. We call these individuals “entrepreneurial agents.” We have designed and implemented a comprehensive program to attract and retain productive entrepreneurial agents. Under this program, only entrepreneurial agents who meet specific professional criteria and successfully pass a six-month trial period will be formally admitted to our distribution and service network, and only those who continue to meet specified performance standards will be allowed to remain in our network. In addition to cash compensation, these entrepreneurial agents also have the opportunity to participate in the equity of our business. We believe that our entrepreneurial agent program provides productive entrepreneurial agents a strong incentive to grow their business within our network and enables us to grow our sales force with productive, motivated professionals. As of April 8, 2011, we had 389 entrepreneurial sales teams in our network, excluding those of Datong which was sold on March 25, 2011.

### **Scalable Unified Operating Platform**

In accordance with our growth strategy, we have made significant effort to expand and upgrade our unified operating platform since our initial public offering. We expect that our upgraded operating platform will make selling easier for sales agents, facilitate standardized business and financial management, enhance risk control and increase operational efficiency. Since January 1, 2010, we have successfully implemented the following components of our operating platform across the company:

- Standardized operating procedures;
- A Core Business System, which encompasses our property and casualty insurance unit, life insurance unit, and claims adjusting unit, that will better support business operations and facilitate risk control;
- A centralized and computerized accounting and financial management system;
- A human resources management system;
- An office automation system;
- An e-learning system to provide online training to sales agents; and
- A nationwide IT network and data center to support front-office operations.

In addition, we have been working on refining the Business Operation Support System, which facilitates sales support to our agents with various functions such as e-sales solutions, product portfolio proposals, product centers, auto insurance premium calculation and call centers. We have also initiated a module for data transmission with insurance companies and we are in the process of developing an image and workflow system which aims to enhance our operating efficiency.

We have developed and refined this platform through more than ten years of operations and believe that it is difficult for our competitors, particularly new market entrants, to reproduce a similar platform without substantial financial resources, time and operating experience. Because the various systems, policies and procedures of our operating platform can be rolled out quickly as we enter new regions or make acquisitions, we believe we can expand our distribution network rapidly and efficiently while maintaining the quality of our services.

### **Distribution and Service Network and Marketing**

Since our establishment in 1998, we have built a distribution and service network that, as of April 8, 2011, consisted of 39 insurance agencies, three insurance brokerages, three claims adjusting firms and one online insurance service company, with 533 sales and service outlets, 45,914 registered sales agents, 124 in-house sales representatives and 1,367 in-house claims adjusters. Our distribution and service network covers 23 provinces and reaches some of the most economically developed regions in China and some of the wealthiest Chinese cities, such as Beijing, Shanghai, Guangzhou and Shenzhen.

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The following table sets forth some additional information of our distribution and service network as of April 8, 2011, broken down by provinces:

Province	Number of Sales and Service Outlets(1)	Number of In-house Sales Representatives	Number of Sales Agents(1)	Number of In-house Adjustors
Guangdong	115	114	8,325	689
Hebei	123	—	7,928	102
Shandong	28	—	7,895	11
Sichuan	61	—	4,750	94
Beijing	17	10	3,311	8
Hunan	14	—	2,915	10
Fujian	32	—	2,301	5
Henan	15	—	2,105	7
Zhejiang	30	—	1,541	41
Liaoning	33	—	1,393	74
Jiangsu	12	—	1,127	28
Jiangxi	11	—	657	5
Hubei	12	—	607	14
Tianjin	4	—	424	18
Jilin	2	—	356	—
Shanghai	10	—	279	162
Yunnan	4	—	—	47
Shaanxi	1	—	—	9
Hainan	2	—	—	12
Guangxi	2	—	—	8
Anhui	2	—	—	8
Chongqing	1	—	—	1
Guizhou	2	—	—	14
<b>Total</b>	<b>533</b>	<b>124</b>	<b>45,914</b>	<b>1,367</b>

(1) Excludes 124 sales outlets and 6,412 sales agents of Datong as of the date of disposal on March 25, 2011.

We market and sell property and casualty insurance products directly to the targeted customers through both sales agents, who are not our employees, and our in-house sales representatives. For the marketing and sale of life insurance products, we rely exclusively on the sales agents working on our unified operating platform. We market and sell insurance claims adjusting services primarily to insurance companies through our professional claims adjustors by tendering for claims adjusting business contracts.

### Customers

We sell automobile insurance, individual accident insurance and homeowner insurance products primarily to individual customers. We sell commercial property insurance, cargo insurance, hull insurance, liability insurance and construction insurance products to institutional customers. Customers for the life insurance products we distribute are primarily individuals under 50 years of age. For the year ended December 31, 2010, no single customer accounted for more than 3% of our net revenues.

Since our establishment in 1998, we have built a database of more than one million individuals, who originally were members of our automobile association. Using information contained in this database, our sales agents contact potential customers with our target demographics on a regular basis. In addition, we had approximately 1.6 million customers, including approximately 1.3 million customers who bought property and casualty insurance products from us and approximately 0.3 million customers who bought life insurance products from us in 2010. By providing certain value-added services to these customers at no additional charge, we seek to build a loyal customer base that generates referral and cross-selling opportunities.

We offer insurance adjusting services primarily to insurance companies and to a lesser extent to the insured.

### Insurance Company Partners

As of April 8, 2011, we had established business relationships with 59 insurance companies and one reinsurance company in the PRC. In the Chinese insurance market, local branches of insurance companies generally have the authority to enter into contracts in their own names with insurance intermediaries. Historically, we have entered into and maintained business relationships with insurance companies at the local level. That is, our insurance agencies, brokerages and claims adjusting firms would enter into different contracts with different local branches of an insurance company that are located within their respective regions. The termination of a business relationship between one of our insurance agencies, brokerages or claims adjusting firms and a local branch of an insurance company generally would have no significant impact on the business relationships between our other insurance agencies, brokerages and claims adjusting firms and the other branches of the same insurance company. Since 2007, we have also sought to establish business relationships with insurance companies at the corporate headquarters level in order to leverage the combined sales volumes of our various affiliated insurance agencies and brokerages located in different parts of the country. As a result of this effort, we have entered into contracts with 17 life insurance companies and 10 property and casualty insurance companies at the corporate headquarters level for the distribution of insurance products and outsourcing of claims adjusting services.

For the year ended December 31, 2010, our top five insurance company partners, after aggregating the business conducted between our insurance agencies and brokerages and the various local branches of the insurance companies, were PICC, CPIC, AVIVA-COFCO, Ping An and Sino Life. Among them, PICC, CPIC, AVIVA-COFCO and Ping An each accounted for more than 10% of our total net revenues from commissions and fees in 2010, with PICC accounting for 18.6%, CPIC accounting for 13.6%, AVIVA-COFCO accounting for 13.0% and Ping An accounting for 10.5%.

### Competition

A number of industry players are involved in the distribution of insurance products in the PRC. We compete for customers on the basis of product offerings, customer services and reputation. Because we primarily distribute individual insurance products, our principal competitors include:

- *Professional insurance intermediaries.* The professional insurance intermediary sector in China is at an early stage of development and highly fragmented, accounting for only 5.8% of the total insurance premiums generated in China in 2010. Several insurance intermediary companies have received private equity or venture capital funding in recent years and are actively pursuing expansion, including China Zhonghe Ltd. and HuaKang Financial Service Inc. We believe that we can compete effectively with these insurance intermediary companies because we have a longer operational history and over the years have assembled a strong and stable team of managers and sales professionals and built a unified operating platform. With increasing consolidation expected in the insurance intermediary sector in the coming years, we expect competition within this sector to intensify.
- *Insurance companies.* The distribution of individual life insurance products in China historically has been dominated by insurance companies, which usually use both in-house sales force and exclusive sales agents to distribute their own products. We believe that we can compete effectively with insurance companies because we focus only on distribution and offer our customers a broad range of insurance products underwritten by multiple insurance companies.
- *Entities that offer insurance products online.* In recent years, domestic insurance companies, portal websites and professional insurance intermediaries have begun providing online shopping experience for consumers interested in purchasing insurance products. However, each of their insurance e-commerce operations has its own limitations. The insurance products offered on an insurance company's website are usually confined to those under its own brand. Most portal websites provide separate product information with little comparison function and none of the professional insurance intermediaries that organize online product distribution has a nation-wide sales and service network to support after-sale service. We believe we can compete effectively with these business entities because our e-commerce insurance platform offers a broad range of insurance products underwritten by multiple insurance companies, price comparison for similar products and good after-sale services that are backed by our call center and nation-wide service network.
- *Other business entities.* In recent years, business entities that distribute insurance products as an ancillary business, primarily commercial banks and postal offices, have been playing an increasingly important role in the distribution of insurance products, especially life insurance products. However, the insurance products distributed by these entities are usually confined to those related to their main lines of business, such as investment-related life insurance products. We believe that we can compete effectively with these business entities because we offer our customers a broader variety of products.

In addition to individual insurance products, we also distribute some commercial property and casualty insurance products. As a result, we also compete, to a lesser degree, with insurance intermediaries that focus on distribution of commercial property and casualty insurance products, such as large insurance brokerages backed by state-owned enterprises and major international insurance brokerage companies that have entered the Chinese market, including Marsh & McLennan Companies, Inc., Aon Corporation and Willis Group Holdings Limited. However, those insurance brokerages backed by state-owned enterprises tend to dominantly rely on business from their shareholders or affiliates while the businesses of the international insurance brokerage companies in China, lacking localized operations, are usually confined to the extension of their global businesses. We believe we can compete effectively with these business entities because our expertise and localized operations allow us to reach out to a broader customer base and better serve customers' needs. In addition, we can leverage on our leading position in the distribution of individual insurance products, including our strong relationship with insurance companies, existing abundant customer resources and large distribution network, to rapidly develop our brokerage business.

According to the Insurance Intermediary Market Development Report for 2010 published by the CIRC, the top 20 insurance claims adjusting firms by revenues accounted for approximately 67.0% of the total revenues of all 305 insurance claims adjusting firms in China in 2010. Our affiliates include two of these top 20 insurance claims adjusting firms, contributing approximately 14.9% of total claims adjusting firm revenue in China in 2010. We compete primarily with the other major claims adjusting firms in China, particularly Min Taian Insurance Surveyors & Loss Adjusters Co., Ltd., or Min Taian. We believe that we can compete effectively with Min Taian and other major insurance claims adjusting firms because we offer our customers a diversified range of claims adjusting services covering property insurance, automobile insurance and marine and cargo insurance and are able to leverage the business relationships we have developed with insurance companies through the distribution of property and casualty insurance products.

### **Intellectual Property**

Our brand, trade names, trademarks, trade secrets and other intellectual property rights distinguish our business platform, services and products from those of our competitors and contribute to our competitive advantage in the professional insurance intermediary sector. To protect our intellectual property, we rely on a combination of trademark, copyright and trade secret laws as well as confidentiality agreements with our employees, sales agents, contractors and others. We have three registered trademarks in China, including our corporate logo. Our main website is located at [www.cninsure.net](http://www.cninsure.net).

### **Regulation**

#### ***Regulations of the Insurance Industry***

The insurance industry in the PRC is highly regulated. CIRC is the regulatory authority responsible for the supervision of the Chinese insurance industry. Insurance activities undertaken within the PRC are primarily governed by the Insurance Law and the related rules and regulations.

##### *Initial Development of Regulatory Framework*

The Chinese Insurance Law was enacted in 1995. The original insurance law, which we refer to as the 1995 Insurance Law, provided the initial framework for regulating the domestic insurance industry. Among the steps taken under the 1995 Insurance Law were the following:

- Licensing of insurance companies and insurance intermediaries, such as agencies and brokerages. The 1995 Insurance Law established requirements for minimum registered capital levels, form of organization, qualification of senior management and adequacy of the information systems for insurance companies and insurance agencies and brokerages.
- Separation of property and casualty insurance businesses and life insurance businesses. The 1995 Insurance Law classified insurance between property, casualty, liability and credit insurance businesses, on the one hand, and life, accident and health insurance businesses on the other, and prohibited insurance companies from engaging in both types of businesses.
- Regulation of market conduct by participants. The 1995 Insurance Law prohibited fraudulent and other unlawful conduct by insurance companies, agencies and brokerages.
- Substantive regulation of insurance products. The 1995 Insurance Law gave insurance regulators the authority to approve the policy terms and premium rates for certain insurance products.
- Financial condition and performance of insurance companies. The 1995 Insurance Law established reserve and solvency standards for insurance companies, imposed restrictions on investment powers and established mandatory reinsurance requirements, and put in place a reporting regime to facilitate monitoring by insurance regulators.
- Supervisory and enforcement powers of the principal regulatory authority. The principal regulatory authority, then the People's Bank of China, was given broad powers under the 1995 Insurance Law to regulate the insurance industry.

*Establishment of the CIRC and 2002 Amendments to the Insurance Law*

China's insurance regulatory regime was further strengthened with the establishment of the CIRC in 1998. The CIRC was given the mandate to implement reform in the insurance industry, minimize insolvency risk for Chinese insurers and promote the development of the insurance market.

The 1995 Insurance Law was significantly amended in 2002 and the amended insurance law, which we refer to as the 2002 Insurance Law, became effective on January 1, 2003. The major amendments to the 1995 Insurance Law include:

- Authorizing the CIRC to be the insurance supervisory and regulatory body nationwide. The 2002 Insurance Law expressly grants the CIRC the authority to supervise and administer the insurance industry nationwide.
- Expanding the permitted scope of business of property and casualty insurers. Under the 2002 Insurance Law, property and casualty insurance companies may engage in the short-term health insurance and accident insurance businesses upon the CIRC's approval.
- Providing additional guidelines for the relationship between insurance companies and insurance agents. The 2002 Insurance Law requires an insurance company to enter into an agent agreement with each insurance agent that will act as an agent for that insurance company. The agent agreement sets forth the rights and obligations of the parties to the agreement as well as other matters pursuant to law. An insurance company is responsible for the acts of its agents when the acts are within the scope authorized by the insurance company.
- Relaxing restrictions on the use of funds by insurance companies. Under the 2002 Insurance Law, an insurance company may use its funds to make equity investments in insurance-related enterprises, such as asset management companies.
- Allowing greater freedom for insurance companies to develop insurance products. The 2002 Insurance Law allowed insurance companies to set their own policy terms and premium rates, subject to the approval of, or a filing with, the CIRC.

*2009 Amendments to the Insurance Law*

The 2002 Insurance Law was significantly amended again in 2009 and the amended insurance law, which we refer to as the 2009 Insurance Law, became effective on October 1, 2009. The major amendments to the 2009 Insurance Law include:

- Strengthening protection of the insured's interests. The 2009 Insurance Law added a variety of clauses such as incontestable clause, abstained and estoppels clause, common disaster clause and amending immunity clause, claims-settlement prescription clause, reasons for claims rejection and contract modification clause.
- Strengthening supervision on the qualification of the shareholders of the insurance companies and setting forth specific qualification requirements for the major shareholders, directors, supervisors and senior managers of insurance companies.
- Expanding the business scope of insurers and further relaxing restriction on the use of fund by insurers.
- Strengthening supervision on solvency of insurers with stricter measures.
- Tightening regulations governing the administration of insurance intermediary companies, especially those relating to behaviors of insurance agents.

According to the 2009 Insurance Law, the minimum registered capital required to establish an insurance agency or insurance brokerage as a limited liability company must comply with the PRC Company Law. The registered capital or the capital contribution of insurance agencies or insurance brokerages must be paid-up capital in cash. The 2009 Insurance Law also sets forth some specific qualification requirements for insurance agency and brokerage practitioners. The senior managers of insurance agencies or insurance brokerages must meet specific qualification requirements, and their appointments are subject to approval of the CIRC. Personnel of an insurance agency or insurance brokerage engaging in the sales of insurance products must meet the qualification requirements set by the CIRC and obtain a qualification certificate issued by the CIRC. Under the 2009 Insurance Law, the parties to an insurance transaction may engage insurance adjusting firms or other independent appraisal firms that are established in accordance with applicable laws, or persons who possess the requisite professional expertise, to conduct assessment and adjustment of the insured subject matters. Additionally, the 2009 Insurance Law specifies additional legal obligations for insurance agencies and brokerages.

#### *The CIRC*

The CIRC has extensive authority to supervise insurance companies and insurance intermediaries operating in the PRC, including the power to:

- promulgate regulations applicable to the Chinese insurance industry;
- investigate insurance companies and insurance intermediaries;
- establish investment regulations;
- approve policy terms and premium rates for certain insurance products;
- set the standards for measuring the financial soundness of insurance companies and insurance intermediaries;
- require insurance companies and insurance intermediaries to submit reports concerning their business operations and condition of assets;
- order the suspension of all or part of an insurance company or an insurance intermediary's business;
- approve the establishment, change and dissolution of an insurance company, an insurance intermediary or their branches;
- review and approve the appointment of senior managers of an insurance company, an insurance intermediary or their branches; and
- punish improper behaviors or misconducts of an insurance company or an insurance intermediary.

#### *Regulation of Insurance Agencies*

The principal regulation governing insurance agencies is the Provisions on the Administration of Professional Insurance Agencies promulgated by the CIRC on September 18, 2009 and effective on October 1, 2009, which replaced the Provisions on the Administration of Insurance Agencies issued by the CIRC on December 1, 2004 and effective on January 1, 2005. According to the regulation, the establishment of an insurance agency is subject to minimum registered capital requirement and other requirements and to the approval of the CIRC. The term "insurance agency" refers to an entity that meets the qualification requirements specified by the CIRC, has obtained the license to conduct an insurance agency business with the approval of the CIRC, engages in the insurance business by and within the authorization of, and which collects commissions from, insurance companies. An insurance agency may take any of the following forms: (i) a limited liability company; or (ii) a joint stock limited company. An insurance agency must have a registered capital or capital contribution of at least RMB2 million. Where it is established as a nationwide company, its registered capital must be at least RMB10 million. The registered capital must be paid up in cash. An insurance agency may engage in the following insurance agency businesses:

- selling insurance products on behalf of the insurer principal;
- collecting insurance premiums on behalf of the insurer principal;

- conducting loss surveys and handling claims of insurance businesses on behalf of the insurer principal; and
- other business activities specified by the CIRC.

The name of an insurance agency must contain the words “insurance agency” or “insurance sales.” The license of an insurance agency is valid for a period of three years. An insurance agency must report to the CIRC for approval when it (i) changes its registered capital or capital contributions; (ii) changes its organizational form; (iii) changes its shareholders or partners; (iv) changes its equity structure or proportions of capital contributions; (v) changes its registered name or address; (vi) changes its articles of association; or (vii) closes its branches. Personnel of an insurance agency and its branches engaging in the sales of insurance products or relevant loss survey and claim settlement must pass a qualification examination for insurance agency practitioners organized by the CIRC and obtain a “Qualification Certificate for Insurance Agency Practitioners.” The senior managers of an insurance agency or its branches must meet specific qualification requirements set forth in the Provisions on the Administration of Insurance Agencies. The appointment of the senior managers of an insurance agency or its branches is subject to review and approval of the CIRC.

#### *Regulation of Insurance Brokerages*

The principal regulation governing insurance brokerages is the Provisions on the Administration of Insurance Brokerages promulgated by the CIRC on September 18, 2009 and effective on October 1, 2009, which replaced the Provisions on the Administration of Insurance Brokerages issued by the CIRC on December 15, 2004 and effective on January 1, 2005. According to this regulation, the establishment of an insurance brokerage is subject to the approval of the CIRC. The term “insurance brokerage” refers to an entity engaging in the insurance brokering business that meets the qualification requirements specified by the CIRC and has obtained the license to operate an insurance brokering business with the approval of the CIRC. Insurance brokering business includes both direct insurance brokering, which refers to brokering activities on behalf of insurance applicants or the insured in their dealings with the insurance companies, and reinsurance brokering, which refers to brokering activities on behalf of insurance companies in their dealings with reinsurance companies. An insurance brokerage may take any of the following forms: (i) a limited liability company; or (ii) a joint stock limited company. An insurance brokerage company must have a registered capital or capital contribution of at least RMB10 million. The registered capital must be paid up in cash.

An insurance brokerage may conduct the following insurance brokering businesses:

- making insurance proposals, selecting insurance companies and handling the insurance application procedures for the insurance applicants;
- assisting the insured or the beneficiary to claim compensation;
- reinsurance brokering business;
- providing consulting services to clients with respect to disaster and damage prevention, risk assessment and risk management; and
- other business activities specified by the CIRC.

The name of an insurance brokerage must contain the words “insurance brokerage.” The license of an insurance brokerage is valid for a period of three years. An insurance brokerage must report to the CIRC for approval when it (i) changes its registered capital or capital contributions; (ii) changes its organizational form; (iii) changes its shareholders or partners; (iv) changes its equity structure or proportions of capital contributions; (v) changes its registered name or address; (vi) changes its articles of association; or (vii) closes its branches. Personnel of an insurance brokerage and its branches who engage in any of the insurance brokering businesses described above must pass a qualification examination for insurance brokering practitioners organized by the CIRC and obtain a qualification certificate for insurance brokering practitioners. The senior managers of an insurance brokerage must meet specific qualification requirements set forth in the Provisions on the Administration of Insurance Brokerages. Appointment of the senior managers of an insurance brokerage is subject to review and approval by the CIRC.

### *Regulation of Insurance Claims Adjusting Firms*

The principal regulation governing insurance adjusting firms is the Provisions on the Administration of Insurance Claims Adjusting Firms issued by the CIRC on September 18, 2009 and effective on October 1, 2009, which replaced the Provisions on the Administration of Insurance Claims Adjusting Firms promulgated on November 16, 2001 and effective on January 1, 2002. According to the regulation, the term “insurance adjusting firm” refers to an entity that is established in accordance with applicable laws and regulations and with the approval of the CIRC and engages in the assessment, survey, authentication, loss estimation and adjustment of the insured subject matters upon the entrustment of the parties concerned. An insurance adjusting firm may take any of the following forms: (i) a limited liability company; (ii) a joint stock limited company; or (iii) a partnership. An insurance adjusting firm must have a registered capital or capital contribution of at least RMB2 million. The registered capital must be paid up in cash.

Upon approval of the CIRC, an insurance adjusting firm may engage in the following businesses:

- inspecting, appraising the value of and assessing the risks of the subject matter before it is insured;
- surveying, inspecting, estimating the loss of and adjusting the insured subject matter after loss has been incurred;
- risk management consulting; and
- other business activities approved by the CIRC.

The name of an insurance adjusting firm must contain the words “insurance adjusting.” The license of an insurance adjusting firm is valid for a period of three years. An insurance adjusting firm must report to the CIRC for approval when it (i) changes its registered capital or capital contributions; (ii) changes its organizational form; (iii) changes its shareholders or partners; (iv) changes its equity structure or proportions of capital contributions; (v) changes its registered name or address; (vi) changes its articles of association or partnership agreement; or (vii) closes its branches. Personnel of an insurance adjusting firm or its branches engaged in any of the insurance adjusting businesses described above must pass a qualification examination for insurance adjusting practitioners administered by the CIRC and obtain a qualification certificate for insurance adjusting practitioners. The senior managers of an insurance adjusting firm must meet specific qualification requirements set forth in the Provisions on the Administration of Insurance Adjusting Firms. Appointment of the senior managers of an insurance adjusting firm or its branches is subject to review and approval by the CIRC.

### *Regulation of Ancillary-Business Insurance Agencies*

The principal regulation governing ancillary-business insurance agencies is the Interim Measures on the Administration of Ancillary-Business Insurance Agency issued by the CIRC on and effective as of August 4, 2000. The term “ancillary-business insurance agencies” refer to entities that are engaged by insurers to handle insurance business on behalf of insurers while concurrently engaging in another non-insurance-related business. Ancillary-business insurance agencies must meet the qualifications requirements set forth in this regulation. Upon reviewing and approving the qualifications of an entity applying to become an ancillary-business insurance agency, the CIRC will issue a “License for Ancillary-Business Insurance Agency,” which will be valid for three years. An ancillary-business insurance agency may only undertake insurance business on behalf of one insurance company, and the scope of the undertaken business is limited to the scope specified in the License for Ancillary- Business Insurance Agency.

### *Regulation of Insurance Salespersons*

The principal regulation governing individual insurance salespersons is the Provisions on the Administration of Insurance Salespersons issued by the CIRC on April 6, 2006 and effective on July 1, 2006. Under this regulation, the term “insurance salesperson” refers to an individual who has acquired a qualification certificate issued by the CIRC, sells insurance products and provides related services for an insurance company and collects fees or commissions. In order to engage in insurance sales activities as an insurance salesperson, a person first must pass the qualification examination for the insurance agency practitioners organized by the CIRC and obtain a “Qualification Certificate of Insurance Agency Practitioners,” which is valid for three years and renewable upon fulfillment of certain requirements. In addition to the qualification certificate, a person also must obtain a “Practice Certificate of Insurance Salespersons” issued by the insurance company to which he or she belongs in order to conduct insurance sales activities. Those who have obtained a “Practicing Certificate of Insurance Agency Practitioner,” “Practicing Certificate of Insurance Brokerage Practitioner” or “Practicing Certificate of Insurance Adjustment Practitioners” are not allowed to obtain a Practice Certificate for Insurance Salespersons. No insurance salesperson may concurrently sign agent agreements with, or act on behalf of, two or more insurance companies.

*Content Related to Insurance Industry in the Legal Documents of China's Accession to the WTO*

According to the Circular of the CIRC on Distributing the Content Related to Insurance Industry in the Legal Documents of China's Accession to the WTO, for the life insurance sector, within three years of China's accession to the WTO on December 11, 2001, geographical restrictions were to be lifted, equity joint venture companies allowed to provide health insurance, group insurance, and pension/annuity services to Chinese citizens and foreign citizens, and for there to be no other restrictions except those on the proportion of foreign investment (no more than 50%) and establishment conditions. For the non-life insurance sector, within three years of China's accession, the geographical restrictions were to be lifted and no restrictions allowed other than establishment conditions. For the insurance brokerage sector, within five years of China's accession, the establishment of wholly foreign-funded subsidiary companies was to be allowed, and no restriction other than establishment conditions and restrictions on business scope.

***Regulations on Foreign Exchange***

*Foreign Currency Exchange*

Foreign exchange regulation in China is primarily governed by the following rules:

- Foreign Currency Administration Rules (1996), as amended, or the Exchange Rules; and
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules.

Under the Exchange Rules, the RMB is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of RMB for capital account items, such as direct investment, loan, security investment and repatriation of investment, however, is still subject to the approval of the SAFE.

Under the Administration Rules, foreign-invested enterprises may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from the SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, which include approvals by the Ministry of Commerce, the SAFE and the State Development and Reform Commission.

*Foreign Exchange Registration of Offshore Investment by PRC Residents*

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, generally known in China as SAFE Circular No. 75, issued on October 21, 2005, (i) a PRC citizen residing in the PRC, who is referred to as a PRC resident in SAFE Circular 75, shall register with the local branch of the SAFE before it establishes or controls an overseas SPV for the purpose of overseas equity financing (including convertible debts financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an SPV, or engages in overseas financing after contributing assets or equity interests into an SPV, such PRC resident shall register his or her interest in the SPV and the change thereof with the local branch of the SAFE; and (iii) when the SPV undergoes a material event outside of China, such as change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of the SAFE.

Under SAFE Circular No. 75, failure to comply with the registration procedures set forth above may result in the penalties, including imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the SPV. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect us."

On December 25, 2006, the People's Bank of China promulgated the "Measures for the Administration of Individual Foreign Exchange;" and on January 5, 2007, the SAFE further promulgated the implementation rules on those measures. Both became effective on February 1, 2007. According to the implementation rules, PRC citizens who are granted shares or share options by a company listed on an overseas stock market according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or any other qualified PRC agent, to register with the SAFE and to complete certain other procedures related to the share option or other share incentive plan. Foreign exchange income received from the sale of shares or dividends distributed by the overseas listed company may be remitted into a foreign currency account of such PRC citizen or be exchanged into Renminbi. Our PRC citizen employees who have been granted share options are subject to the Individual Foreign Exchange Rules. If we or our PRC citizen employees fail to comply with these regulations, we or our PRC option holders may be subject to fines and legal sanctions.

On May 29, 2007, the SAFE promulgated the revised operational procedures for the SAFE Circular 75, pursuant to which the offshore investment registration may be handled aggregately by means of trust at competent SAFE bureau for the employee stock ownership plan of an offshore special purpose company. The registration formalities shall be handled for the stock option plan of an offshore special purpose company when handling the registration of the special purpose company and the change formalities of registration shall be handled upon the exercise of such option.

#### ***Regulations on Dividend Distribution***

The principal regulations governing dividend distributions of wholly foreign-owned companies include:

- Wholly Foreign-Owned Enterprise Law (1986), as amended; and
- Wholly Foreign-Owned Enterprise Law Implementing Rules (1990), as amended.

Under these regulations, wholly foreign-owned companies in the PRC may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards. In addition, these wholly foreign-owned companies are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds, until the accumulative amount of such fund reaches 50% of its registered capital. These reserve funds are not distributable as cash dividends.

#### ***Regulation on Overseas Listing***

On August 8, 2006, six PRC regulatory agencies, namely, the PRC Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the CSRC and the SAFE, jointly adopted the M&A Rule which became effective on September 8, 2006. The M&A Rule purports, among other things, to require offshore SPVs, formed for overseas listing purposes and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings.

At the time of our initial public offering in October 2007, while the application of the M&A Rule remained unclear, our PRC counsel, Commerce & Finance Law Offices, had advised us that, based on their understanding of the then PRC laws and regulations as well as the procedures announced on September 21, 2006:

- the CSRC had jurisdiction over our initial public offering;
- the CSRC had not issued any definitive rule or interpretation concerning whether offerings like our initial public offering are subject to the M&A Rule; and
- despite the above, given that we had completed our inbound investment before September 8, 2006, the effective date of the M&A Rule, an application was not required under the M&A Rule to be submitted to the CSRC for its approval of the listing and trading of our ADSs on the Nasdaq Global Market, unless we are clearly required to do so by subsequent rules of the CSRC.

See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The approval of the China Securities Regulatory Commission, or the CSRC, may have been required in connection with our initial public offering in October 2007 under a PRC regulation adopted in August 2006. Based on advice of our PRC counsel, we did not seek CSRC’s approval for our initial public offering. Any requirement to obtain prior CSRC approval and a failure to obtain this approval, if required, could have a material adverse effect on our business, operating results, reputation and trading price of our ADSS.”

### ***Regulations on Tax***

#### *PRC Enterprise Income Tax*

The PRC EIT is calculated base on the taxable income determined under the PRC accounting standards and regulations, as well as the EIT law. On March 16, 2007, the National People’s Congress of China enacted the EIT Law, a new EIT law which became effective on January 1, 2008. On December 6, 2007, the State Council promulgated the Implementation Rules which also became effective on January 1, 2008. On December 26, 2007, the State Council issued the Notice on Implementation of Enterprise Income Tax Transition Preferential Policy under the EIT Law, or the Transition Preferential Policy Circular, which became effective simultaneously with the EIT Law. The EIT Law imposes a uniform EIT rate of 25% on all domestic enterprises and foreign-invested enterprises unless they qualify under certain exceptions. Under the EIT Law, as further clarified by the Implementation Rules, the Transition Preferential Policy Circular and other related regulations, enterprises that were established and already enjoyed preferential tax treatments before March 16, 2007 will continue to enjoy them in the following manners: (i) in the case of preferential tax rates, for a five-year period starting from January 1, 2008, during which the tax rate will gradually increase to 25%; or (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make a profit, its term for preferential treatment will be deemed to start from 2008. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PRC Enterprise Income Tax Law may increase the enterprise income tax rate applicable to some of our PRC subsidiaries and consolidated affiliated entities, which could have a material adverse effect on our result of operations.”

Under the EIT Law, enterprises organized under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered PRC resident enterprises and therefore subject to PRC EIT at the rate of 25% on their worldwide income. The Implementation Rules define the term “de facto management body” as the management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. Because substantially all of our operations and all of our senior management are located within China, we may be considered a PRC resident enterprise for EIT purposes, in which case: (i) we would be subject to the PRC EIT at the rate of 25% on our worldwide income; and (ii) dividends income received by us from our PRC subsidiaries, however, would be exempt from the PRC withholding tax since such income is exempted under the EIT Law for a PRC resident enterprise recipient. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Our global income or the dividends we receive from our PRC subsidiaries may be subject to PRC tax under the EIT Law, which could have a material adverse effect on our results of operations.”

#### *PRC Business Tax*

Taxpayers providing taxable services in China are required to pay a business tax at a normal tax rate of 5% of their revenues, unless otherwise provided.

#### *Dividend Withholding Tax*

Under the PRC tax laws effective prior to January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises are exempt from PRC withholding tax. Pursuant to the EIT Law and the Implementation Rules, dividends generated after January 1, 2008 and distributed to us by our PRC subsidiaries are subject to a 10% withholding tax, provided that we are determined by the relevant PRC tax authorities to be a “non-resident enterprise” under the EIT Law. However, as described above, we may be considered a PRC resident enterprise for EIT purposes, in which case dividends received by us from our PRC subsidiary would be exempt from the PRC withholding tax because such income is exempted under the EIT Law for a PRC resident enterprise recipient.

As there remains uncertainty regarding the interpretation and implementation of the EIT Law and the Implementation Rules, it is uncertain whether any dividends to be distributed by us, if we are deemed a PRC resident enterprise, to our non-PRC shareholders and ADS holders would be subject to any PRC withholding tax. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Under the EIT Law, dividends payable by us and gains on the disposition of our shares or ADSs could be subject to PRC taxation.”

**B. Organizational Structure**

PRC laws and regulations place certain restrictions on foreign investment in and ownership of insurance intermediary companies. Accordingly, we conduct our operations in China principally through contractual arrangements among our PRC subsidiaries, three PRC affiliated entities, Meidiya Investment, Yihe Investment, Xinbao Investment and their shareholders, and the subsidiaries of the three PRC affiliated entities.

Prior to March 2009, three individual shareholders, Mr. Jianguo Cui, Mr. Zhenyu Wang and Mr. Qiuping Lai held 24.67%, 26.40% and 48.93%, respectively, of the equity interests in each of Meidiya Investment and Yihe Investment. Mr. Cui and Mr. Wang were designated by our shareholders Cathay Auto Services Limited, or Cathay Auto, and CDH Inservice Limited, or CDH Inservice, respectively. Mr. Lai is our president and co-founder. In March 2009, Mr. Cui and Mr. Wang transferred all of their equity interests in Meidiya Investment and Yihe Investment to Mr. Peng Ge, our chief financial officer. After the completion of these transfers, Mr. Lai and Mr. Ge held 48.93% and 51.07%, respectively, of the equity interests in each of Meidiya Investment and Yihe Investment. Both individual shareholders are PRC citizens. After the completion of the transfers, we entered into a new set of contractual arrangements with Mr. Ge to replace the previous agreements entered into with Mr. Cui and Mr. Wang. In October 2010, Nanfeng Investment invested RMB5.0 million in Yihe Investment. In February 2011, Nanfeng Investment invested RMB1.5 million in Meidiya Investment. After the completion of the investment, Mr. Lai, Mr. Ge and Nanfeng Investment held 39.14%, 40.86% and 20.00%, respectively, of the equity interests in each of Yihe Investment and Meidiya Investment.

On November 1, 2010, Meidiya Investment transferred all of its equity interests in five of its subsidiaries, Changsha Lianyi Insurance Agency Co., Ltd., Ningbo Baolian Insurance Agency Co., Ltd., Hangzhou Fanhua Zhixin Insurance Agency Co., Ltd., Henan Fanhua Anlian Insurance Agency Co., Ltd., and Tianjing Fanhua Xianghe Insurance Agency Co., Ltd., to Xinbao Investment, and Fujian Fanhua Investment Co., Ltd. transferred all its equity interest in Fujian Fanhua Guoxing Insurance Agency Co., Ltd., to Xinbao Investment.

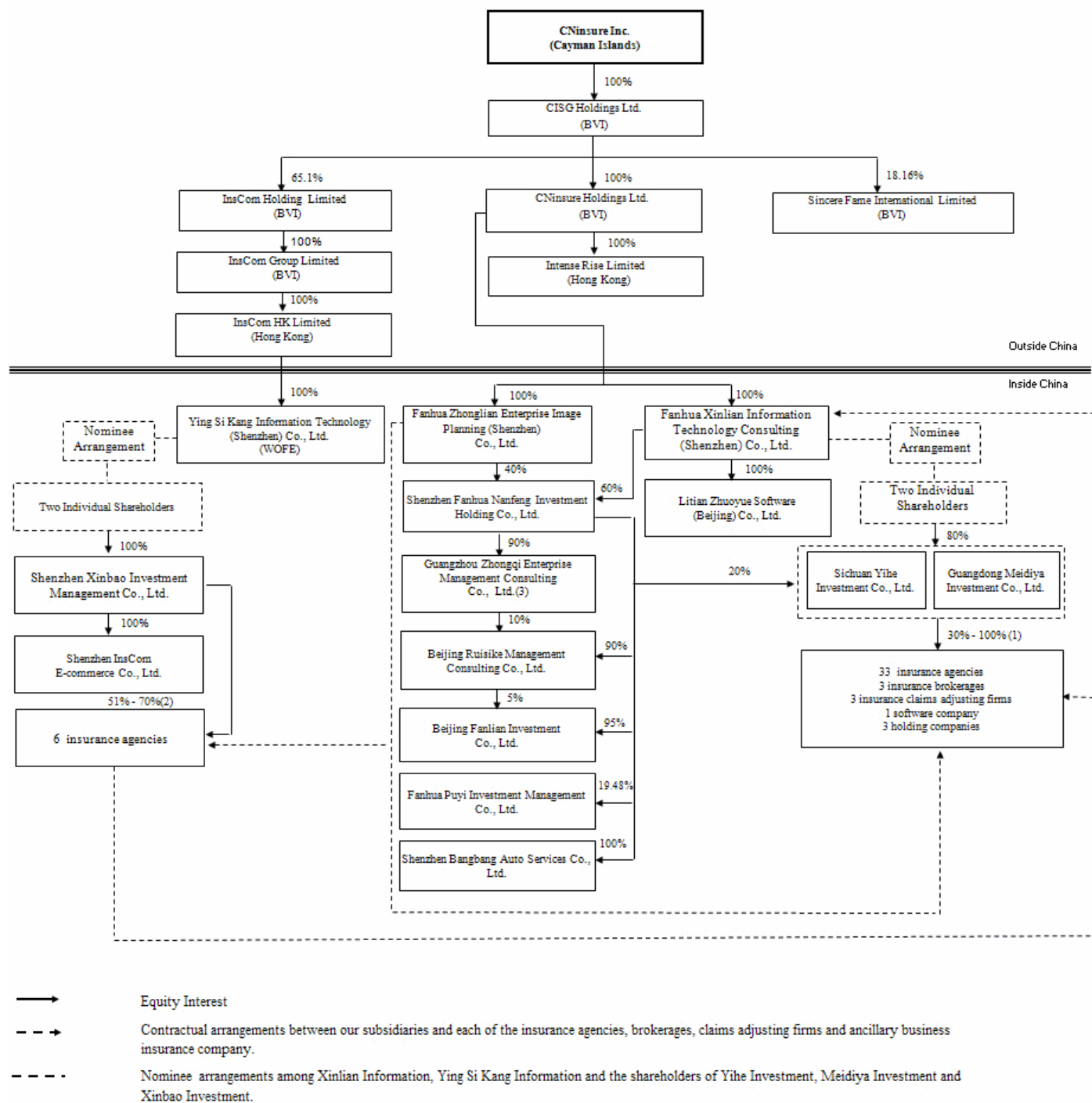
Two individual shareholders, Mr. Chunling Wang, our chief operating officer and head of our property and casualty insurance unit and Mr. Yuan Tian, vice president of our e-commerce insurance unit, held 95% and 5% respectively, of the equity interests in Xinbao Investment.

Meidiya Investment, Yihe Investment and Xinbao Investment together hold equity interests, directly or indirectly, ranging from 51% to 100% in 39 insurance agencies, three insurance brokerages, three insurance claims adjusting firms and one online insurance service company as of April 8, 2011. Most of the noncontrolling shareholders of the insurance intermediary companies majority-owned by Meidiya Investment, Yihe Investment and Xinbao Investment are founders of such company, entrepreneurial agents with whom we jointly set up such company or a venture capital firm which invests in start-up insurance agency companies. Most of those noncontrolling shareholders are in charge of the day-to-day operations of the companies in which they hold noncontrolling interests. The subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment hold the licenses and permits necessary to conduct our insurance intermediary business in China. We rely principally on contractual arrangements to control and derive economic benefit from these companies.

Our contractual arrangements with Meidiya Investment, Yihe Investment, Xinbao Investment, their shareholders and their subsidiaries enable us to:

- exercise effective control over Meidiya Investment, Yihe Investment, Xinbao Investment and their subsidiaries;
- receive a substantial portion of the economic benefits of the subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment in consideration for the services provided by our subsidiaries in China; and
- have an exclusive option to purchase all or part of the equity interests in each of Meidiya Investment, Yihe Investment and Xinbao Investment when and to the extent permitted by PRC law.

The following diagram illustrates our corporate structure as of April 8, 2011:



- (1) Direct or indirect ownership attributable to Yihe Investment and Meidiya Investment.
- (2) Direct or indirect ownership attributable to Xinbao Investment.
- (3) The remaining equity interest are held by one of our executive officers on behalf of our company.

For a complete listing of our subsidiaries and consolidated affiliated entities as of April 8, 2011, see Exhibit 8.1 to this annual report. The following is a summary of the key terms of our contractual arrangements with Meidiya Investment, Yihe Investment, Xinbao Investment, their shareholders and their subsidiaries.

**Agreements that Provide Us Effective Control over Meidiya Investment, Yihe Investment, Xinbao Investment and Their Subsidiaries**

**Loan Agreements.** Each of the original individual shareholders of Meidiya Investment, being Messrs. Lai, Wang and Cui, entered into a loan agreement on December 20, 2005 with our subsidiary Xinlian Information evidencing a zero interest loan granted to them. In connection with the transfer of their respective equity interests in Meidiya Investment to Mr. Ge, Mr. Cui and Mr. Wang each entered into a credit and liability transfer agreement with Mr. Ge on February 27, 2009 to transfer all of their rights and obligations under the loan agreements to Mr. Ge. After the execution of the credit and liability transfer agreements, the principal amounts of the loans to Mr. Lai and Mr. Ge were RMB2.9 million and RMB3.1 million, respectively, equal to their respective capital contributions to Meidiya Investment.

The term of the loan agreement is 10 years and may be extended upon written agreement of the parties, but it is not extended automatically. In the event that the loan is not renewed, then upon the expiration of its term and subject to then applicable PRC laws, the loan can be repaid only with the proceeds from the transfer of the individual shareholder's equity interests in Meidiya Investment to Xinlian Information or another person designated by Xinlian Information. Xinlian Information may accelerate the loan repayment upon certain events, including if the individual shareholder quits or is dismissed or if Xinlian Information exercises its option to purchase the shareholder's equity interests in Meidiya Investment pursuant to the exclusive equity purchase option agreement described below.

The loan agreement contains a number of covenants that restrict the actions the individual shareholder can take or cause Meidiya Investment to take, or that require the individual shareholder to take or cause Meidiya Investment to take specific actions. For example, these covenants provide that the individual shareholder will:

- not transfer, pledge or otherwise dispose of or encumber his equity interests in Meidiya Investment without the prior written consent of Xinlian Information, except for equity pledge for the benefit of Xinlian Information.
- not take any action without the prior written consent of Xinlian Information, if the action will have a material impact on the assets, business and liabilities of Meidiya Investment.
- not vote for, or execute any resolutions to approve, the sale, transfer, mortgage, or disposal of, or the creation of any encumbrance on, any legal or beneficial interests in the equity of Meidiya Investment without the prior written consent of Xinlian Information, except to Xinlian Information or its designee.
- not vote for, or execute any resolutions to approve, any merger or consolidation with any person, or any acquisition of or investment in any person by Meidiya Investment without the prior written consent of Xinlian Information.
- vote to elect the directors candidates nominated by Xinlian Information.
- cause Meidiya Investment not to supplement, amend or modify its articles of association in any manner, increase or decrease registered capital or change the capital structure in any way without the prior written consent of Xinlian Information.
- cause Meidiya Investment not to execute any contract with a value exceeding RMB100,000 without the prior written consent of Xinlian Information, except in the ordinary course of business.

Each of the original shareholders of Yihe Investment, being Messrs. Lai, Wang and Cui, entered into a loan agreement on December 20, 2005 with Xinlian Information that is substantially similar to the loan agreements described above. In connection with the transfer of their respective equity interests in Yihe Investment to Mr. Ge, Mr. Cui and Mr. Wang each entered into a credit and liability transfer agreement with Mr. Ge on February 27, 2009 to transfer all of their rights and obligations under the loan agreements to Mr. Ge. After the execution of the credit and liability transfer agreements, the principal amounts of the loans to Mr. Lai and Mr. Ge were RMB9.8 million and RMB10.2 million, respectively, equal to their respective capital contributions to Yihe Investment.

Each of the individual shareholders of Xinbao Investment, being Messrs. Wang and Tian, entered into a loan agreement on December 3, 2010 with our subsidiary Ying Si Kang Information in which we indirectly held 65.1% equity interest. The principal amounts of the zero-interest loans to Mr. Wang and Mr. Tian were RMB28,500 and RMB1,500, respectively, equal to their respective capital contributions to Xinbao Investment. The terms of the loan agreement are substantially similar to those in the loan agreements described above.

**Equity Pledge Agreements.** Pursuant to separate equity pledge agreements entered into by Mr. Lai on December 20, 2005 and by Mr. Ge on March 31, 2009, respectively, with Xinlian Information and Meidiya Investment, each individual shareholder of Meidiya Investment agreed to pledge his equity interests in Meidiya Investment to Xinlian Information to secure his obligations under the loan agreement with Xinlian Information. The individual shareholder also agreed not to transfer or create any encumbrance adverse to Xinlian Information on his equity interests in Meidiya Investment. During the term of the equity pledge agreement, Xinlian Information is entitled to all the dividends declared on the pledged equity interests. The equity pledge agreement will expire when the individual shareholder fully performed his obligations under the loan agreement. The equity pledges were recorded on the shareholders register of Meidiya Investment, and registered with the relevant local administration of industry and commerce. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We rely principally on contractual arrangements with Meidiya Investment, Yihe Investment, Xinbao Investment and their subsidiaries and shareholders for our China operations, which may not be as effective in providing operational control as direct ownership.”

Mr. Lai and Mr. Ge entered into separate equity pledge agreements on December 20, 2005 and March 31, 2009, respectively, with Xinlian Information and Yihe Investment to pledge their equity interests in Yihe Investment to Xinlian Information. These agreements are substantially similar to the equity pledge agreements described above.

Mr. Wang and Mr. Tian entered into separate equity pledge agreements on December 3, 2010 with Ying Si Kang Information and Xinbao Investment to pledge their equity interests in Xinbao Investment to Ying Si Kang Information. The agreements are substantially similar to the equity pledge agreements described above.

**Irrevocable Power of Attorney.** Mr. Lai and Mr. Ge, the current individual shareholders of Meidiya Investment and Yihe Investment, executed irrevocable powers of attorney on December 20, 2005 and March 31, 2009, respectively, appointing a person designated by Xinlian Information as his attorney-in-fact to vote on his behalf on all matters requiring shareholder approval. If Xinlian Information designates the shareholder to attend a shareholder’s meeting of Meidiya Investment or Yihe Investment, the individual shareholder agrees to vote his shares as instructed by Xinlian Information. The term of the power of attorney is ten years.

Mr. Wang and Mr. Tian, shareholders of Xinbao Investment, executed irrevocable powers of attorney on December 3, 2010, appointing a person designated by Ying Si Kang Information as his attorney-in-fact to vote on his behalf on all matters requiring shareholder approval. If Ying Si Kang Information designates the shareholder to attend a shareholder’s meeting of Xinbao Investment, the individual shareholder agrees to vote his shares as instructed by Ying Si Kang Information. The term of the power of attorney is ten years.

#### **Agreements that Provide Us the Option to Purchase the Equity Interests in Meidiya Investment, Yihe Investment and Xinbao Investment**

**Exclusive Purchase Option Agreements.** Pursuant to the exclusive purchase option agreements entered into by Mr. Lai on December 20, 2005 and by Mr. Ge on March 31, 2009, respectively, with Xinlian Information and Meidiya Investment, each individual shareholder irrevocably granted Xinlian Information an exclusive option to purchase part or all of his equity interests in Meidiya Investment, when and to the extent permitted by applicable PRC law. The purchase price to be paid by Xinlian Information will be equal to the amount of the individual shareholder’s actual capital contribution to Meidiya Investment, unless applicable PRC law requires otherwise. The actual capital contributions to Meidiya Investment by Mr. Lai and Mr. Ge were RMB2.9 million and RMB3.1 million, respectively. If applicable PRC law requires appraisals of the equity interests or has other restrictions on the transfer price, the purchase price will be the minimum price permitted under applicable PRC law. Under current applicable PRC law, if a foreign-invested enterprise, such as Xinlian Information, intends to acquire the equity interests in a domestic enterprise, such as Meidiya Investment or Yihe Investment, the transfer price must be determined based on appraisal conducted by a qualified domestic asset appraisal institution using internationally recognized appraisal methodology, and it is prohibited to transfer any equities at a price clearly lower than the result of the appraisal.

Mr. Lai and Mr. Ge entered into separate exclusive purchase option agreements on December 20, 2005 and March 31, 2009, respectively, with Xinlian Information and Yihe Investment to irrevocably grant Xinlian Information an exclusive option to purchase part or all of his equity interests in Yihe Investment, when and to the extent permitted by applicable PRC law. These agreements are substantially similar to the exclusive purchase option agreements described above, except that the actual capital contributions to Yihe Investment by Mr. Lai and Mr. Ge under these agreements were RMB9.8 million and RMB10.2 million, respectively.

Mr. Wang and Mr. Tian entered into separate exclusive purchase option agreements on December 3, 2010 with Ying Si Kang Information and Xinbao Investment to irrevocably grant Ying Si Kang Information an exclusive option to purchase part or all of his equity interests in Xinbao Investment, when and to the extent permitted by applicable PRC law. These agreements are substantially similar to the exclusive purchase option agreements described above, except that the actual capital contributions to Xinbao Investment by Mr. Wang and Mr. Tian under these agreements were RMB28,500 and RMB1,500, respectively.

#### **Agreements that Transfer Economic Benefits to Us**

**Consulting and Service Agreement.** Pursuant to the consulting and service agreements entered into on various dates between our PRC subsidiary Zhonglian Enterprise and most of the insurance intermediary subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment, Zhonglian Enterprise agreed to grant the right to use the “Fanhua” brand and provide financial and tax consulting services and training services to each of the insurance intermediaries in exchange for fees payable quarterly calculated as a percentage of revenues of each insurance intermediary. The fees may be adjusted by agreement every quarter based on market condition and the business condition of each insurance intermediary company. Each of these agreements has an initial term of one year from the signing date and will be automatically renewed for one-year terms, unless Zhonglian Enterprise decides not to renew the agreement. Each agreement may be terminated by the insurance intermediary company only upon gross negligence, fraud, other illegal conduct or bankruptcy of Zhonglian Enterprise, or by Zhonglian Enterprise with 30 days notice.

Pursuant to the consulting and service agreements, replacing the technology consulting and service agreements entered into on various dates since April 1, 2010, between our PRC subsidiary Xinlian Information and most of the insurance intermediary subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment, Xinlian Information agreed to provide training services and consulting and other services relating to IT platform and internal control compliance. In exchange, the insurance intermediary companies that are parties to these agreements each agree to pay a quarterly fee calculated primarily based on a percentage of the revenue generated by such company. The parties to each agreement also commit to negotiating adjustments to the fee level every three months by mutual agreement. Each of these agreements has an initial term of one year from the signing date, which will be automatically renewed for one-year terms unless Xinlian Information decides not to renew the agreement. Each agreement may be terminated by the insurance intermediary company only upon gross negligence, fraud, other illegal conduct or bankruptcy of Xinlian Information, or by Xinlian Information with 30 days notice.

**IT Platform Service Agreement.** Pursuant to the IT platform service agreements entered into on various dates since April 1, 2010, between Litian Zhuoyue Software (Beijing) Co., Ltd, or Litian Zhuoyue, a subsidiary of Xinlian Information, and most of the insurance intermediary subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment, Litian Zhuoyue agreed to provide space for system operation and data storage, data maintenance, system security and efficiency maintenance, on-site support, software optimization and maintenance and other IT platform related services. In exchange, the insurance intermediary companies that are parties to these agreements each agree to pay a quarterly fee calculated primarily based on a percentage of the revenue generated by such company. The parties to each agreement also commit to negotiating adjustments to the fee level every three months by mutual agreement. Each of these agreements has an initial term of one year from the signing date, which will be automatically renewed for one-year terms unless Litian Zhuoyue decides not to renew the agreement. Each agreement may be terminated by the insurance intermediary company only upon gross negligence, fraud, other illegal conduct or bankruptcy of Litian Zhuoyue, or by Litian Zhuoyue with 30 days notice.

**Trademark Licensing Agreements.** Pursuant to the trademark licensing agreements entered into on various dates between our subsidiary Beijing Ruisike Management Consulting Co., Ltd., or Ruisike Consulting, and some of the insurance intermediary subsidiaries of Meidiya Investment and Yihe Investment, Ruisike Consulting agreed to grant a nonexclusive right to use the trademark owned by it to the insurance intermediary companies, in exchange for a fixed annual fee of RMB10,000 under each agreement. Each of these agreements has an initial term of ten years from the signing date, which will be automatically renewed for one-year terms unless Ruisike Consulting decides not to renew the agreement. Each agreement may be terminated by a party if there has been a material breach by the other party and the breach is not cured within 30 days after the breaching party receives a written notice from the non-breaching party. In addition, Ruisike Consulting may terminate each agreement at any time during the term of the agreement upon 30-day notice. We subsequently decided to stop charging a fee for the use of our trademarks by our affiliated insurance intermediary companies under these trademark licensing agreements beginning from January 2008.

In 2010, our affiliated insurance intermediary companies paid a total of RMB436.8 million (US\$66.2 million) under the IT platform services agreements and consulting and service agreements to our subsidiaries, representing approximately 53.9% of the net revenues of these affiliated entities. Because of our contractual arrangements with the individual shareholders of Meidiya Investment, Yihe Investment and Xinbao Investment and their subsidiaries, we are the primary beneficiary of Meidiya Investment, Yihe Investment and Xinbao Investment and have consolidated them into our consolidated financial statements. Revenues generated by the subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment accounted for 92.9% of our total net revenues in 2010. The remainder of our total net revenues in 2010 came from one of our subsidiaries, which runs our operating platform, maintains our customer database and provides information about potential customers to insurance companies. The insurance companies paid fees to this subsidiary if the potential customers introduced by this subsidiary actually purchased insurance. In the opinion of Commerce & Finance Law Offices, our PRC legal counsel:

- the ownership structures of Meidiya Investment, Yihe Investment and Xinbao Investment, their subsidiaries and our subsidiaries in China comply with all existing PRC laws and regulations;
- the contractual arrangements among our PRC subsidiaries, Meidiya Investment, Yihe Investment, Xinbao Investment, their individual shareholders and their subsidiaries governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect; and
- the business operations of our PRC subsidiaries, Meidiya Investment, Yihe Investment and Xinbao Investment and their subsidiaries comply in all material respects with existing PRC laws and regulations.

We have been advised by our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, the PRC regulatory authorities may 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 counsel that if the PRC government finds that the agreements that establish the structure for operating our PRC insurance intermediary businesses do not comply with PRC government restrictions on foreign investment in the insurance intermediary industry, we could be subject to severe penalties including being prohibited from continuing operation. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating our China business do not comply with applicable PRC laws and regulations, we could be subject to severe penalties” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.” However, to date we have not encountered any interference or encumbrance from the PRC government on account of operating our business through these agreements.

C. Property, Plant and Equipment

Our headquarters are located in Guangzhou, China, where we lease approximately 2,383 square meters of office space. Our subsidiaries and consolidated affiliated entities lease approximately 109,605 square meters of office space. In 2010, our total rental expenses were RMB30.3 million (US\$4.6 million).

**Item 4A. Unresolved Staff Comments**

None.

## **Item 5. Operating and Financial Review and Prospects**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in this annual report. This discussion and analysis contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3.D. Key Information—Risk Factors” or in other parts of this annual report.

### **A. Operating Results**

#### **Factors Affecting Our Results of Operations**

Our financial condition and results of operations are primarily affected by the following factors:

- the overall premium growth of the Chinese insurance industry;
- the extent to which insurance companies in the PRC outsource the distribution of their products and claims adjusting functions;
- premium rate levels and commission and fee rates;
- the size and productivity of our sale force;
- acquisitions;
- commission rates for individual sales agents;
- product and service mix;
- share-based compensation expenses;
- seasonality; and
- fee-based revenue scheme.

#### ***The Overall Growth in Premiums of the Chinese Insurance Industry***

The Chinese insurance industry has grown substantially in recent years. Between 2001 and 2010, total insurance premiums increased from RMB212 billion to RMB1,453 billion, representing a compound annual growth rate of 23.8%, according to data published by CIRC. We believe that certain macroeconomic and demographic factors, such as per capita GDP growth and aging of the population, have contributed to and will continue to drive the growth of the Chinese insurance industry.

We derive our revenue primarily from commissions and fees paid by insurance companies, typically calculated as a percentage of premiums paid by our customers to the insurance companies. Accordingly, continued industry-wide premium growth will have a positive impact on us. However, there is no assurance that the growth trend will continue. Any downturn in the Chinese insurance industry, whether caused by a general slowdown of the PRC economy or otherwise, may adversely affect our financial condition and results of operations.

#### ***The Extent to Which Insurance Companies in the PRC Outsource the Distribution of Their Products and the Claims Adjusting Functions***

Historically, insurance companies in the PRC have relied primarily on their exclusive individual sales agents and direct sales force to sell their products. Only in recent years, as a result of increased competition, have some insurance companies gradually expanded their distribution channels to include insurance intermediaries such as commercial banks, postal offices, insurance agencies and insurance brokerages. In addition, because of a lack of established distribution network of their own, some newly established insurance companies have chosen to rely primarily on insurance intermediaries to distribute their products while they focus on other aspects of their business.

As insurance companies in the PRC become more accustomed to outsourcing the distribution of their products to insurance intermediaries, they may allow insurance intermediaries to distribute a wider variety of insurance products and may provide more monetary incentives to more productive and effective insurance intermediaries. These and other similar measures designed to boost sales through insurance intermediaries can have a positive impact on our financial condition and results of operations. Similarly, as competition intensifies and the insurance market becomes more mature in China, we expect that more insurance companies will choose to outsource claims adjusting functions to professional service providers such as our affiliated claims adjusting firms while they focus on the core aspects of their business, including product development, asset and risk management.

#### ***Premium Rate Levels and Commission and Fee Rates***

Because the commissions and fees we receive from insurance companies for the distribution of insurance products are generally calculated as a percentage of premiums paid by our customers to the insurance companies, our revenue and results of operations are affected by premium rate levels and commission and fee rates. Premium rate levels and commission and fee rates can change based on the prevailing economic conditions, competitive and regulatory landscape, and other factors that affect insurance companies. These other factors include the ability of insurance companies to place new business, underwriting and non-underwriting profits of insurance companies, consumer demand for insurance products, the availability of comparable products from other insurance companies at a lower cost, and the tax deductibility of commissions and fees. In addition, premium rates for certain insurance products, such as the mandatory automobile liability insurance that each automobile owner in the PRC is legally required to purchase, are tightly regulated by the CIRC. In some instance, we can negotiate for better rates as an incentive for generating larger volume of business.

Since China's entry into the WTO in December 2001, competition among insurance companies has intensified as a result of a significant increase in the number of insurance companies and the existing insurance companies' expansion into new geographic markets. This competition has led to a gradual increase in the commission and fee rates offered to insurance intermediaries, and such increase has had a positive impact on our results of operations. Meanwhile, the intense competition among insurance companies also has led to a gradual decline in premium rate levels of some property and casualty insurance products. While such decline has had a negative impact on the commissions and fees we earned on a per policy sold basis, it also may have had a positive impact on our total commissions and fees revenue by increasing demand for, and our total sales volume of, those policies.

#### ***The Size and Productivity of Our Sale Force***

As a distributor of insurance products, we generate revenue primarily through our sales force, which consists of individual sales agents in our distribution and service network and a relatively small number of in-house sales representatives. The size of our sales force and its productivity, as measured by the average number of insurance products sold per person, the average premium per product sold and the average premiums generated per person during any specified period, directly affect our revenue and results of operations. In recent years, some entrepreneurial management staff or senior sales agents of major insurance companies in China have chosen to leave their employers or principals and become independent agents. We refer to these independent agents as "entrepreneurial agents." An entrepreneurial agent is usually able to assemble and lead a team of sales agents. We have been actively recruiting and will continue to recruit entrepreneurial agents to join our distribution and service network as our sales agents. Entrepreneurial agents have been instrumental to the development of our life insurance business.

#### ***Acquisitions***

The professional insurance intermediary sector in China is still at an early development stage and highly fragmented. We believe this offers substantial opportunities for consolidation. We intend to grow our distribution and service network in part through selective acquisitions of high-quality independent insurance intermediary companies. Since 2008, we, through our consolidated affiliated entities in the PRC, acquired controlling interests in 17 insurance agencies which included Datong and its subsidiaries, one brokerage, four insurance claims adjusting firms and one online insurance service company as of April 8, 2011. We expect acquisitions to have a positive impact on our results of operations in the long run. However, acquisitions also involve significant risks and uncertainties. See "Item 3. Key Information—Risk Factors—D. Risks Related to Our Business and Our Industry—If we fail to integrate acquired companies efficiently, or if the acquired companies do not perform to our expectations, our business and results of operations may be adversely affected." In addition, any write-down of goodwill due to impairment and the amortization of intangible assets acquired could have a negative impact on our results of operations. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Our Industry—If we are required to write down goodwill and other intangible assets, our financial condition and results may be materially and adversely affected."

### ***Commission Rates for Individual Sales Agents***

A large component of our operating costs and expenses is commissions paid to our individual sales agents. In order to retain sales agents, we must pay commissions at a level comparable to the commissions paid by our competitors. Competition for productive sales agents has been intense within the Chinese insurance industry and has led to a gradual increase in commission rates in recent years. The increase in commission rates has had a negative impact on our results of operations. If we are forced to further increase our commission rates for individual sales agents due to competition or otherwise, our operating costs and expenses will increase correspondingly.

### ***Product and Service Mix***

We began distributing automobile insurance products in 1999 and expanded our product offerings to other property and casualty insurance products in 2002 and then to individual life insurance products in 2006. We further broadened our service offering to cover insurance claims adjusting services in 2008. The property and casualty insurance policies we distribute are typically for one-year terms, with a single premium payable at the beginning of the term. Accordingly, we receive a single commission or fee for each property and casualty policy our customers purchase. In order for us to have recurring commission and fee revenue from property and casualty insurance products, our customers have to renew their policies or purchase new policies through us every year. Most individual life insurance policies we sell require periodic payment of premiums, typically annually, during a pre-determined payment period, generally ranging from five to 25 years. For such policies we sell, insurance companies will pay us a first-year commission and fee based on a percentage of the first year's gross premiums, and subsequent commissions and fees based on smaller percentages of the renewal premiums paid by the insured throughout the payment period of the policy. Therefore, once we sell a life insurance policy with a periodic payment schedule, it can bring us a steady flow of commission and fee revenue throughout the payment period as long as the insured meets his or her premium payment commitment.

Because insurance companies pay us first-year commission and fee for most life insurance products at rates higher than those for property and casualty insurance products, we expect positive impact on our revenue if our distribution of life insurance products increases in the future. However, we will also incur a corresponding increase in operating costs because we pay our sales agents a higher commission and fee for distributing life insurance products. Accordingly, the operating margin attributable to life insurance products may not be as high as that of property and casualty insurance products, and may initially have a negative impact on our overall operating margin. We expect that the operating margin for life insurance products will improve because we only need to pay commissions to our sales agents for the first five years of a policy, but continue to earn renewal fees from the insurance company for the entire payment period of the policy, which could be up to 25 years.

The fees we receive for our claims adjusting services are calculated based on the types of insurance involved. For services provided in connection with property and casualty insurance (other than marine cargo insurance and automobile insurance), our fees are calculated as a percentage of the recovered amount from insurance companies plus travel expenses. For services provided in connection with marine cargo insurance, our fees are charged primarily on an hourly basis and, in some cases, as a percentage of the amount recovered from insurance companies. For automobile insurance, our fees are generally fixed and the amounts collected are based on the types of services provided. We pay our in-house claims adjusters a base salary plus a commission calculated based on a small percentage of the service fees we receive from insurance companies or the insured. The insurance claims adjusting business has become and likely will continue to be an important source of our net revenues. However, because the gross margin and operating margin attributable to the claims adjusting business are generally lower than those for property and casualty insurance products but higher than those for new life insurance policies, we expect that the increase in revenues from our insurance claims adjusting business as a percentage of our total net revenues may have a negative impact on our gross margin and operating margin.

### ***Share-based Compensation Expenses***

Our historical results of operations have been materially affected by the share-based compensation expenses incurred. In 2008, 2009 and 2010, we incurred share-based compensation expenses of RMB45.7 million, RMB7.6 million, and RMB22.2 million (US\$3.4 million), respectively. See "Item 5. Operating and Financial Review and Prospects—Key Performance Indicators—Operating Costs and Expenses—Share-based Compensation Expenses" for a more detailed discussion of our historical share-based compensation expenses. In order to attract and retain the best personnel for positions of substantial responsibility, provide additional incentive to employees, directors and consultants and promote the success of our business, we adopted a share incentive plan in October 2007. Under our 2007 share incentive plan, as amended and restated in December 2008, we may issue an aggregate number of our ordinary shares, equal to 15% of our total number of shares outstanding immediately after the closing of our initial public offering, to cover awards granted under the plan. See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentives—2007 Share Incentive Plan." We expect that share-based compensation expenses will continue to be a significant component of our operating expenses.

### Seasonality

Our quarterly results of operations are affected by seasonal variations caused by insurance companies' business practices and consumer demand. Historically, insurance companies, under pressure to meet their annual sales targets, would increase their sales efforts during the fourth quarter of a year by, for example, offering more incentives for insurance intermediaries to increase sales. As a result, our commission and fee revenue for the fourth quarter of a year has generally been the highest among all four quarters. Business activities, including buying and selling insurance, usually slow down during the Chinese New Year festivities, which occur during the first quarter of each year. As a result, our commission and fee revenue for the first quarter of a year has generally been the lowest among all four quarters.

### Fee-based Revenue Scheme

In response to a consultation paper for opinions on the insurance sales system reform circulated by the CIRC in June 2009, we submitted a proposal to the CIRC in June 2009 with respect to our pilot experiment. See "Item 3. Key Information—D.—Risk Factors—Risks Related to our Business and Our Industry—The implementation of the insurance sales system reform involves substantial uncertainties and the fee-based revenue scheme adopted by several of our affiliated property and casualty insurance agencies may be subject to challenge by the PRC tax authorities." Since the second quarter of 2009, several of our affiliated property and casualty insurance agencies have adopted a new fee-based revenue scheme on a trial basis. Under the new scheme, our affiliated subsidiaries earn fees by providing training and IT platforms to external insurance agents and accruing and paying business taxes and surcharges accordingly. We expect that the application of this new fee-based revenue scheme by an increase in the number of our affiliated subsidiaries would result in a decline in the growth of our net revenues. However, it would also have a positive impact on our overall gross margin.

### Key Performance Indicators

#### Net Revenues

Our revenues are net of PRC business tax. In 2008, 2009 and 2010, we generated net revenues of RMB844.0 million, RMB1.2 billion and RMB1.5 billion (US\$225.0 million), respectively. We derive net revenues from the following sources:

- commissions and fees paid by insurance companies, which accounted for 99.9%, 99.9% and 99.96% of our net revenues for 2008, 2009 and 2010, respectively; and
- other service fees, which refers to fees paid by insurance companies for certain insurance-related services provided by us to the insured on behalf of the insurance companies and accounted for 0.1%, 0.1% and 0.04% of our net revenues for 2008, 2009, and 2010, respectively.

In 2008, 2009 and 2010, we generated commissions and fees of RMB843.1 million, RMB1.2 billion and RMB1.5 billion (US\$224.9 million), respectively. We derive commissions and fees from distributing property and casualty insurance and life insurance products and providing claims adjusting services.

#### Total Net Revenues

The following table sets forth our total net revenues earned from the distributions of property and casualty insurance and life insurance products and provision of claims adjusting services, both in absolute amount and as a percentage of total net revenues, for the periods indicated:

	Year Ended December 31,					
	2008		2009		2010	
	RMB	%	RMB	%	RMB	US\$
	(in thousands except percentages)					
Property and casualty insurance products	634,385	75.1	783,220	67.8	821,259	124,433
Life insurance products	120,565	14.3	230,961	20.0	486,676	73,739
Claims adjusting services	89,012	10.6	140,670	12.2	177,094	26,832
Total net revenues	843,962	100.0	1,154,851	100.0	1,485,029	225,004

Net revenues from property and casualty insurance products, in particular automobile insurance products, have been our primary source of revenue since our inception. While net revenues from property and casualty insurance products increased significantly in absolute amounts from 2008 to 2010, their share as a percentage of our total net revenues decreased gradually from 75.1% in 2008 to 55.3% in 2010, primarily reflecting the significant growth of our life insurance businesses during the corresponding period. As the per capita automobile ownership in China is still low, automobile sales in China still have significant growth potential. Therefore, we expect that automobile insurance products will continue to be a significant contributor to our total net revenues in the next several years.

We began distributing individual life insurance products in 2006. Net revenues from life insurance products increased significantly from 2008 to 2010, both in absolute amounts and as a percentage of our total net revenues earned. We have devoted significant efforts on the distribution of life insurance products and expect net revenues from life insurance products to constitute an increasingly significant portion of our total net revenues in the next several years.

We began providing claims adjusting services in 2008. Net revenues from claims adjusting services increased significantly from 2008 to 2010 in absolute amounts. As we continue to grow our claims adjusting business, we expect that net revenues from claims adjusting services will increase as a percentage of our total net revenues in the next few years.

The commissions and fees we receive from the distribution of insurance products are based on a percentage of the premiums paid by the insured. Commission and fee rates generally depend on the type of insurance products, the particular insurance company and the region in which the insurance products are sold. We typically receive payment of the commissions and fees from insurance companies for insurance products on a monthly basis. Some of the fees are paid to us annually or semi-annually in the form of performance bonuses after we have achieved specified premium volume or policy renewal goals as agreed upon between the insurance companies and us.

We are compensated primarily by insurance companies for our claims adjusting services. The fees we receive for our claims adjusting services depend on the types of insurance involved. For services provided in connection with marine cargo insurance, our fees are charged primarily on an hourly basis and, in some cases, as a percentage of the amount recovered from insurance companies. For services provided in connection with other property and casualty insurance, our fees are calculated as a percentage of the recovered amount from insurance companies plus travel expenses. We typically receive payment for these fees on a semi-annual or annual basis. For claims adjusting services related to automobile insurance, our fees are generally fixed on a per claim basis. These fees are typically paid to us on a quarterly basis.

#### *Other Service Fees*

In connection with the distribution of automobile insurance products, we provide some insurance-related services, such as driver's license renewal and annual inspection for the insured. In 2008, 2009 and 2010, we generated other service fees of RMB0.9 million, RMB0.8 million and RMB0.6 million (US\$0.1 million), respectively, for providing these services, which were included in net revenues from the distribution of property and casualty insurance products. We don't expect other service fees to constitute a significant portion of our total net revenues in the future.

### Operating Costs and Expenses

Our operating costs and expenses consist of commissions and fees incurred in connection with the distribution of insurance products and provision of claims adjusting services, selling expenses and general and administrative expenses. The following table sets forth the components of our operating costs and expenses, both in absolute amount and as a percentage of our net revenues, for the periods indicated.

	Year Ended December 31,					
	2008		2009		2010	
	RMB	%	RMB	%	RMB	US\$
	(in thousands except percentages)					
Total net revenues	843,962	100.0	1,154,851	100.0	1,485,029	225,004
Operating costs and expenses:						
Commissions and fees	(436,803)	(51.8)	(579,911)	(50.2)	(708,403)	(107,333)
Selling expenses	(17,328)	(2.1)	(49,498)	(4.3)	(73,567)	(11,147)
General and administrative expenses	(180,031)	(21.3)	(199,246)	(17.3)	(271,444)	(41,128)
Total operating costs and expenses	(634,162)	(75.2)	(828,655)	(71.8)	(1,053,414)	(159,608)

#### Commissions and Fees

We incur commissions and fees in connection with the distributions of insurance products and provisions of claims adjusting services. The commissions and fees that we incurred increased in absolute amounts each year from 2008 to 2010 primarily as a result of increase in net revenues and increase in the size of our sales force and claims adjustors. We rely mainly on individual sales agents and, to a much lesser degree, on a small number of in-house sales representatives for the distributions of insurance products. For claims adjusting services, we rely entirely on our in-house claims adjustors. Commissions and fees incurred as a percentage of net revenues decreased from 2008 to 2009, primarily as a result of the implementation of a fee-based revenues scheme beginning in the second quarter of 2009. Commissions and fees incurred as a percentage of net revenues further decreased from 2009 to 2010, primarily as a result of the implementation of the fee-based revenues scheme in three more affiliated insurance agencies in 2010 as compared with five affiliated insurance agencies in 2009. We anticipate that our commissions and fees will continue to increase as we add more sales agents and claims adjustors to our work force and further grow our business.

#### Selling Expenses

Our selling expenses primarily consist of:

- Salaries for employees who work in back office below the provincial management level and employment benefits for our in-house sales staff;
- office rental, telecommunications expenses and office supply expenses incurred in connection with sales activities; and
- advertising and marketing expenses.

We expect that our selling expenses will continue to increase as we expand our distribution and service network in both existing markets and new geographic regions. As we grow in size, we also intend to spend more on marketing and advertising to enhance our brand recognition.

#### General and Administrative Expenses

Our general and administrative expenses principally comprise:

- salaries and benefits for our administrative staff;
- share-based compensation expenses for managerial and administrative staff;
- professional fees paid for valuation, market research, legal and auditing services;
- compliance-related expenses, including expenses for professional services;
- depreciations and amortizations;

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- office rental expenses;
- travel and telecommunications expenses;
- entertainment expenses;
- office supply expenses for our administrative staff;
- foreign exchange loss; and
- impairment loss.

We expect that our general and administrative expenses will increase as we hire additional administrative personnel and incur additional costs in connection with the expansion of our business, our efforts to improve our operating platform and our status as a publicly traded company, including costs to enhance our internal controls.

*Share-based Compensation Expenses.* Share-based compensation expenses constituted a smaller portion of our general and administrative expenses in 2009, but were one of the largest components of our general and administrative expenses in 2008 and 2010. In 2008, 2009 and 2010, we incurred share-based compensation only with respect to certain managerial and administrative staff and accordingly, allocated all share-based compensation expenses to general and administrative expenses. The following table sets forth our share-based compensation expenses, both in absolute amount and as a percentage of our general and administrative expenses, for the periods indicated.

	For the Year Ended December 31,					
	2008		2009		2010	
	RMB	%	RMB	%	RMB	US\$
	(in thousands except percentages)					
General and administrative expenses	180,031	100.0	199,246	100.0	271,444	41,128
Share-based compensation expenses	45,659	25.4	7,553	3.8	22,211	3,365

Our share-based compensation expenses in 2010 were primarily attributable to options granted to various directors, officers and employees to purchase 48,000,000 ordinary shares in February 2010.

Our share-based compensation expenses in 2009 were primarily attributable to options granted to various directors, officers and employees to purchase 32,000,000 and 10,000,000 ordinary shares in November 2008 and March 2009, respectively.

Our share-based compensation expenses in 2008 were primarily attributable to options granted in October 2007, February 2007 and November 2008, including a one-time recognition in the fourth quarter of 2008 of the remaining un-amortized expenses totaling RMB29.6 million in connection with the cancellation of some options granted in October 2007.

For more information about our share-based compensation expenses, please see Note 19 to our audited consolidated financial statements included in this annual report.

## **Taxation**

We and each of our subsidiaries and consolidated affiliated entities file separate income tax returns.

### ***The Cayman Islands, the British Virgin Islands and Hong Kong***

Under the current laws of the Cayman Islands and the British Virgin Islands, we and our subsidiaries incorporated in the British Virgin Islands are not subject to income or capital gains taxes. In addition, dividend payments are not subject to withholding tax in those jurisdictions. Our subsidiary incorporated in Hong Kong is subject to a normal profits tax rate of 16.5% of its assessable profits for the years of assessment ending March 31, 2009 and March 31, 2010. Payment of dividends is not subject to withholding tax in Hong Kong.

## **PRC**

Pursuant to the PRC EIT laws in effect before January 1, 2008, most of our subsidiaries and consolidated affiliated entities in China were subject to the standard EIT rate, which was 33%. Our subsidiaries and consolidated affiliated entities located in Shenzhen, a special economic zone, were subject to an EIT rate of 15 %. The EIT was calculated based on taxable income under PRC accounting principles. For some entities, the EIT is calculated based on the actual revenue at a deemed tax rate according to the local practices of the respective local tax bureaus in charge. In addition, our subsidiaries and consolidated affiliated entities in China are subject to a 5% business tax on gross revenues generated from providing services and two additional fees, the city construction fee and the education fee, which are generally calculated at 7% and 3%, respectively, on business tax.

On March 16, 2007, the National People's Congress of China enacted the EIT Law which became effective on January 1, 2008. On December 6, 2007, the State Counsel issued the Implementation Rules which became effective on January 1, 2008. On December 26, 2007, the State Council issued the Transition Preferential Policy Circular which also became effective on January 1, 2008. According to the EIT Law, as further clarified by the Implementation Rules, the Transition Preferential Policy Circular and other related regulations, foreign-invested enterprises and domestic enterprises are subject to EIT at a uniform rate of 25%. The EIT rate of enterprises established before March 16, 2007 that were eligible for preferential tax treatments according to then effective tax laws and regulations will continue to enjoy such preferential tax treatments in the following manners: (1) in the case of preferential tax rates, for a five-year transition period starting from January 1, 2008, during which the EIT rate of such enterprises will gradually increase to the uniform 25% EIT rate by January 1, 2012; or (2) in the case of preferential tax exemption or reduction with a specified term, until the expiration of such term. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make a profit, its term for preferential treatment will be deemed to start from 2008.

As a result of the implementation of the EIT Law, certain preferential tax treatments enjoyed by some of our consolidated affiliated entities expired on January 1, 2008. Our effective tax rate increased significantly in 2008 and 2009 compared to 2007, primarily due to these expirations. According to the EIT Law and related regulations, the preferential tax rates enjoyed by some of our PRC subsidiaries and consolidated affiliated entities incorporated in Shenzhen, a special economic zone, will gradually increase to the uniform 25% EIT rate during the five year transition period. An increase in the EIT rates for those entities pursuant to the EIT Law could result in an increase in our effective tax rate, which could materially and adversely affect our results of operations.

Pursuant to a Notice of Preferential Policies of EIT, jointly issued by the PRC Ministry of Finance and the State Administration of Taxation on February 22, 2008, a newly established software enterprise was entitled to an exemption from EIT for the first two years and a 50% reduction of EIT for the following three years starting from the first profit-making year. One of our affiliated entities, Litian Zhuoyue, will be entitled to the tax holidays under this notice from 2010 until 2015.

## **Critical Accounting Policies**

We prepare financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect the reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the end of each fiscal period, as well as the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these judgments and estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and assumptions that we believe to be reasonable. This forms our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

### ***Revenue Recognition***

We recognize revenue when all of the following have occurred: persuasive evidence of an agreement with the insurance company exists; services have been provided; the fees for such services are fixed or determinable; and collectability of the fees is reasonably assured.

Brokerage and agency services are considered to be rendered and completed, and revenue is recognized, at the time the insurance policy becomes effective, that is, when the signed insurance policy is in place and the premium is collected from the insured. We believe that we have met all the four criteria of revenue recognition when the premiums are collected by us or the respective insurance companies and not before, because collectability is not ensured until receipt of the premium. Accordingly, we do not accrue any commissions and fees prior to the receipt of the related premiums. No allowance for cancellation has been recognized as we estimate that, based on our past experience, policy cancellations rarely occur. Any subsequent commission and fee adjustments in connection with policy cancellations, which have been *de minimis* to date, are recognized upon notification from the insurance companies. Actual commission and fee adjustments in connection with the cancellation of policies were approximately 0.1%, 0.1% and 0.1% of the total commission and fee revenues for the years ended December 31, 2008, 2009 and 2010, respectively. Other service fees include revenue from the provision of certain insurance-related services, such as driver's license renewal and annual surveys. We recognize this type of revenue when the services are rendered.

In connection with the distribution of insurance products, our affiliated insurance agencies may receive performance bonuses from insurance companies pursuant to agreements between the insurance agency and the insurance company. Once the agency achieves its performance target, generally a certain sales volume, the bonus will become due. The bonus amount is calculated by multiplying the insurance premium volume by an agreed-upon percentage. In addition, we record discretionary bonuses as revenue when we receive them; in many cases, that is when insurance companies first notify us of the payment of the discretionary bonuses.

Claims adjusting services are considered to be rendered and completed, and revenue is recognized at the time an insurance company confirms the receipt of the adjusting report issued by us. We believe that we have met all the four criteria for revenue recognition when the services are provided and our adjusting report is accepted by the insurance company. We do not accrue any service fee before receiving an insurance company's acknowledgement that it has received our adjusting report.

### ***Share-based Compensation***

We treat all forms of share-based payments to employees, including employee share options and employee share purchase plans, the same as any other form of compensation and recognize the related cost in the statement of operations. Compensation costs related to employee share options or similar equity instruments is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. We use the Black-Scholes option-pricing model to determine the fair value of share options.

Determining the value of our share-based compensation expense in future periods requires the input of highly subjective assumptions, including estimated forfeitures and the price volatility of the underlying shares. We estimate our forfeitures of our shares based on past employee retention rates and our expectations of future retention rates, and we will prospectively revise our forfeiture rates based on actual history. Our share compensation charges may change based on changes to our actual forfeitures. Our actual share-based compensation expenses may be materially different from our current expectations.

### ***Impairment of Goodwill, Intangible Assets and Long-lived Assets***

Goodwill and intangible assets with indefinite lives are required to be tested for impairment at least annually or more frequently if events or changes in circumstances indicate that these assets might be impaired. If we determine that the carrying value of our goodwill or acquired intangible assets have been impaired, the carrying value will be written down.

To assess potential impairment of goodwill, we perform an assessment of the carrying value of our reporting units at least on an annual basis or when events and changes in circumstances occur that would more likely than not reduce the fair value of our reporting units below their carrying value. If the carrying value of a reporting unit exceeds its fair value, we would perform the second step in our assessment process and record an impairment loss to earnings to the extent the carrying amount of the reporting unit's goodwill exceeds its implied fair value. We estimate the fair value of our reporting units through internal analysis and external valuations, which utilize income and market valuation approaches through the application of capitalized earnings and discounted cash flow. These valuation techniques are based on a number of estimates and assumptions, including the projected future operating results of the reporting unit, appropriate discount rates and long-term growth rates.

The fair value of each reporting unit is determined by analysis of discounted cash flows. The significant assumptions regarding our future operating performance are revenue growth rates, discount rates and terminal values. If any of these assumptions changes, the estimated fair value of our reporting units will change, which could affect the amount of goodwill impairment charges, if any.

We performed the first step of impairment assessment and noted that the total fair value of the segments was significantly higher than the aggregate carrying value of the reporting units. As such, we have not recognized any impairment charge on goodwill for the three-year period ended December 31, 2010. We are currently not aware of any impairment charge of the goodwill.

Amortizable intangible assets and long-lived assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from its undiscounted future cash flow. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge shall be recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management performed impairment test for intangible assets and all long-lived assets as of December 31, 2010 and recognized an impairment loss of RMB4.6 million (US\$0.7 million) in intangible assets as of December 31, 2010.

#### **Income Taxes**

We recognize deferred tax assets and liabilities 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 our opinion, it is more likely than not that some portion or all of the deferred tax assets will not be realized. We record a valuation allowance to reduce our deferred income tax assets to an amount that we believe will more likely than not be realized. We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need and amount for the valuation allowance. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of our net recorded amount, an adjustment to our deferred income tax assets would increase income in the period such determination was made. Alternatively, should we determine that we would not be able to realize all or part of our net deferred income tax assets in the future, an adjustment to our deferred income tax assets would decrease income in the period such determination was made. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics.

ASC subtopic 740-10 (“ASC 740-10”), *Income taxes: Overall (Pre-Codification: FIN 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109)*, on January 1, 2007. ASC 740-10 clarifies accounting for uncertainty in income taxes recognized in any entity’s financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. 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 taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

#### **Recent Accounting Pronouncements**

In December 2010, Financial Accounting Standards Board, or FASB, issued Accounting Standard Update, or ASU, 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations. The objective of this guidance is to address diversity in practice regarding the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclosure revenue and earnings of the combined entity as though the business combination(s) that occurred during the year had occurred as of the beginning of the comparable prior annual reporting only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments affect any public entity as defined by Topic 805 that enters to business combinations that are material on an individual or aggregated basis. The amendments will be effective for business combinations consummated in periods beginning after December 15, 2010 and should be applied prospectively as of the date of adoption. Early adoption is permitted. The Group does not expect the adoption of this ASU to have any significant impact on its financial condition or result of operations.

In December 2010, the FASB issued an authoritative pronouncement on when to perform Step 2 of the Goodwill Impairment test for Reporting Units with Zero or Negative Carrying Amounts. The amendments in this update modify Step 1 so that for those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the guidance is effective for impairment tests performed during entities' fiscal years (and interim periods within those years) that begin after December 15, 2010. Early adoption will not be permitted. For nonpublic entities, the guidance is effective for impairment tests performed during entities' fiscal years (and interim periods within those years) that begin after December 15, 2011. Early application for nonpublic entities is permitted; nonpublic entities that elect early application will use the same effective date as that for public entities. The Group does not expect the adoption of this ASU to have any significant impact on its financial condition or result of operations.

In April 2010, the FASB issued ASU 2010-13, Compensation — Stock Compensation (Topic 718); Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades. The objective of this ASU is to address the classification of an employee share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. FASB Accounting Standards Codification Topic 718, Compensation—Stock Compensation, provides guidance on the classification of a share-based payment award as either equity or a liability. A share-based payment award that contains a condition that is not a market, performance, or service condition is required to be classified as a liability. Under Topic 718, awards of equity share options granted to an employee of an entity's foreign operation that provide a fixed exercise price denominated in (1) the foreign operation's functional currency or (2) the currency in which the employee's pay is denominated should not be considered to contain a condition that is not a market, performance, or service condition. However, US GAAP do not specify whether a share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades has a market, performance, or service condition. Diversity in practice has developed on the interpretation of whether such an award should be classified as a liability when the exercise price is not denominated in either the foreign operation's functional currency or the currency in which the employee's pay is denominated. ASU 2010-13 clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. This ASU is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2010, and will be applied prospectively. Affected entities will be required to record a cumulative catch-up adjustment for all awards outstanding as of the beginning of the current period in which the guidance is adopted. The Group does not expect the adoption of this ASU to have any significant impact on its financial condition or result of operations.

## Results of Operations

	For the Year Ended December 31,					
	2008 to 2009		2009 to 2010		2010	
	2008 RMB	Percentage Change %	2009 RMB	Percentage Change %	RMB	US\$
(in thousands except percentages)						
<b>Consolidated Statement of Operations Data</b>						
<b>Net revenues:</b>						
Commissions and fees	843,107	36.9	1,154,090	28.6	1,484,389	224,907
Other service fees	855	(11.0)	761	(15.9)	640	97
<b>Total net revenues</b>	<b>843,962</b>	<b>36.8</b>	<b>1,154,851</b>	<b>28.6</b>	<b>1,485,029</b>	<b>225,004</b>
<b>Operating costs and expenses:</b>						
Commissions and fees	(436,803)	32.8	(579,911)	22.2	(708,403)	(107,333)
Selling expenses	(17,328)	185.7	(49,498)	48.6	(73,567)	(11,147)
General and administrative expenses	(180,031)	10.7	(199,246)	36.2	(271,444)	(41,128)
Total operating costs and expenses	<b>(634,162)</b>	<b>30.7</b>	<b>(828,655)</b>	<b>27.1</b>	<b>(1,053,414)</b>	<b>(159,608)</b>
<b>Income from operations</b>	<b>209,800</b>	<b>55.5</b>	<b>326,196</b>	<b>32.3</b>	<b>431,615</b>	<b>65,396</b>
<b>Other income (expense), net:</b>						
Gain on disposal of investment in a subsidiary	525	*	—	*	—	—
Investment income	—	*	18,905	118.2	41,244	6,249
Interest income	47,967	(30.6)	33,299	(19.1)	26,924	4,080
Interest expense	(95)	(95.8)	(4)	25.0	(5)	(1)
Others, net	(28)	5,128.6	1,408	(72.2)	391	59
Changes in fair value of contingent consideration payables	—	*	(5,946)	(100.0)	—	—
<b>Net income before income taxes and income of affiliates</b>	<b>258,169</b>	<b>44.8</b>	<b>373,858</b>	<b>33.8</b>	<b>500,169</b>	<b>75,783</b>
Income tax expense	(62,438)	53.1	(95,618)	1.2	(96,743)	(14,658)
Share of income of affiliates	135	473.3	774	1,567.18	12,904	1,955
<b>Net income</b>	<b>195,866</b>	<b>42.5</b>	<b>279,014</b>	<b>49.22</b>	<b>416,330</b>	<b>63,080</b>
Less: Net income (loss) attributable to the noncontrolling interests	4,129	(628.6)	(21,827)	(72.6)	(5,978)	(906)
<b>Net income attributable to the CNinsure Inc.'s shareholders</b>	<b>191,737</b>	<b>56.9</b>	<b>300,841</b>	<b>40.4</b>	<b>422,308</b>	<b>63,986</b>

\* Not meaningful for analysis because the percentage change is mathematically undeterminable or involves a change from income or benefit to loss or expense, or vice versa.

### Year ended December 31, 2010 Compared to Year Ended December 31, 2009

**Net Revenues.** Our total net revenues increased by 28.6% from RMB1.2 billion in 2009 to RMB1.5 billion (US\$225.0 million) in 2010 primarily as a result of:

- a 4.9% increase from RMB783.2 million in 2009 to RMB821.3 million (US\$124.4 million) in 2010 in commissions and fees and other service fees derived from the distributions of property and casualty insurance products;
- a 110.7% increase from RMB231.0 million in 2009 to RMB486.7 million (US\$73.7 million) in 2010 in commissions and fees derived from the distributions of life insurance products; and
- a 25.9% increase from RMB140.7 million in 2009 to RMB177.1 million (US\$26.8 million) in 2010 in commissions and fees derived from the provision of claims adjusting services.

These increases were primarily attributable to (i) enhanced sales marketing efforts with the number of sales agents increasing by 29.5% from 38,675 as of December 31, 2009 to 50,086 as of December 31, 2010 and the number of sales outlets increasing by 31.7% from 501 as of December 31, 2009 to 660 as of December 31, 2010; (ii) the increase in performance bonuses paid by life insurers as a result of growth in sales volume and more contracts entered into with life insurers at the corporate headquarter level; and (iii) the acquisitions of controlling interests in four affiliated traditional insurance intermediary companies in 2010.

***Operating Costs and Expenses***

***Commissions and Fees.*** Commissions and fees we incurred increased by 22.2% from RMB579.9 million in 2009 to RMB708.4 million (US\$107.3 million) in 2010 primarily due to growth of our sales, which was in line with the increase in net revenues from commissions and fees.

***Selling Expenses.*** Our selling expenses increased by 48.6% from RMB49.5 million in 2009 to RMB73.6 million (US\$11.1 million) in 2010 primarily due to the sales growth and an increase in expenses incurred in connection with the establishment of new outlets.

***General and Administrative Expenses.*** Our general and administrative expenses increased by 36.2% from RMB199.2 million in 2009 to RMB271.4 million (US\$41.1 million) in 2010. This increase was primarily as a result of the following factors:

- an increase of 59.5% in depreciation of fixed assets from RMB14.1 million in 2009 to RMB22.4 million (US\$3.4 million) in 2010, largely as a result of operating the upgraded IT system in more affiliated entities in 2010;
- an increase of 122.9% in amortization of intangible assets from RMB9.7 million in 2009 to RMB21.5 million (US\$3.3 million) in 2010, largely as a result of the acquisitions we made in 2010;
- a recognition of RMB4.6 million (US\$0.7 million) impairment loss in respect of intangible assets for the fourth quarter of 2010; and
- an increase of 194.0% in share-based compensation expenses from RMB7.6 million in 2009 to RMB22.2 million (US\$3.4 million) in 2010, associated with the grant of options to various directors, officers and employees in February 2010.

***Income from Operations.*** As a result of the foregoing factors, our income from operations increased by 32.3% from RMB326.2 million in 2009 to RMB436.1 million (US\$65.4 million) in 2010.

***Other Income (Expense), Net.*** Our other income, net increased by 43.8% from RMB47.7 million in 2009 to RMB68.6 million (US\$10.4 million) in 2010, primarily as a result of a 118.2% increase in the recognition of investment income from RMB18.9 million in 2009 to RMB41.2 million (US\$6.2 million) in 2010, representing gains from re-measuring the 10% equity interest formerly held by us in Hebei Fanlian, Ningbo Baolian, Shandong Mintai and the 5% equity interest formerly held by us in Shenyang Fangda Insurance Agency Co., Ltd., partially offset by a 19.1% decrease in interest income from RMB33.3 million in 2009 to RMB26.9 million (US\$4.1 million) in 2010.

***Net Income before Income Taxes and Income of Affiliates.*** As a result of the foregoing factors, our net income before income taxes and income of affiliates increased by 33.8% from RMB373.9 million in 2009 to RMB500.2 million (US\$75.8 million) in 2010.

***Income Tax Expense.*** Our income tax expense in 2010 primarily consisted of current tax expense of RMB95.2 million (US\$14.4 million) and deferred tax expense of RMB1.5 million (US\$0.2 million). In comparison, our income tax expense in 2009 primarily consisted of current tax expense of RMB92.1 million and deferred tax expense of RMB3.5 million, representing an increase of 1.2% from 2009 to 2010. The effective income tax rate applicable to us was 19.3% in 2010 compared to 25.6% in 2009. The decrease was primarily attributable to a tax holiday enjoyed by an affiliated subsidiary of the Company.

**Net Income (Loss) Attributable to the Noncontrolling Interests.** We recorded RMB6.0 million (US\$0.9 million) net loss attributable to noncontrolling interests in 2010, primarily due to loss incurred by certain affiliated insurance agencies in which we owned majority interests. Profits incurred by Datong segment and claims adjusting segments were wholly attributable to the Group in 2010. In comparison, we recorded RMB21.8 million net loss attributable to noncontrolling interests in 2009. Losses incurred by the Datong segment were wholly borne by the noncontrolling shareholders pursuant to the supplemental agreement between Meidiya Investment and Mr. Lin, dated June 30, 2009.

**Net Income Attributable to the Company's Shareholders.** As a result of the foregoing, our net income attributable to our shareholders increased by 40.4% from RMB300.8 million in 2009 to RMB422.3 million (US\$64.0 million) in 2010.

**Year ended December 31, 2009 Compared to Year Ended December 31, 2008**

**Net Revenues.** Our total net revenues increased by 36.8% from RMB844.0 million in 2008 to RMB1.2 billion in 2009 primarily as a result of:

- a 23.5% increase from RMB634.4 million in 2008 to RMB783.2 million in 2009 in commissions and fees and other service fees derived from the distributions of property and casualty insurance products;
- a 91.6% increase from RMB120.6 million in 2008 to RMB231.0 million in 2009 in commissions and fees derived from the distributions of life insurance products; and
- a 58.0% increase from RMB89.0 million in 2008 to RMB140.7 million in 2009 in commissions and fees derived from the provision of claims adjusting services.

These increases were primarily attributable to (i) enhanced sales marketing efforts with the number of sales agents in our distribution and service network increasing by 33.9% from 28,886 as of December 31, 2008 to 38,675 as of December 31, 2009, and the number of claims adjusters increasing by 86.6% from 834 as of December 31, 2008 to 1,556 as of December 31, 2009; (ii) the establishment of four new affiliated insurance intermediary companies and the acquisitions of controlling interests in five affiliated insurance intermediary companies in 2009; and (iii) the increase in performance bonuses paid by life insurers as a result of growth in sales volume and more contracts entered into with life insurers at the corporate headquarter level.

**Operating Costs and Expenses**

**Commissions and Fees.** Commissions and fees we incurred increased by 32.8% from RMB436.8 million in 2008 to RMB579.9 million in 2009 primarily due to growth of our sales, which was in line with the increase in net revenues from commissions and fees.

**Selling Expenses.** Our selling expenses increased by 185.7% from RMB17.3 million in 2008 to RMB49.5 million in 2009 primarily due to the establishment of additional branches and subsidiaries under Datong segment and claims adjusting segment, as well as an increase in sales promotion expenses.

**General and Administrative Expenses.** Our general and administrative expenses increased by 10.7% from RMB180.0 million in 2008 to RMB199.2 million in 2009. Our adjusted general and administrative expenses, which excluded a one-time charge of RMB29.6 million share-based compensation expenses in 2008 that was associated with the surrender and cancellation of option to purchase an aggregate of 30,804,500 ordinary shares by various option holders, increased 32.4% from RMB150.4 million in 2008. This increase was primarily as a result of the following factors:

- an increase in depreciation of fixed assets due to the installation and operation of our upgraded IT system in more affiliated entities in 2009;
- an increase in headcount, primarily as a result of the recruitment of more senior managers, and an increase in base salaries for the managerial and administrative staff;
- an increase in amortization of intangible assets as a result of the acquisitions we made in 2008 and 2009; and
- an increase in office rental expenses and expenses incurred by newly acquired entities as well as the expansion of our distribution and service network.

*Income from Operations.* As a result of the foregoing factors, our income from operations increased by 55.5% from RMB209.8 million in 2008 to RMB326.2 million in 2009.

*Other Income (Expense), Net.* Our other income, net decreased by 1.5% from RMB48.4 million in 2008 to RMB47.7 million in 2009, primarily as a result of a 30.6% decrease in interest income from RMB48.0 million in 2008 to RMB33.3 million in 2009, mainly attributable to a decrease in bank deposit interest rates in 2009, the recognition of a one-time expense of RMB5.9 million, resulting from changes in fair value of contingent consideration payable for acquisitions of an additional 41% and 46% of equity interests in Hangzhou Zhixin and Fanhua Anlian, respectively, in 2009, partially offset by the recognition of RMB18.9 million of investment income, representing gains from re-measuring the 10% and 5% equity interest formerly held by us in Zhixin and Anlian, respectively.

*Net Income before Income Taxes and Income of Affiliates.* As a result of the foregoing factors, our net income before income taxes and income of affiliates increased by 44.8% from RMB258.2 million in 2008 to RMB373.9 million in 2009.

*Income Tax Expense.* Our income tax expense in 2009 primarily consists of current tax expense of RMB92.1 million and deferred tax expense of RMB3.5 million. The substantial increase in our income tax expense in 2009 was primarily attributable to the increase of operating income and the increase of effective income tax rate in Shenzhen from 18% in 2008 to 20% in 2009. The effective income tax rate applicable to us was 25.6% in 2009 compared to 24.2% in 2008.

*Net Income (Loss) Attributable to the Noncontrolling Interests.* We recorded RMB21.8 million net loss attributable to noncontrolling interests in 2009. Losses incurred by the Datong segment are wholly borne by the noncontrolling shareholders pursuant to the supplemental agreement between Meidiya Investment and Mr. Lin, dated June 30, 2009. In comparison, we recorded RMB4.1 million net income attributable to noncontrolling interests in 2008, primarily due to profit earned by three newly acquired claims adjusting firms in which we hold majority interests, offset by losses incurred by certain other insurances agencies in which we hold majority interests.

*Net Income Attributable to the Company's Shareholders.* As a result of the foregoing, our net income attributable to our shareholders increased by 56.9% from RMB191.7 million in 2008 to RMB300.8 million in 2009.

#### **Discussion of Segment Operations**

Historically, we had managed our business as a single operating segment engaged in insurance agency and brokerage services in the PRC. In order to better manage and measure the performance of different lines of businesses we had been engaged in 2008, we restructured our subsidiaries and consolidated affiliated entities in December 2008 by grouping them into the following four operating segments:

- property and casualty insurance segment, which refers to entities that have been primarily engaged in the distribution of property and casualty insurance products;
- life insurance segment, which refers to entities that have been primarily engaged in the distribution of life insurance products;
- claims adjusting segment, which refers to our claims adjusting firms that are engaged in claims adjusting services such as pre-underwriting survey, claims adjusting, disposal of residual value, loading and unloading supervision and consulting services; and
- Datong segment, which refers to Datong and entities under its control, which are primarily engaged in the distribution of life insurance products.

We group Datong and the entities controlled by it under a separate segment, because they target different customers than those targeted by our other affiliated insurance intermediaries under the life insurance segment. In addition, our management reviews the performance of Datong and its subsidiaries separately from the other operating segments. As a result of this restructuring, we now have four reportable segments.

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The following table sets forth our net revenues, operating costs and expenses and income from operations by reportable segments for the periods indicated. Operating costs and expenses allocated to each of the reportable segments includes intangible asset amortizations and impairments, and other costs and expenses directly incurred by the corresponding segment. The line item “Other” includes expenses not allocated to the reportable segments and headquarter related costs and expenses.

	Year Ended December 31,					
	2008 to 2009		2009 to 2010		2010	
	2008	Percentage Change	2009	Percentage Change	RMB	US\$
	RMB	%	RMB	%		
(in thousands except percentages)						
<b>Net revenues:</b>						
Property and casualty	599,353	30.7	783,220	4.9	821,259	124,433
Life	154,174	15.3	177,713	32.6	235,584	35,695
Claims adjusting	89,012	58.0	140,670	25.9	177,094	26,832
Datong	1,423	3,642.0	53,248	371.6	251,092	38,044
<b>Total net revenues</b>	<b>843,962</b>	<b>36.8</b>	<b>1,154,851</b>	<b>28.6</b>	<b>1,485,029</b>	<b>225,004</b>
<b>Operating costs and expenses:</b>						
Property and casualty	(319,776)	27.8	(408,643)	(4.7)	(389,266)	(58,980)
Life	(127,634)	24.4	(158,804)	22.5	(194,612)	(29,487)
Claims adjusting	(70,961)	71.6	(121,753)	28.8	(156,825)	(23,761)
Datong	(5,837)	1,138.3	(72,281)	196.1	(214,001)	(32,424)
Other	(109,954)	(38.9)	(67,174)	47.0	(98,710)	(14,956)
<b>Total operating costs and expenses</b>	<b>(634,162)</b>	<b>30.7</b>	<b>(828,655)</b>	<b>27.1</b>	<b>(1,053,414)</b>	<b>(159,608)</b>
<b>Income (Loss) from operations:</b>						
Property and casualty	279,577	34.0	374,577	15.3	431,993	65,453
Life	26,540	(28.8)	18,909	116.7	40,972	6,208
Claims adjusting	18,051	4.8	18,917	7.1	20,269	3,071
Datong	(4,414)	331.2	(19,033)	294.9	37,091	5,620
Other	(109,954)	(38.9)	(67,174)	46.9	(98,710)	(14,956)
<b>Total income from operations</b>	<b>209,800</b>	<b>55.5</b>	<b>326,196</b>	<b>32.3</b>	<b>431,615</b>	<b>65,396</b>

### Year ended December 31, 2010 Compared to Year Ended December 31, 2009

#### Net Revenues

Net revenues from our property and casualty insurance segment increased by 4.9% from RMB783.2 million in 2009 to RMB821.3 million (US\$124.4 million) in 2010. The increase primarily resulted from the acquisitions of controlling interests in six affiliated insurance agencies primarily engaged in the distribution of property and casualty insurance products in 2009 and 2010 and a significant increase in the number of property and casualty sales agents, partially offset by the decrease of auto insurance commission rate in the first half year of 2010. The commission rate had been raised to the same level as that of 2009 by the end of 2010.

Net revenues from our life insurance segment increased by 32.6% from RMB177.7 million in 2009 to RMB235.6 million (US\$35.7 million) in 2010. The increase was primarily attributable to (i) an increase in the number of life insurance sales agents and productivity; (ii) an increase in performance bonuses paid by life insurers as a result of growth in sales volume; and (iii) an increase in number of contracts entered into with life insurers at the corporate headquarter level, which enabled us to obtain more favorable terms by combining the sales volumes of all of our affiliated insurance intermediary companies located in different parts of the country.

Net revenues from our claims adjusting segment increased by 25.9% from RMB140.7 million in 2009 to RMB177.1 million (US\$26.8 million) in 2010. The increase primarily resulted from (i) increase in productivity of claims adjusters; and (ii) enhanced cooperation with the property and casualty segment which referred claims adjusting business to our claims adjusting firms.

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Net revenues from the Datong segment increased by 371.6% from RMB53.2 million in 2009 to RMB251.1 million (US\$38.0 million) in 2010. The increase was primarily attributable to (i) an increase in the number of sales agents and productivity; and (ii) an increase in performance bonuses paid by life insurers as a result of growth in sales volume.

### *Operating Costs and Expenses*

Operating costs and expenses for our property and casualty insurance segment decreased by 4.7% from RMB408.6 million in 2009 to RMB389.3 million (US\$59.0 million) in 2010. The decrease was primarily due to the implementation of a fee-based revenue scheme in eight of our affiliated insurance agencies in 2010 as compared to five affiliated insurance agencies in 2009, partially offset by the increase in commissions and fees paid to our property and casualty insurance sales agents, which was in line with the growth of our sales.

Operating costs and expenses for our life insurance segment increased by 22.5% from RMB158.8 million in 2009 to RMB194.6 million (US\$29.5 million) in 2010. The increase was primarily due to (i) higher sales volume, particularly the increase in the sale of new insurance policies, for which we generally paid higher commissions and fees to our sales agents as compared with those of renewal insurance policies; and (ii) the establishment of additional branches and sales outlets.

Operating costs and expenses for our claims adjusting segment increased by 28.8% from RMB121.8 million in 2009 to RMB156.8 million (US\$23.8 million) in 2010. The increase was primarily due to (i) an increase in commissions and fees paid to claims adjusters and related services cost, which was in line with the increase in revenues; and (ii) an increase in salaries for back-office staff and office rental expenses.

Operating costs and expenses for our Datong segment increased by 196.1% from RMB72.3 million in 2009 to RMB214.0 million (US\$32.4 million) in 2010. The increase was primarily due to the increase in commissions and fees paid to our Datong sales agents as a result of significant increase in sales volume, particularly due to the increase in the sales of new insurance policies and the increase in operating expenses incurred by back-office staff to support the business expansion.

### *Income from Operations*

As a result of the foregoing factors, income from operations for our property and casualty insurance segment increased by 15.3% from RMB374.6 million in 2009 to RMB432.0 million (US\$65.5 million) in 2010. Income from operations for our life insurance segment increased by 116.7% from RMB18.9 million in 2009 to RMB41.0 million (US\$6.2 million) in 2010. Income from operations for our claims adjusting segment increased by 7.1% from RMB18.9 million in 2009 to RMB20.3 million (US\$3.1 million) in 2010. Income from operations for our Datong segment increased by 294.9% from a loss of RMB19.0 million in 2009 to a income of RMB37.1 million (US\$5.6 million) in 2010.

## ***Year ended December 31, 2009 Compared to Year Ended December 31, 2008***

### *Net Revenues*

Net revenues from our property and casualty insurance segment increased by 30.7% from RMB599.4 million in 2008 to RMB783.2 million in 2009. The increase primarily resulted from the acquisitions of controlling interests in eight affiliated insurance agencies primarily engaged in the distribution of property and casualty insurance products in 2008 and 2009, a significant increase in the number of property and casualty sales agents in our distribution and service network and higher productivity of sale agents.

Net revenues from our life insurance segment increased by 15.3% from RMB154.2 million in 2008 to RMB177.7 million in 2009. The increase was primarily attributable to (i) a significant increase in performance bonuses paid by life insurers as a result of growth in sales volume; and (ii) an increase in number of contracts entered into with life insurers at the corporate headquarter level, which enabled us to obtain more favorable terms by combining the sales volumes of all of our affiliated insurance intermediary companies located in different parts of the country.

Net revenues from our claims adjusting segment increased by 58.0% from RMB89.0 million in 2008 to RMB140.7 million in 2009. The increase primarily resulted from (i) a significant increase in the number of claims adjusters from 834 in 2008 to 1,556 in 2009; and (ii) the acquisitions of controlling interest in a claims adjusting firm that was primarily engaged in claims adjusting services in connection with property and casualty insurance.

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We acquired 55% of the equity interest in Datong in November 2008. Net revenues from our Datong segment increased by over 36 times from RMB1.4 million in 2008 to RMB53.2 million in 2009. The increase was primarily attributable to (i) revenues recognition for one full year of Datong segment in 2009 as compared to two months in 2008; (ii) the establishment of 11 insurance agencies primarily engaged in distribution of life insurance products after the acquisition; (iii) an increase in the number of sales agents from 1,505 in 2008 to 7,893 in 2009; and (iv) an increase in performance bonuses paid by life insurers as a result of growth in sales volume.

### *Operating Costs and Expenses*

Operating costs and expenses for our property and casualty insurance segment increased by 27.8% from RMB319.8 million in 2008 to RMB408.6 million in 2009. The increase was primarily due to the increase in commissions and fees paid to our property and casualty insurance sales agents, which was in line with the growth of our sales.

Operating costs and expenses for our life insurance segment increased by 24.4% from RMB127.6 million in 2008 to RMB158.8 million in 2009. The increase was primarily due to (i) higher sales volume, particularly the increase in the sales of new insurance policies, for which we generally paid higher commissions and fees to our sales agents as compared with those of renewal insurance policies; and (ii) the establishment of additional branches and sales outlets.

Operating costs and expenses for our claims adjusting segment in 2009 increased by 71.6% from RMB71.0 million in 2008 to RMB121.8 million in 2009. The increase was primarily due to (i) an increase in commissions and fees paid to claims adjustors and related services cost, which was in line with the increase in revenues; (ii) an increase in salaries for back-office staff and office rental expenses as a result of the establishment of new branches; and (iii) an increase in marketing and promotion expenses.

Operating costs and expenses for our Datong segment in 2009 increased by 1,138.3% from RMB5.8 million in 2008 to RMB72.3 million in 2009. The increase was primarily due to the increase in commissions and fees paid to our Datong sales agents as a result of higher sales volume, particularly due to the increase in the sales of new insurance policies and the increase in operating expenses incurred by newly established companies under the Datong segment.

### *Income (Loss) from Operations*

As a result of the foregoing factors, income from operations for our property and casualty insurance segment increased by 34.0% from RMB279.6 million in 2008 to RMB374.6 million in 2009. Income from operations for our life insurance segment decreased by 28.8% from RMB26.5 million in 2008 to RMB18.9 million in 2009. Income from operations for our claims adjusting segment increased by 4.8% from RMB18.1 million in 2008 to RMB18.9 million in 2009. Loss from operations for our Datong segment increased by 331.2% from RMB4.4 million in 2008 to RMB19.0 million in 2009.

## **Inflation**

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the change of consumer price index in China was 5.9%, -0.7% and 3.3% in 2008, 2009 and 2010, respectively. We can provide no assurance that we will not be affected in the future by higher rates of inflation in China. For example, certain operating costs and expenses, such as employee compensation and office operating expense, may increase as a result of higher inflation. Additionally, because a substantial portion of our assets consists of cash and cash equivalents, high inflation could significantly reduce the value and purchasing power of these assets. We are not able to hedge our exposures to higher inflation in China.

## **Foreign Currency**

The exchange rate between U.S. dollar and RMB has declined from an average of RMB8.2264 per U.S. dollar in July 2005 to RMB6.8275 per U.S. dollar in December 2009 and then to RMB6.6497 per U.S. dollar in December 2010. The fluctuation of the exchange rate between the RMB and U.S. dollar resulted in foreign currency translation loss of RMB10.8 million (US\$1.6 million) in 2010, when we translated our financial assets from U.S. dollar into RMB. We have not hedged exposures to exchange fluctuations using any hedging instruments. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Fluctuation in the value of the RMB may have a material adverse effect on your investment.” and “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign Exchange Risk.”

## B. Liquidity and Capital Resources

### Cash Flows and Working Capital

Our principal sources of liquidity have been cash generated from our operating activities and proceeds from sales of ordinary shares through private placements, our initial public offering and public follow-on offering. As of December 31, 2010, we had RMB1.9 billion (US\$291.6 million) in cash. Our cash consists of cash on hand and bank deposits with terms of 90 days or less. Our principal uses of cash have been to fund acquisitions, construction of a nationwide operating platform, working capital requirements, purchases of automobiles and office equipment, office renovation and rental deposit. Although we consolidate the results of our PRC affiliated entities, we do not have direct access to their cash and cash equivalents or future earnings. But we can direct the use of their cash through agreements that provide us with effective control of these entities. Moreover, we receive quarterly fees from some of these affiliated entities in exchange for certain consulting and other services provided by us. See “Item 4. Information on the Company—C. Organizational Structure.” We expect to require cash to fund our ongoing business needs, particularly the further expansion of our distribution and service network through acquisitions and establishment of new insurance intermediary companies and development of an e-commerce insurance platform.

We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions. Financing may be unavailable in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our earnings per share. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

The following table sets forth a summary of our cash flows for the periods indicated:

	Year Ended December 31,			
	2008	2009	2010	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash generated from operating activities	254,619	259,599	366,665	55,554
Net cash used in investing activities	(252,920)	(256,243)	(400,021)	(60,609)
Net cash generated from (used in) financing activities	16,576	(57,166)	511,168	77,450
Net increase (decrease) in cash and cash equivalents	18,275	(53,810)	477,812	72,395
Cash and cash equivalents at the beginning of the year	1,544,817	1,510,432	1,457,890	220,892
Cash and cash equivalents at the end of the year	1,510,432	1,457,890	1,924,884	291,649

### Operating Activities

Net cash generated from operating activities amounted to RMB366.7 million (US\$55.6 million) for the year ended December 31, 2010, primarily attributable to (i) a net income of RMB416.3 million (US\$63.1 million); (ii) a significant increase of RMB78.9 million (US\$12.0 million) in depreciation of fixed assets, amortization and impairment of acquired intangible assets and share-based compensation expenses which were included in net income but did not have cash flow effect during the period; (iii) an investment income of RMB41.2 million (US\$6.2 million), which was also included in net income but was not included in operating activity and did not have cash flow effect during the period; (iv) an increase of RMB13.8 million (US\$2.1 million) in accounts payable primarily as a result of increased revenue and expanded operation; and (iv) an increase of RMB61.8 million (US\$9.4 million) in accounts receivable, which negatively affected operating cash flow, primarily as a result of an increase in sales of insurance products.

Net cash generated from operating activities amounted to RMB259.6 million for the year ended December 31, 2009, primarily attributable to (i) a net income of RMB279.0 million; (ii) an increase of RMB18.8 million in depreciation of fixed assets, which was included in net income but did not have cash flow effect during the period; (iii) an investment income of RMB18.9 million, which was also included in net income but was not included in operating activity and did not have cash flow effect during the period; (iv) an increase of RMB13.1 million in accounts payable primarily as a result of increased revenue and expanded operation; and (v) an increase of RMB85.6 million in accounts receivable, which negatively affected operating cash flow, primarily as a result of an increase in sales of insurance products.

Net cash generated from operating activities amounted to RMB254.6 million for the year ended December 31, 2008, primarily attributable to (i) a net income of RMB191.7 million; (ii) an increase of RMB48.4 million in accounts payable primarily as a result of increased revenue and expanded operation; (iii) an increase of RMB13.6 million in other payable primarily due to increases in annual audit fees payable for the 2008 audit and professional fees payable in connection with Sarbanes-Oxley Act compliance; (iv) an increase of RMB58.3 million in accounts receivable, which negatively affected operating cash flow, primarily as a result of increase of sales of insurance products; and (v) a decrease of RMB11.4 million in insurance premium payable, which negatively affected cash flow, primarily due to shorter period of insurance premium settlement with insurance companies.

#### ***Investing Activities***

Net cash used in investing activities for the year ended December 31, 2010 was RMB400.0 million (US\$60.6 million), primarily attributable to (i) payment of RMB307.8 million (US\$46.6 million) for acquisitions of controlling interest in four insurance agencies and one online insurance service company during the year; (ii) a final payment of RMB17.2 million (US\$2.6 million) for the acquisition of 20.58% equity interest in Sincere Fame which owns 100% equity interest of CFSG in 2009 and an additional investment of RMB39.5 million (US\$6.0 million) for a share subscription in Sincere Fame in 2010; and (iii) the purchases of property, plant and equipment totaling RMB24.4 million (US\$3.7 million).

Net cash used in investing activities for the year ended December 31, 2009 was RMB256.2 million, primarily attributable to (i) payment of contingent considerations for companies acquired in 2008, which have achieved their operating targets, as well as payment of considerations for new acquisitions made in 2009, amounting to RMB330.7 million; (ii) a partial payment of RMB68.3 million for the acquisition of 20.58% equity interest in Sincere Fame which owns 100% equity interest in CFSG; and (iii) the purchases of property, plant and equipment totaling RMB47.8 million, partially offset by RMB180.0 million as repayment from noncontrolling shareholders in connection with the acquisition of Datong.

Net cash used in investing activities for the year ended December 31, 2008 was RMB252.9 million, primarily attributable to (i) RMB180 million paid to entities controlled by Mr. Keping Lin in connection with the acquisition of Datong; (ii) purchases of property, plant and equipment totaling RMB51.8 million; (iii) acquisitions of controlling interests in nine insurance agencies, one insurance brokerage and three claims adjusting firms totaling RMB23.9 million.

#### ***Financing Activities***

Net cash generated from financing activities was RMB511.2 million (US\$77.5 million) for the year ended December 31, 2010, primarily attributable to (i) proceeds of RMB743.8 million (US\$112.7 million) from the issuance of ordinary shares with respect to the follow-on offering on July 14, 2010, partially offset by (i) payment of contingent considerations amounting to RMB125.4 million (US\$19.0 million) for companies acquired in 2008, which have achieved their operating targets; (ii) a cash dividend of RMB81.0 million (US\$12.3 million); and (iii) a share repurchase amounting to RMB37.3 million (US\$5.7 million).

Net cash used in financing activities was RMB57.2 million for the year ended December 31, 2009, primarily attributable to (i) a cash dividend of RMB68.6 million; and (ii) a repayment to related parties amounting to RMB8.9 million, partially offset by capital injection and additional paid-in capital injection by noncontrolling shareholders totaling RMB20.3 million.

Net cash generated from financing activities was RMB16.6 million for the year ended December 31, 2008, primarily attributable to (i) an advance of RMB10.6 million from noncontrolling shareholders of Guangdong Fangzhong Insurance Surveyors & Loss Adjustors Co., Ltd., CNinsure Surveyors & Loss Adjustors Co., Ltd. (formerly known as Shenzhen Khubon Insurance Surveyors & Loss Adjustors Co., Ltd.) and Shanghai Teamhead Insurance Surveyors & Loss Adjustors Co., Ltd., the majority interests in which we acquired in 2008; and (ii) an increase in noncontrolling interests totaling RMB10.6 million as a result of establishment of new majority-owned insurance agencies, partially offset by repayments of bank loans totaling RMB1.6 million.

### ***Capital Expenditures***

We incurred capital expenditures of RMB51.8 million, RMB47.8 million and RMB24.4 million (US\$3.7 million) for the years ended December 31, 2008, 2009 and 2010, respectively. Our capital expenditures have been used primarily to construct our operating platform including a Core Business System and ERP-based financial and accounting system, and to purchase automobiles and office equipment for newly established insurance intermediary companies. We estimate that our capital expenditures will increase in 2011 as we further expand our distribution and service network, improve our unified operating platform and construct our e-commerce insurance platform. We anticipate funding our future capital expenditures primarily with net cash flows from financing and operating activities.

### **Holding Company Structure**

We are a holding company with no material operations of our own. We conduct our operations primarily through our wholly owned subsidiaries in China and our consolidated affiliated entities, Meidiya Investment, Yihe Investment, Xinbao Investment and their subsidiaries. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid by our wholly owned subsidiaries and consulting and service fees paid by the subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment. If our wholly owned subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. Our wholly owned subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and consolidated affiliated entities in China is required to set aside at least 10% of its after-tax profits as reported in the PRC statutory financial statements each year, if any, to fund a statutory reserve until such reserve reach 50% of its registered capital, and to further set aside a portion of its after-tax profits to fund the employee welfare fund at the discretion of its board. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation of the companies. Furthermore, the EIT Law that took effect on January 1, 2008 has eliminated the exemption of EIT on dividend derived by foreign investors from foreign-invested enterprises and imposes on foreign-invested enterprises an obligation to withhold tax on dividend distributed by such foreign-invested enterprises. Aggregate undistributed earnings of our subsidiaries in the PRC that are available for distribution to us are considered to be indefinitely reinvested and accordingly, no provision for the withholding tax has been made. As of December 31, 2010, our restricted net asset was RMB1.5 billion (US\$225.8 million), which is not eligible for distribution. This amount is composed of the registered equity of our PRC subsidiaries and consolidated affiliated entities and the statutory reserves described above.

#### **C. Research and Development, Patents and Licenses, etc.**

None.

#### **D. Trend Information**

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

#### **E. Off-Balance Sheet Commitments and Arrangements**

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. 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. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

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### F. Contractual Obligations

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2010:

	Payment Due by Period				
	Total	Less than			More than
		1 year	1-3 years	3-5 years	5 years
	(in thousands of RMB)				
Operating lease obligations	36,138	21,251	14,333	554	—
Purchase obligations (1)	365	365	—	—	—
Total	36,503	21,616	14,333	554	—

- (1) Represents payment commitment in connection with the construction of our Core Business System and ERP-based financial and accounting system.

Not included in the table above are ASC 740 (formerly Financial Interpretation 48) liabilities of RMB5.5 million (US\$0.8 million). As we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority, such liabilities are excluded from the contractual obligations table above.

Other than the contractual obligations and commercial commitments set forth above, we did not have any other material long-term debt obligations, operating lease obligations, purchase obligations or other material long-term liabilities as of December 31, 2010.

### Item 6. Directors, Senior Management and Employees

#### A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
Yinan Hu	45	Chairman and Chief Executive Officer
Qiuping Lai	57	President and Director
Peng Ge	40	Chief Financial Officer
Chunlin Wang	41	Vice President, Chief Operating Officer and Head of the Property and Casualty Insurance Unit
Feng Jin	45	Vice President, Chief Information Officer and Head of the Life Insurance Unit
Shangzhi Wu	60	Director
Yongwei Ma	68	Independent Director
Stephen Markscheid	57	Independent Director
Allen Warren Lueth	42	Independent Director
Mengbo Yin	55	Independent Director

Mr. *Yinan Hu* is our co-founder and has been chairman of our board of directors and our chief executive officer since our inception in 1998. From 1993 to 1998, Mr. Hu served as chairman of the board of directors of Guangdong Nanfeng Enterprises Co., Ltd., a company he co-founded that engaged in import and export, manufacturing of wooden doors and construction. From 1991 to 1995, Mr. Hu was an instructor of money and banking at Guangdong Institute for Managers in Finance and Trade. Mr. Hu received a bachelor's degree and a master's degree in economics from Southwestern University of Finance and Economics in China.

Mr. *Qiuping Lai* is our co-founder and has been our president and director since 2004. Mr. Lai has served as chairman of the board of directors of Guangdong Nanfeng, one of our first affiliated insurance intermediaries in the PRC, since 2002. From 1998 to 2002, he served as the general manager of Guangdong Nanfeng Automobile Association Co., Ltd., one of our predecessor companies that he co-founded in 1998. From 1994 to 1998, he served as the general manager of Guangdong Nanfeng Enterprises Co., Ltd., a company he co-founded that engaged in import and export, manufacturing of wooden doors and construction. From 1990 to 1994, Mr. Lai was an instructor of philosophy and later an associate dean of the department of law at Guangdong Institute for Managers in Finance and Trade. Mr. Lai received his bachelor's degree in philosophy from Jiangxi University in China.

*Mr. Peng Ge* has been our chief financial officer since April 2008. From 2005 to April 2008, he served as the general manager of the finance and accounting department and vice president of our company. From August 2007 to September 2008, he was also a director of our company. From 1999 to 2005, Mr. Ge headed our Beijing operations. From 1994 to 1999, Mr. Ge was a financial manager at a subsidiary of China National Native Produce and Animal By-Products Import & Export Corporation. Mr. Ge received his bachelor's degree in international accounting and his MBA degree from the University of International Business and Economics in China.

*Mr. Chunlin Wang* has been our vice president since January 2007, chief operating officer since April 2011 and head of the property and casualty insurance unit since February 2008. From January 2007 to February 2008, Mr. Wang served as chair of the property and casualty insurance committee of our company. From 2003 to January 2007, he served as assistant to our chairman. From 2002 to 2005, he served as the general manager of Guangdong Nanfeng, one of our first affiliated insurance intermediaries in the PRC. From 1998 to 2002, Mr. Wang served as a branch manager at Guangzhou Nanyun Car Rental Services Co., Ltd. and later Guangdong Nanfeng Automobile Association Co., Ltd., our predecessors. Mr. Wang received his bachelor's degree in law from Central-Southern University of Politics and Law in China.

*Mr. Feng Jin* has been the head of the life insurance unit since August 2010 and chief information officer since November 2007. From February 2008 to November 2008, he also served as our vice president in charge of Sarbanes-Oxley Act compliance and investor relations. From 2003 to 2007, Mr. Jin served as assistant president and chief information officer at New China Life Insurance Co., Ltd., a major life insurer in China, primarily responsible for IT system construction and management. From May 2000 to October 2003, Mr. Jin served as sales manager and financial planner at U.S.-based Prudential Insurance Company of America. Mr. Jin holds an MBA degree from University of Warwick in England and a bachelor of law degree from China Foreign Affairs University. He has received the credentials of Chartered Financial Consultant and Chartered Life Underwriter from American College, USA.

*Dr. Shangzhi Wu* has been our director since December 2005. He is the founding partner of CDH China Holdings Management Company Limited, or CDH, and has served as its president since its inception in 2002. CDH is an international private equity fund manager with more than US\$2 billion of committed capital under management and with a focus on investments in China's leading companies. Dr. Wu has also served as the chairman of Beijing Dinghui Venture Investment Advisory Company Limited since 2002. From 1995 to 2002, Dr. Wu worked for China International Capital Corporation Ltd., or CICC, serving as the head of the direct investment department beginning in 1996. Dr. Wu became a managing director in 1999 and served as a member of CICC's management committee between 2000 and 2002. From 1993 to 1995, he was a managing director at Beijing Copia Consulting Company, a business consulting firm. From 1991 to 1993, he was a senior investment officer at the International Finance Corporation. From 1984 to 1991, he worked for the World Bank as an operations officer and senior operations officer. Dr. Wu received his Ph.D. in mechanical engineering and a master's degree in management of technology from Massachusetts Institute of Technology.

*Mr. Yongwei Ma* has been our independent director since May 2008. Mr. Ma has been an independent director of China Life Insurance Company Limited since 2006 and an independent director of Mingyuan Medicare Development Company Limited, a healthcare company listed on the Hong Kong Stock Exchange, since October 2008. Since 2003, he has been a member of the Standing Committee of National Committee of the Chinese People's Political Consultative Conference. From 1998 to 2002, he was the chairman of China Insurance Regulatory Commission. From 1996 to 1998, he served as the chairman and president of the former China Insurance Group Company. From 1994 to 1996, he served as the chairman and president of the former People's Insurance Company of China. Mr. Ma is a researcher and graduated from the finance department of Liaoning Finance and Economics University.

*Mr. Stephen Markscheid* has been our independent director since August 2007. He is currently the chief executive officer of Syngenz BioScience, Inc., a genomics company based in Hong Kong. Prior to that, Mr. Markscheid was the chief executive officer of HuaMei Capital Company, Inc., a Sino-U.S. investment advisory firm from 2006 to 2007. From 1998 to 2006, Mr. Markscheid served as senior vice president for global risk for GE Healthcare Financial Services and director of business development of GE Capital. Prior to joining GE, Mr. Markscheid worked as case leader for the Boston Consulting Group throughout Asia from 1994 to 1997. Prior to that, Mr. Markscheid had been a commercial banker for ten years in London, Chicago, New York, Hong Kong and Beijing with Chase Manhattan Bank and First National Bank of Chicago. Mr. Markscheid received his bachelor's degree in East Asian studies from Princeton University, a master's degree in international affairs and economics from the School of Advanced International Studies at Johns Hopkins University, and an MBA degree from Columbia University.

*Mr. Allen Lueth* has been our independent director since August 2007. Since December 2010, he has been the vice president of finance of Cardinal Health China, one of the world's leading pharmaceutical distributors, which acquired Zuellig Pharma China in November 2010. Prior to that, he was the vice president of finance and strategy of Zuellig Pharma China, a private company focused on pharmaceutical distribution, and was its chief financial officer from 2005 to February 2009. Mr. Lueth worked for GE Capital from 1998 to 2004 in a variety of roles, including chief financial officer and chief executive officer for the Taiwan operations, and the representative for China. Earlier, he served with Coopers & Lybrand as an auditor. Mr. Lueth obtained his certificate as a certified public accountant in 1991 and a certified management accountant in 1994. Mr. Lueth received his bachelor of science in accounting degree from the University of Minnesota and an MBA degree from the J.L. Kellogg School of Management.

*Dr. Mengbo Yin* has been our independent director since September 2008. He is currently a Ph.D advisor at Southwestern University of Finance and Economics in China, where he also serves as head of the university's postgraduate department. Previously, he was the dean of the university's school of finance from 1996 to 2007. Professor Yin received his master's and Ph.D degrees in finance from Southwestern University of Finance and Economics in China.

#### **Employment Agreements**

Each of our executive officers has entered into an employment agreement with us. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the employee, including but not limited to a conviction or plea of guilty to a felony, negligence or dishonesty to our detriment, failure to perform the agreed-to duties after a reasonable opportunity to cure the failure and failure to achieve the performance measures specified in the employment agreement. An executive officer may terminate his employment at any time with one-month prior written notice if there is a material reduction in his authority, duties and responsibilities or in his annual salary before the next annual salary review. Furthermore, we may terminate an executive officer's employment at any time without cause upon two-month advance written notice. In the event of a termination without cause by us, we will provide the executive officer a lump-sum severance payment in the amount of RMB500,000, unless otherwise specifically required by applicable law.

Each executive officer has agreed to hold, both during and after the employment agreement expires or is earlier terminated, in strict confidence and not to use, except as required in the performance of his duties in connection with the employment, any confidential information, trade secrets and know-how of our company or the confidential information of any third party, including our affiliated entities and our subsidiaries, received by us. In addition, each executive officer has agreed to be bound by non-competition restrictions set forth in his employment agreement. Specifically, each executive officer has agreed not to, while employed by us and for one year following the termination or expiration of the employment agreement, (i) approach our clients, customers or contacts or other persons or entities introduced to the executive officer for the purpose of doing business with such person or entities, and will not interfere with the business relationship between us and such persons and/or entities; (ii) assume employment with or provide services as a director for any of our competitors, or engage, whether as principal, partner or otherwise, in any business which is in direct or indirect competition with our business; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us at the date of the executive officer's termination, or in the year preceding such termination.

#### **B. Compensation**

In 2010, the aggregate cash compensation, including reimbursement of expenses, to our executive officers was approximately RMB3.5 million (US\$0.5 million), and the aggregate cash compensation to our non-executive directors was approximately RMB1.1 million (US\$0.2 million).

## Share Incentives

### *2007 Share Incentive Plan*

In August 2007, our board of directors and shareholders adopted our 2007 share incentive plan, which is intended to attract and retain the best available personnel for positions of substantial responsibility, provide additional incentive to employees, directors and consultants and promote the success of our business. We reserved 68,421,053 ordinary shares, equal to 10% of our then outstanding ordinary shares, for issuance under our 2007 share incentive plan. At the annual general meeting of shareholders held on December 18, 2008, our shareholders approved certain amendments to the 2007 share incentive plan to, among other things, increase the maximum number of ordinary shares reserved for issuance to 136,874,658, equal to 15% of the total number of ordinary shares outstanding immediately after the closing of our initial public offering.

In October 2007, our board of directors voted to grant options under our 2007 share incentive plan to certain of our directors and employees to purchase an aggregate of 42,000,000 ordinary shares of our company at an exercise price of US\$0.8 per ordinary share, equal to the offering price per ADS in our initial public offering (after the adjustment for the 20 ordinary shares to 1 ADS ratio). These options were scheduled to vest over a three-year period starting from March 31, 2009. Options to purchase an aggregate of 30,804,500 ordinary shares of our company were cancelled as a result of voluntary surrender by various option holders in December 2008, options to purchase 8,834,900 ordinary shares were cancelled due to the termination of employment of the relevant option holders and options to purchase 2,360,600 ordinary shares were repurchased for RMB0.4 per option in cash.

On November 21, 2008, our board of directors approved the grant of options to purchase an aggregate of 32,000,000 ordinary shares to various directors, officers and employees pursuant to the 2007 share incentive plan. The exercise price of these options is US\$0.278 per ordinary share, equal to the closing price of our ADS on the Nasdaq Global Market at the grant date (after adjusting for the 20 ordinary shares to 1 ADS ratio). The options will vest over a four-year period starting from March 31, 2010.

On March 9, 2009, our board of directors voted to grant options to purchase up to 10,000,000 ordinary shares to employees under the amended and restated 2007 share incentive plan. The exercise price of these options is US\$0.336 per ordinary share, equal to the closing price of our ADS on the Nasdaq Global Select Market at the grant date (after adjusting for the 20 ordinary shares to 1 ADS ratio). These options will vest over a four-year period starting from March 31, 2010.

On February 8, 2010, our board of directors approved the grant of options to purchase an aggregate of 48,000,000 ordinary shares to various directors, officers and employees pursuant to the amended and restated 2007 Share Incentive Plan. The exercise price of these options is US\$0.840 per ordinary share, equal to the closing price of our ADS on the Nasdaq Global Select Market at the grant date (after adjusting for the 20 ordinary shares to 1 ADS ratio). These options will vest over a four-year period starting from March 31, 2011.

On April 28, 2011, our board of directors approved the grant of options to purchase an aggregate of 28,400,000 ordinary shares to certain directors, officers and employees pursuant to the amended and restated 2007 Share Incentive Plan. The exercise price of these options is US\$0.734 per ordinary share, equal to the closing price of our ADS on the Nasdaq Global Select Market at the grant date (after adjusting for the 20 ordinary shares to one ADS ratio). These options will vest over a four-year period starting from March 31, 2012.

Our future option grants will be made pursuant to our 2007 share incentive plan, as amended from time to time. The following paragraphs describe the principal terms of our amended and restated 2007 share incentive plan as currently in effect.

*Types of Awards.* The types of awards we may grant under our 2007 plan include the following:

- options to purchase our ordinary shares;
- restricted shares, which represent non-transferable ordinary shares, that may be subject to forfeiture, restrictions on transferability and other restrictions; and
- restricted share units, which represent the right to receive our ordinary shares at a specified date in the future, which may be subject to forfeiture.

Awards may be designated in the form of ADSs instead of ordinary shares. If we designate an award in the form of ADSs, the number of shares issuable under the 2007 share incentive plan will be adjusted to reflect the ratio of ADSs to ordinary shares.

*Eligibility.* We may grant awards to employees, directors and consultants of our company or any of our related entities, which include our subsidiaries or any entities in which we hold a substantial ownership interest. However, we may grant options that are intended to qualify as incentive share options, or ISOs, only to our employees and employees of our majority-owned subsidiaries.

*Plan Administration.* The compensation committee of our board of directors, or a committee designated by the compensation committee, will administer the 2007 plan. However, awards made to our independent directors must be approved by the entire board of directors. The compensation committee or the full board of directors, as appropriate, will determine the individuals who will receive grants, the types of awards to be granted and terms and conditions of each award grant, including any vesting or forfeiture restrictions.

*Award Agreement.* Awards granted under our 2007 plan will be evidenced by an award agreement that will set forth the terms, conditions and limitations for each award. In addition, in the case of options, the award agreement may also specify whether the option constitutes an ISO or a non-qualifying share option.

*Acceleration of Awards upon Corporate Transactions.* The outstanding awards will accelerate upon occurrence of a change-of-control corporate transaction where the successor entity does not assume our outstanding awards under the 2007 plan. In such event, each outstanding award will become fully vested and immediately exercisable, and the transfer restrictions on the awards will be released and any forfeiture provisions will terminate immediately before the date of the change-of-control transaction. If the successor entity assumes our outstanding awards and later terminates the grantee's service without cause within 12 months of the change-of-control transaction, the outstanding awards will automatically become fully vested and exercisable.

*Exercise Price and Term of Awards.* The exercise price per share subject to an option will be determined by the plan administrator and set forth in the award agreement which may be a fixed or variable price related to the fair market value of our ordinary shares; *provided, however*, that no options may be granted to an individual subject to taxation in the United States at less than the fair market value on the date of grant. To the extent not prohibited by applicable laws or any exchange rule, a downward adjustment of the exercise prices of any outstanding options may be made in the absolute discretion of the plan administrator and will be effective without the approval of our shareholders or the approval of the affected participants. If we grant an ISO to an employee who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of our share capital, the exercise price cannot be less than 110% of the fair market value of our ordinary shares on the date of that grant. The term of each award will be stated in the award agreement. The term of an award shall not exceed 10 years from the date of the grant, except that five years is maximum term of an ISO granted to an employee who holds more than 10% of the voting power of our share capital.

*Amendment and Termination.* Our board of directors may at any time amend, suspend or terminate the 2007 plan. Amendments to the 2007 plan are subject to shareholder approval to the extent required by law, or stock exchange rules or regulations. Additionally, shareholder approval will be specifically required to increase the number of shares available for issuance under the 2007 plan or to extend the term of an option beyond ten years. Unless terminated earlier, the 2007 plan will expire and no further awards may be granted after the tenth anniversary of the shareholder approval of the 2007 plan.

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As of April 28, 2011, options to purchase 95,375,091 ordinary shares were outstanding. The following table summarizes, as of April 28, 2011, the outstanding options that we granted to our directors and executive officers and to other individuals as a group.

Name	Ordinary Shares		Exercise Price (Per Share)	Grant Date	Expiration Date
	Underlying Outstanding Options				
Yinan Hu	2,600,000	US\$	0.7340	April 28, 2011	March 31, 2017
	1,800,000	US\$	0.8395	February 08, 2010	March 31, 2016
	4,500,000	US\$	0.2780	November 21, 2008	March 31, 2015
Qiuping Lai	1,500,000	US\$	0.7340	April 28, 2011	March 31, 2017
	1,200,000	US\$	0.8395	February 08, 2010	March 31, 2016
	3,400,000	US\$	0.2780	November 21, 2008	March 31, 2015
Peng Ge	1,500,000	US\$	0.7340	April 28, 2011	March 31, 2017
	1,200,000	US\$	0.8395	February 08, 2010	March 31, 2016
	3,350,000	US\$	0.2780	November 21, 2008	March 31, 2015
Chunlin Wang	1,000,000	US\$	0.7340	April 28, 2011	March 31, 2017
	900,000	US\$	0.8395	February 08, 2010	March 31, 2016
	2,050,000	US\$	0.2780	November 21, 2008	March 31, 2015
Feng Jin	1,000,000	US\$	0.7340	April 28, 2011	March 31, 2017
	900,000	US\$	0.8395	February 08, 2010	March 31, 2016
	1,435,000	US\$	0.2780	November 21, 2008	March 31, 2015
Yongwei Ma	400,000	US\$	0.2780	November 21, 2008	March 31, 2015
Mengbo Yin	400,000	US\$	0.7340	April 28, 2011	March 31, 2017
	400,000	US\$	0.8395	February 08, 2010	March 31, 2016
	400,000	US\$	0.2780	November 21, 2008	March 31, 2015
Stephen Markscheid	400,000	US\$	0.7340	April 28, 2011	March 31, 2017
	400,000	US\$	0.8395	February 08, 2010	March 31, 2016
	600,000	US\$	0.2780	November 21, 2008	March 31, 2015
Allen Warren Lueth	400,000	US\$	0.7340	April 28, 2011	March 31, 2017
	400,000	US\$	0.8395	February 08, 2010	March 31, 2016
	600,000	US\$	0.2780	November 21, 2008	March 31, 2015
Other individuals as a group			0.7340		
	19,600,000	US\$		April 28, 2011	March 31, 2017
	21,796,150(1)	US\$	0.8395	February 08, 2010	March 31, 2016
	8,248,470	US\$	0.3360	March 09, 2009	March 31, 2015
	12,342,840(2)	US\$	0.2780	November 21, 2008	March 31, 2015
	652,631(3)	RMB	2.3214	February 03, 2007	February 1, 2017

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- (1) Including 1,500,000 options held by Mr. Chengbin Li, our former Vice President and head of our Life Insurance Unit.  
(2) Including 1,365,000 options held by Mr. Chengbin Li, our former Vice President and head of our Life Insurance Unit.  
(3) Remaining unexercised options held by Mr. David Tang, our former Chief Financial Officer.

### C. Board Practices

#### **Board of Directors**

Our board of directors consists of seven directors. Under our currently effective memorandum and articles of association, a director is not required to hold any shares in our company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested. The directors may exercise all the powers of our company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of our company or of any third party. The directors may receive such remuneration as our board of directors may determine from time to time. There is no age limit requirement for directors.

In compliance with Rule 5605 of the Nasdaq Listing Rules, a majority of our directors and all of the committee members of our board of directors are independent directors. During 2010, our board of directors met in person or passed resolutions by unanimous written consent 10 times. In addition, our independent directors held executive sessions without the presence of executive directors and executives twice during 2010. We have no specific policy with respect to director attendance at our annual general meetings of shareholders.

### **Committees of the Board of Directors**

We have established three committees under the board of directors: the audit committee, the compensation committee and the corporate governance and nominating committee, and have adopted a charter for each of the committees. Each committee's members and functions are described below.

**Audit Committee.** Our audit committee consists of Allen Lueth (chairman), Stephen Markscheid and Mengbo Yin, all of whom satisfy the "independence" requirements of Rule 5605 of the Nasdaq Listing Rules and Rule 10A-3 under the Securities Exchange Act of 1934. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- reviewing and approving all proposed related-party transactions;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management, the independent auditors and the internal auditor; and
- reporting regularly to the full board of directors.

In 2010, our audit committee held meetings or passed resolutions by unanimous written consent five times.

**Compensation Committee.** Our compensation committee consists of Stephen Markscheid (chairman), Allen Lueth and Yongwei Ma, all of whom satisfy the "independence" requirements of Rule 5605 of the Nasdaq Listing Rules. Our compensation committee assists the board of directors in reviewing and approving the compensation structure of our directors and executive officers, including all forms of compensation to be provided to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and recommending to the board with respect to the total compensation package for our chief executive officer;
- approving and overseeing the total compensation package for our executives other than the chief executive officer;
- reviewing and making recommendations to the board with respect to the compensation of our directors; and
- reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

In 2010, our compensation committee held meetings or passed resolutions by unanimous written consent three times.

**Corporate Governance and Nominating Committee.** Our corporate governance and nominating committee consists of Mengbo Yin (chairman), Allen Lueth and Stephen Markscheid, all of whom satisfy the “independence” requirements of Rule 5605 of the Nasdaq Listing Rules. The corporate governance and nominating committee assists our board of directors in identifying individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

- identifying and recommending to the board nominees for election or re-election to the board, or for appointment to fill any vacancy;
- reviewing annually with the board the current composition of the board in light of the characteristics of independence, skills, experience and availability of service to us;
- identifying and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as the corporate governance and nominating committee itself;
- advising the board periodically with respect to significant developments in the law and practice of corporate governance, as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any corrective action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

In 2010, our corporate governance and nominating committee held meetings or passed resolutions by unanimous written consent four times.

#### **Duties of Directors**

Under Cayman Islands law, our directors have a fiduciary 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 skill they actually possess and such care and diligence that a reasonably prudent person 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. In certain limited circumstances, it may be possible for our company to bring a derivative action on behalf of our company if a duty owed by the directors to our company is breached.

#### **Terms of Directors and Executive Officers**

All directors hold office until their successors have been duly elected and qualified. Outside of certain specified circumstances, including a director becoming bankrupt or of unsound mind or being absent from board meetings without special leave of absence for six consecutive months, a director may only be removed by the shareholders. Officers are elected by and serve at the discretion of the board of directors.

#### **D. Employees**

##### **Employees, Sales Agents and Training**

We had 1,987, 3,882 and 4,517 employees as of December 31, 2008, 2009 and 2010, respectively. We consider our relations with our employees to be good. The following table sets forth the number of our employees by function as of December 31, 2010:

	<b>Number of Employees</b>	<b>% of Total</b>
Management and administrative staff	2,454	54.3%
Financial and accounting staff	421	9.3%
Sales and marketing staff	145	3.2%
Professional claims adjustors	1,497	33.2%
Total	<u>4,517</u>	<u>100.0%</u>

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We had contractual relationships with 28,335, 38,436 and 49,941 sales agents as of December 31, 2008, 2009 and 2010, respectively. The sales agents are not our employees and are only compensated by commissions. For the sale of each property and casualty insurance policy or life insurance policy with a single premium payment schedule, we pay the sales agent who has generated the sale a single commission based on a percentage of the commission and fee we receive from the insurance company for the sale of that policy. For the sale of each life insurance policy with a periodic premium payment schedule, we pay the sales agent who has generated the sale periodic commissions based on a percentage of the commissions and fees we receive from the insurance company for the sale and renewal of that policy, up to the first five years of the premium payment period, and retain all commissions and fees we continue to receive from insurance companies for the rest of the premium payment period.

Our life insurance sales agents are typically organized into sales teams with a multilevel hierarchy. A life insurance sales agent not only receives a commission for the insurance policies that he or she sells, but also a smaller commission for insurance policies sold by agents under his or her management.

Our sales agents, in-house sales representatives and claims adjusters are our most valuable asset and are instrumental in helping us build and maintain long-term relationships with our customers. Therefore, we place a strong emphasis on training of our sales force. We provide trainings to both new sales agents and existing sales agents, on a monthly or quarterly basis, with a different emphasis. For new sales agents, we offer orientation courses that are designed to familiarize them with the industry background, regulatory environment, corporate culture, insurance products, and sales skills. For the existing sales agents, we offer on-the-job training courses that aim to enhance their sales skills and knowledge of different insurance products.

### E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our shares, as of April 8, 2011, by:

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

As of April 8, 2011, there were 1,003,270,326 ordinary shares outstanding (including 1,388,120 ordinary shares that we reserved for issuance upon the exercise of our outstanding options). Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we include shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned <sup>(1) (2)</sup>	
	Number	%
<b>Directors and Executive Officers:</b>		
Yinan Hu <sup>(3)</sup>	185,297,368	18.4
Qiuping Lai <sup>(4)</sup>	27,752,285	2.8
Peng Ge <sup>(5)</sup>	9,675,925	1.0
Feng Jin	*	*
Chunlin Wang	*	*
Shangzhi Wu <sup>(6)</sup>	124,688,540	12.4
Yongwei Ma	*	*
Stephen Markscheid	*	*
Allen Warren Lueth	*	*
Mengbo Yin	*	*
All Directors and Executive Officers as a Group <sup>(7)</sup>	355,195,662	35.0
<b>Principal Shareholders:</b>		
Kingsford Resources Limited <sup>(8)</sup>	219,441,430	21.9
CDH Inservice Limited <sup>(9)</sup>	124,688,540	12.4
FMR LLC <sup>(10)</sup>	65,868,840	6.6
Norges Bank (the Central Bank of Norway) <sup>(11)</sup>	52,700,000	5.3

\* Less than 1% of our total outstanding ordinary shares.

† Except for Dr. Wu and Mr. Ma, the business address of our directors and executive officers is c/o 22/F, Yin Hai Building, No. 299 Yanjiang Zhong Road, Guangzhou, Guangdong 510110, People's Republic of China.

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- (1) The number of shares beneficially owned by each director and executive officer includes the shares beneficially owned by such person, the shares underlying all options held by such person that have vested or will vest within 60 days after April 8, 2011. The options were granted on November 21, 2008 and February 08, 2010 under the 2007 share incentive plan.
- (2) Percentage of beneficial ownership of each director and executive officer is based on 1,003,270,326 ordinary shares outstanding as of April 8, 2011 and the number of ordinary shares underlying options held by such person that have vested or will vest within 60 days after April 8, 2011.
- (3) Includes 170,226,375 ordinary shares, 9,258,840 ordinary shares in the form of ADSs of our company and 3,240,000 ordinary shares issuable upon exercise of options within 60 days after April 8, 2011 held by Mr. Hu. Mr. Hu holds approximately 87.6% of the total outstanding shares of High Rank Investments Limited, or High Rank Investments, a company incorporated in the British Virgin Islands. High Rank Investments holds approximately 93.3% of the total outstanding shares of Kingsford Resources Limited, or Kingsford Resources, a company incorporated in the British Virgin Islands. Also includes 2,439,473 ordinary shares and 132,680 ordinary shares in the form of ADSs held by Ms. Hui Li, spouse of Mr. Hu. Ms. Li holds approximately 17.6% of the total outstanding shares of Better Rise Investments Limited, or Better Rise Investments, a company incorporated in the British Virgin Islands. Better Rise Investments owns approximately 6.7% of Kingsford Resources. Kingsford Resources holds 208,121,430 ordinary shares and 11,320,000 ordinary shares in the form of ADSs of our company. Mr. Hu disclaims beneficial ownership of all of our shares held by Kingsford Resources except to the extent of his pecuniary interest therein.
- (4) Includes 24,044,465 ordinary shares, 1,307,820 ordinary shares in the form of ADSs and 2,400,000 ordinary shares issuable upon exercise of options held by Mr. Lai who holds approximately 12.4% of the total outstanding shares of High Rank Investments. High Rank Investments holds approximately 93.3% of the total outstanding shares of Kingsford Resources. Kingsford Resources holds 208,121,430 ordinary shares and 11,320,000 ordinary shares in the form of ADSs of our company. Mr. Lai disclaims beneficial ownership of all of our shares held by Kingsford Resources except to the extent of his pecuniary interest therein.
- (5) Mr. Ge holds approximately 50.0% of the total outstanding shares of Better Rise Investments which owns approximately 6.7% of Kingsford Resources. Therefore, Mr. Ge may be deemed to beneficially own, indirectly through Better Rise Investments and Kingsford Resources, approximately 6,929,045 ordinary shares and 376,880 ordinary shares in the form of ADSs of our company. 2,370,000 ordinary shares held by Mr. Ge are issuable upon exercise of options within 60 days after April 8, 2011. Mr. Ge disclaims beneficial ownership of all of our shares held by Kingsford Resources except to the extent of his pecuniary interest therein.
- (6) Includes 91,600,000 ordinary shares and 33,088,540 ordinary shares in the form of ADSs of our company held by CDH Inservice, a British Virgin Islands company. All of the issued and outstanding shares of CDH Inservice are owned by CDH China Growth Capital Fund II, L.P., or CDH Fund II, a Cayman Islands exempted limited partnership. CDH Growth Capital Holdings, a Cayman Islands exempted limited liability company, is the general partner of CDH Fund II and has the power to direct CDH Fund II as to the voting and disposition of shares directly and indirectly held by CDH Fund II. Dr. Wu is director, managing partner and member of the investment committee of CDH Growth Capital Holdings. Dr. Wu disclaims beneficial ownership of all of our shares held by CDH Inservice except to the extent of his pecuniary interest therein. The business address of Dr. Wu is c/o CDH China Growth Capital Holdings Company Limited, 1503 International Commerce Center, 1 Austin Road West, Kowloon, Hong Kong.
- (7) Includes ordinary shares beneficially owned by all of our directors and executive officers as a group and ordinary shares underlying all options held by such persons that have vested or will vest within 60 days after April 8, 2011.
- (8) Includes 208,121,430 ordinary shares and 11,320,000 ordinary shares in the form of ADSs of our company held by Kingsford Resources. Approximately 93.3% of the total outstanding shares of Kingsford Resources are held by High Rank Investments, which is 87.6% owned by Mr. Yanan Hu, our chairman and chief executive officer, and 12.4% owned by Mr. Qiuping Lai, our president. The remaining 6.7% of the total outstanding shares of Kingsford Resources are held by Better Rise Investments, which is owned by two of our executive officers, one former executive officer and Mr. Yanan Hu's wife. The registered address of Kingsford Resources is Beaufort House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.
- (9) Includes 91,600,000 ordinary shares and 33,088,540 ordinary shares in the form of ADSs of our company held by CDH Inservice. All of the issued and outstanding shares of CDH Inservice are owned by CDH Fund II, a Cayman Islands exempted limited partnership. CDH Growth Capital Holdings, a Cayman Islands exempted limited liability company, is the general partner of CDH Fund II and has the power to direct CDH Fund II as to the voting and disposition of shares directly and indirectly held by CDH Fund II. The investment committee of CDH Growth Capital Holdings is comprised of Wu Shangzhi and two other individuals. Changes to the investment committee require the approval of the directors of CDH Growth Capital Holdings. The directors of CDH Growth Capital Holdings are nominated by the principal shareholders of CDH Growth Capital Holdings, being (i) an affiliate of Capital Z Partners, (ii) an affiliate of the Government of Singapore Investment Corporation, and (iii) China Diamond Holdings II, L.P., a British Virgin Islands limited partnership controlled by senior members of the CDH Fund II investment team. CDH Growth Capital Holdings disclaims beneficial ownership of all of our shares held by CDH Inservice except to the extent of its pecuniary interest therein. The registered address of CDH Inservice is c/o Maples Finance BVI Limited, P.O. Box 173, Kingston Chambers, Road Town, Tortola, British Virgin Islands.
- (10) Represents 65,868,840 ordinary shares in the form of ADSs of our Company held by FMR LLC, as reported on Schedule 13G filed by FRM LLC on April 8, 2011. The percentage of beneficial ownership was calculated based on the total number of our ordinary shares outstanding as of April 8, 2011. The address of FMR LLC is 82 Devonshire Street, Boston, Massachusetts, USA.
- (11) Represents 52,700,000 ordinary shares in the form of ADSs of our Company held by Norges Bank, as reported on Schedule 13G filed by Norges Bank on February 15, 2011. The percentage of beneficial ownership was calculated based on the total number of our ordinary shares outstanding as of April 8, 2011. The address of Norges Bank is Bankplassen 2, PO Box 1179 Sentrum, NO 0107 Oslo, Norway.

None of our existing shareholders have different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. As of April 8, 2011, J.P. Morgan Chase Bank, N.A., or J.P. Morgan, the depositary for our ADS program, is our only record holder in the U.S., holding approximately 70.13% of our total outstanding ordinary shares. The number of beneficial owners of our ADSs in the United States is likely much larger than the number of record holders of our ordinary shares in the United States.

#### **Item 7. Major Shareholders and Related Party Transactions**

##### **A. Major Shareholders**

Please refer to “Item 6. Directors, Senior Management and Employees — E. Share Ownership.”

##### **B. Related Party Transactions**

#### **Acquisition of Equity Interest in China Financial Services Group Limited**

In October 2009, we acquired a 20.58% equity interest in CFSG through our investment in Sincere Fame for RMB85.5 million. China United Financial Services, the predecessor of CFSG, started its business as Guangdong Nanfeng Automobile Association Co., Ltd., co-founded in 1998 by Mr. Yinan Hu, our chairman and CEO, and Mr. Qiuping Lai, our president. Prior to the transaction, CFSG was controlled by one of our principal shareholders, Cathay Capital Group. Additionally, prior to the transaction, members of our senior management held an approximately 8.57% equity interest in CFSG. Mr. Hu and Mr. Lai served on CFSG’s board of directors since November 2006. They have retained their directorships after the transaction, and Mr. Hu now serves as the chairman of the board of CFSG. In July 2010, we paid RMB39.5 million to subscribe for an additional 12,543 ordinary shares of Sincere Fame.

#### **Amounts Due from Affiliates**

As of December 31, 2010, amount due from an affiliate represented RMB20.0 million receivable from a subsidiary of CFSG. This amount was subsequently settled on January 4, 2011.

#### **Amounts Due from/to Noncontrolling Shareholders**

On November 1, 2008, we acquired 55.0% equity interests of Datong for a total consideration of up to RMB220.0 million. In connection with this acquisition, Mr. Lin, the selling shareholder of Datong, agreed to make a RMB180.0 million security deposit to us to guarantee certain financial and operating targets by Datong. In addition, Mr. Lin agreed to contribute RMB20.0 million to Datong’s capital reserve within two years of completion of the acquisition. We received the RMB180.0 million deposit from Mr. Lin on February 9, 2009. As of December 31, 2010, amounts due from Mr. Lin were RMB20.0 million, representing the unpaid RMB20.0 million additional paid-in capital injection. In March 2011, we sold 55.0% of the equity interest of Datong to Warburg Pincus LLC. Pursuant to the share transfer agreement, Mr. Lin was exempted from the obligation to pay the RMB20.0 million additional paid-in capital injection. As of December 31, 2010, amounts due to Mr. Lin were RMB30.0 million, representing the contingent consideration payable to Mr. Lin as Datong met the performance target for 2010. Such contingent consideration payable was subsequently settled in 2011. The remaining deposit was returned to Mr. Lin in full upon completion of the transaction.

#### **Contractual Arrangements with Meidiya Investment, Yihe Investment, Xinbao Investment, Their Shareholders and Their Subsidiaries**

PRC laws and regulations restrict foreign investment in and ownership of insurance agencies and brokerages. We conduct our operations in China principally through contractual arrangements among our PRC subsidiaries, three affiliated entities in China, Meidiya Investment, Yihe Investment and Xinbao Investment, the shareholders and the subsidiaries of Meidiya Investment, Yihe Investment and Xinbao Investment. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure.”

## **Shareholders Agreement**

Upon completion of our restructuring in July 2007, we and our then existing shareholders entered into a new shareholders agreement, which replaced a shareholders agreement entered into in December 2005. Among other things, the shareholders agreement grants certain of our shareholders customary registration rights, including demand and piggyback registration rights and Form F-3 registration rights. Other than the provisions relating to registration rights, the new shareholders agreement terminated upon the completion of our initial public offering.

## **Employment Agreements**

See “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Employment Agreements” for a description of the employment agreements we have entered into with our senior executive officers.

## **Share Options**

Please refer to “Item 6. Directors, Senior Management and Employees—B. Compensation.”

### **C. Interests of Experts and Counsel**

Not applicable.

## **Item 8. Financial Information**

### **A. Consolidated Statements and Other Financial Information**

See “Item 18. Financial Statements.”

## **Legal Proceedings**

We may be subject to legal proceedings, investigations and claims incidental to the conduct of our business from time to time. We are not currently a party to, nor are we aware of, any legal proceeding, investigation or claim which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or results of operations.

## **Dividend Policy**

On April 23, 2010, our board of directors approved a cash dividend of US\$0.013 per ordinary share, equivalent to US\$0.26 per ADS, which amounted to a total payment of US\$11,862,469.85. The cash dividend was paid on or around June 10, 2010 to shareholders of record as of the close of business on May 20, 2010.

On May 21, 2009, our board of directors approved a cash dividend of US\$0.011 per ordinary share, equivalent to US\$0.22 per ADS, which amounted to a total payment of US\$10,037,475. The cash dividend was distributed on or around July 15, 2009 to shareholders of record as of the close of business on June 26, 2009.

Our board of directors has full discretion as to whether to distribute dividends. Even if our board of directors decides to pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors.

If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Any dividend we declare will be distributed by the depositary bank to the holders of our ADSs. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

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We are a holding company incorporated in the Cayman Islands. We rely on dividends from our subsidiaries in China to fund our payment of dividends, if any, to our shareholders. Current PRC regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our subsidiaries in China is required to set aside a certain amount of its accumulated after-tax profits each year, if any, to fund certain statutory reserves. These reserves may not be distributed as cash dividends. Further, if our subsidiaries in China incur debt on their own behalf, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Furthermore, there are still uncertainties under the new PRC EIT law and the related regulations regarding whether the dividends we receive from our PRC subsidiaries or dividends paid to our shareholders will be subject to PRC withholding tax. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Our global income or the dividends we receive from our PRC subsidiaries may be subject to PRC tax under the EIT Law, which could have a material adverse effect on our results of operations.” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Under the EIT Law, dividends payable by us and gains on the disposition of our shares or ADSs could be subject to PRC taxation.”

### B. Significant Changes

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. Offer and Listing Details

The following table provides the high and low trading prices for our ADSs on the Nasdaq Global Select Market since January 2, 2009 (and Nasdaq Global Market from October 31, 2007 to January 1, 2009) for the periods indicated.

	Sales Price	
	High US\$	Low US\$
<b>Annual High and Low</b>		
2007 (from October 31)	28.74	12.00
2008	16.63	5.44
2009	24.74	6.26
2010	28.62	15.33
<b>Quarterly Highs and Lows</b>		
First Quarter of 2009	9.59	6.26
Second Quarter of 2009	14.20	7.00
Third Quarter of 2009	24.74	12.92
Fourth Quarter of 2009	24.64	18.42
First Quarter of 2010	27.46	16.49
Second Quarter of 2010	28.62	20.25
Third Quarter of 2010	27.67	20.13
Fourth Quarter of 2010	26.74	15.33
First Quarter of 2011	20.88	11.42
<b>Monthly Highs and Lows</b>		
November 2010	26.74	18.50
December 2010	22.37	15.33
January 2011	20.88	16.41
February 2011	18.37	16.64
March 2011	18.22	11.42
April 2011	15.60	12.40
May 2011 (through May 3)	15.35	14.14

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### B. Plan of Distribution

Not applicable.

### C. Markets

Our ADSs, each representing 20 ordinary shares, have been listed on the Nasdaq Global Select Market since January 2, 2009 under the symbol “CISG.” From October 31, 2007 until January 1, 2009, our ADSs were listed on the Nasdaq Global Market.

### 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

The following are summaries of material provisions of our amended and restated memorandum and articles of association, including certain amendments adopted by our shareholders at the annual general meeting of shareholders held on December 18, 2008, as well as the Companies Law (2010 Revision) insofar as they relate to the material terms of our ordinary shares.

## **Registered Office and Objects**

The registered office of our company is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place as our board of directors may from time to time decide. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law (2010 Revision) or as the same may be revised from time to time, or any other law of the Cayman Islands.

## **Board of Directors**

See “Item 6. Directors, Senior Management and Employees—C. Board Practices—Board of Directors.”

## **Ordinary Shares**

**General.** Our authorized share capital consists of 10,000,000,000 shares, with a par value of US\$0.001 each. All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are nonresidents of the Cayman Islands may freely hold and vote their shares.

**Dividend Rights.** The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law.

**Voting Rights.** On a show of hands, each shareholder present in person or by proxy (or, for a corporation or other non-natural person, present by its duly authorised representative or proxy) at general meeting shall have one vote and on a poll, shall have one vote for each share registered in his name in the register of members of the Company. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of the meeting or by any one or more shareholders together holding at least ten percent of our paid up voting share capital, present in person or by proxy.

A quorum required for a meeting of shareholders consists of shareholders holding in aggregate not less than one-third of our issued voting share capital present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. We may, but are not obliged, to hold an annual general meeting of shareholders. General meetings may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding in aggregate not less than one-third of our voting share capital. Advance notice of at least 14 days is required for the convening of our annual general meeting and other shareholders meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast in a general meeting. A special resolution is required for important matters such as a change of name. Holders of the ordinary shares may effect certain changes by ordinary resolution, including consolidating and dividing all or any of our share capital into shares of larger amount than our existing shares, and canceling any shares which have not been taken or agreed to be taken.

**Transfer of Shares.** Subject to the restrictions of our articles of association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board.

**Liquidation.** On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of ordinary shares may be distributed among the holders of the ordinary shares as determined by the liquidator, subject to sanction of an ordinary resolution of our company.

**Calls on Shares and Forfeiture of Shares.** Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

**Redemption and Repurchase of Shares.** Subject to the provisions of the Companies Law and our articles of association, we may issue shares on terms that they are subject to redemption, at our option or at the option of the holders, on such terms and in such manner as we may determine before the issue of such shares. We also may purchase our own shares, provided that our shareholders have approved the manner of purchase by ordinary resolution or the manner of purchase is in accordance with that specified in our articles of association. The manner of purchase specified in our articles of association, which cover purchases of shares listed on an internationally recognized stock exchange and shares not so listed, is in accordance with Section 37(2) of the Companies Law or any modification or reenactment thereof for the time being in force.

**Variations of Rights of Shares.** All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

**Inspection of Books and Records.** Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we make our annual reports, which contain our audited financial statements, available to our shareholders. See “Item 10. Additional Information—H. Documents on Display.”

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.

D. Exchange Controls

See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Foreign Exchange.”

E. Taxation

The following summary of the material Cayman Islands, PRC and United States federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws.

**Cayman Islands Taxation**

According to Maples and Calder, our Cayman Islands counsel, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. No Cayman Islands stamp duty will be payable unless an instrument is executed in, or brought within the jurisdiction of the Cayman Islands, or produced before a court of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payment made to or by our Company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

**PRC Taxation**

Under the former PRC Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises, any dividends payable by foreign-invested enterprises to non-PRC investors were exempt from any PRC withholding tax. In addition, any interest or dividends payable, or distributions made, by us to holders or beneficial owners of our ADSs or ordinary shares would not have been subject to any PRC tax, provided that such holders or beneficial owners, including individuals and enterprises, were not deemed to be PRC residents under the PRC tax law and had not become subject to PRC tax.

Under the EIT Law, which took effect as of January 1, 2008, enterprises established under the laws of non-PRC jurisdictions but whose “de facto management body” is located in China are considered “resident enterprises” for PRC tax purposes. Under the implementation regulations issued by the State Council relating to the new law, “de facto management bodies” are defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Substantially all of our management are currently based in China, and may remain in China in the future. If we were treated as a “resident enterprise” for PRC tax purposes, we would be subject to PRC income tax on our worldwide income at a uniform tax rate of 25%, but dividends received by us from our PRC subsidiaries may be exempt from the income tax.

Under the new law and its implementation regulations, dividends paid to a non-PRC investor are generally subject to a 10% PRC withholding tax, if such dividends are derived from sources within China and the non-PRC investor is considered to be a non-resident enterprise without any establishment or place of business within China or if the dividends paid have no connection with the non-PRC investor’s establishment or place of business within China, unless such tax is eliminated or reduced under an applicable tax treaty. Similarly, any gain realized on the transfer of ADSs or shares by such investor is also subject to a 10% PRC withholding tax if such gain is regarded as income derived from sources within China, unless such tax is eliminated or reduced under an applicable tax treaty.

If we were considered a PRC “resident enterprise,” it is possible that the dividends we pay with respect to our ADSs or ordinary shares, or the gain you may realize from the transfer of our ADSs or ordinary shares, would be treated as income derived from sources within China and be subject to the 10% PRC withholding tax.

## **United States Federal Income Taxation**

The following discussion describes the material U.S. federal income tax consequences to U.S. Holders (as defined below) under current law of an investment in our ADSs or ordinary shares. This discussion applies only to U.S. Holders that hold the ADSs or ordinary shares as capital assets (generally, property held for investment) and have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States as in effect on the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- U.S. expatriates;
- regulated investment companies or real estate investment trusts;
- persons holding an ADS or ordinary share as part of a straddle, hedging, conversion or integrated transaction;
- persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee stock options or otherwise as compensation;
- persons that actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock; or
- partnerships or other pass-through entities, or persons holding ADSs or ordinary shares through such entities.

In addition, the discussion below does not describe any tax consequences arising out of the recently enacted Medicare tax on certain “net investment income.”

**INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR ADSs OR ORDINARY SHARES.**

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are a beneficial owner of our ADSs or ordinary shares and you are, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (i) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions; or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If you are a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that holds our ADSs or ordinary shares, your tax treatment will generally depend on your status and the activities of the partnership.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with their terms. If you hold our ADSs, you should be treated as the beneficial owner of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes.

The U.S. Treasury has expressed concerns that U.S. holders of ADSs may be claiming foreign tax credits in situations where an intermediary in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS has taken actions inconsistent with the ownership of the underlying security by the person claiming the credit. Such actions (for example, a pre-release of an ADS by a depository) may also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate U.S. holders of ADSs, including individual U.S. holders (discussed below). Accordingly, the availability of foreign tax credits or the reduced tax rate for dividends received by certain non-corporate U.S. Holders, including individual U.S. Holders, could be affected by actions taken by the U.S. Treasury or the depository.

***Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares***

Subject to the passive foreign investment company rules discussed below, the gross amount of any distributions we make to you with respect to our ADSs or ordinary shares (including the amount of any taxes withheld therefrom) will generally be included in your gross income as dividend income on the date of actual or constructive receipt by the depository, in the case of ADSs, or by you, in the case of ordinary shares, but only to the extent the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), such excess amount will be treated first as a tax-free return of your tax basis in your ADSs or ordinary shares, and then, to the extent such excess amount exceeds your tax basis, as capital gain. We currently do not, and we do not intend to, calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be reported as a non-taxable return of capital or as capital gain under the rules described above. Any dividends we pay will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, for taxable years beginning before January 1, 2013, dividends will be “qualified dividend income” that is taxed at the lower applicable capital gains rate, provided certain conditions are satisfied, including (1) our ADSs or ordinary shares are readily tradable on an established securities market in the United States, or we are eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are neither a passive foreign investment company nor treated as such with respect to you for our taxable year in which the dividend is paid and the preceding taxable year, and (3) certain holding period requirements are met. Based on U.S. Treasury guidance, we expect the ADSs will be considered readily tradable on an established securities market in the United States for purposes of clause (1) above so long as they remain listed on the Nasdaq Global Select Market. If we are deemed to be a “resident enterprise” under PRC tax law (see “Item 10. Additional Information—E. Taxation—PRC Taxation”), we may be eligible for the benefits of the income tax treaty between the United States and the PRC. You should consult your tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends paid with respect to the ADSs or ordinary shares and any possible change in law relating to the availability of such lower rate for dividends paid by us.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are qualified dividend income (discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will generally be limited to the gross amount of the dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, any dividends distributed by us with respect to our ADSs or ordinary shares will be “passive category income” or, in the case of certain U.S. Holders, “general category income.” In addition, if PRC withholding taxes apply to dividends paid to you with respect to the ADSs or ordinary shares (see “Item 10. Additional Information—E.Taxation—PRC Taxation”), subject to certain conditions and limitations, such PRC withholding taxes may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisors regarding the availability of a foreign tax credit in your particular circumstances.

#### ***Taxation of Disposition of the ADSs or Ordinary Shares***

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of an ADS or ordinary share equal to the difference between the amount realized (in U.S. dollars) for the ADS or ordinary share and your tax basis (in U.S. dollars) in the ADS or ordinary share. The gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the ADS or ordinary share for more than one year, you will be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations.

Any gain or loss you recognize on a disposition of our ADSs or ordinary shares will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes. However, if we are deemed to be a “resident enterprise” under PRC tax law and PRC tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares (see “Item 10. Additional Information—E. Taxation—PRC Taxation”), a U.S. Holder that is eligible for the benefits of the treaty may elect to treat such gain as PRC source income. You should consult your tax advisors regarding the proper treatment of gain or loss in your particular circumstances.

#### ***Passive Foreign Investment Company***

Based on the market price of our ADSs, the value of our assets, and the composition of our income and assets, we do not believe we were a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes for our taxable year ended December 31, 2010. A non-U.S. corporation will be a PFIC for any taxable year if either:

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

For this purpose, 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, at least 25% (by value) of the stock. In applying this rule, however, it is not clear whether the contractual arrangements between us and our affiliated entities will be treated as ownership of stock.

We must make a separate determination after the close of each taxable year as to whether we were a PFIC for that year. The composition of our income and assets will be affected by how, and how quickly, we use the cash we generate from our operations and raise in any offering. Because the value of our assets for purposes of the asset test will generally be determined by reference to the market price of our ADSs or ordinary shares, fluctuations in the market price of the ADSs or ordinary shares may cause us to become a PFIC. If we are a PFIC for any taxable year during which you hold ADSs or ordinary shares, we will generally continue to be treated as a PFIC with respect to you for all succeeding years during which you hold the ADSs or ordinary shares, unless we cease to be a PFIC and you make a “deemed sale” election with respect to the ADSs or ordinary shares, as applicable. If such election is made, you will be deemed to have sold the ADSs or ordinary shares you hold at their fair market value and any gain from such deemed sale would be subject to the rules described in the following two paragraphs. After the deemed sale election, your ADSs or ordinary shares with respect to which such election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

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For each taxable year that we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any “excess distribution” you receive and any gain you recognize 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 recognized 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 years in your holding period prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year, and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such 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) from a sale or other disposition of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

If we are treated as a PFIC with respect to you for any taxable year, to the extent any of our subsidiaries are also PFICs or we make direct or indirect equity investments in other entities that are PFICs, you will be deemed to own shares in such lower-tier PFICs directly or indirectly owned by us in the proportion that the value of the ADSs or ordinary shares you own bears to the value of all of our ADSs and ordinary shares, and you may be subject to the rules described in the preceding two paragraphs with respect to the shares of such lower-tier PFICs that you would be deemed to own. You should consult your tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

A U.S. Holder of “marketable stock” (as defined below) of a PFIC may make a mark-to-market election for such stock to elect out of the PFIC rules described above regarding excess distributions and recognized gains. If you make a mark-to-market election for our ADSs or ordinary shares, you will include in income for each year that we are a PFIC an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares you hold as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You will be 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. However, deductions will be 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 any gain from the actual sale or other disposition of the ADSs or ordinary shares, will be treated as ordinary income. Ordinary loss treatment will apply to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss from the actual sale or other 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 a valid mark-to-market election, any distributions we make would generally be subject to the tax rules discussed above under “—Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares,” except the lower capital gains rate applicable to qualified dividend income would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in greater 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 U.S. Treasury regulations. Our ADSs are listed on the Nasdaq Global Select Market, which is a qualified exchange or other market for these purposes. Consequently, if the ADSs continue to be listed on the Nasdaq Global Select Market and are regularly traded, and you are a holder of ADSs, we expect the mark-to-market election would be available to you if we become a PFIC. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that we own, a U.S. Holder may continue to be subject to the PFIC rules described above regarding excess distributions and recognized gains with respect to its 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.

Alternatively, a U.S. Holder of stock of a PFIC may make a “qualified electing fund” election with respect to such corporation to elect out of the PFIC rules described above regarding excess distributions and recognized gains. A U.S. Holder that makes a valid qualified electing fund election with respect to a PFIC will generally include in income for a taxable year such holder’s *pro rata* share of the corporation’s income for the taxable year. However, the qualified electing fund election is available only if the PFIC provides such U.S. Holder with certain tax information as required under applicable U.S. Treasury regulations. We do not intend to prepare or provide the information that would enable you to make a qualified electing fund election.

Unless otherwise provided by the U.S. Treasury, each U.S. shareholder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. If we become a PFIC, you should consult your tax advisors regarding any reporting requirements that may apply to you.

You should consult your tax advisors regarding the application of the PFIC rules to your investment in our ADSs or ordinary shares.

***Information Reporting and Backup Withholding***

Dividend payments with respect to ADSs or ordinary shares and proceeds from the sale, exchange or other disposition of ADSs or ordinary shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding, unless the conditions of an applicable exception are satisfied. Backup withholding will not apply to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required certification on Internal Revenue Service Form W-9 or that is otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9. Certain individuals holding the ADSs or ordinary shares other than in an account at certain financial institutions may be subject to additional information reporting requirements. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information in a timely manner.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC a registration statement on Form F-1 (File No. 333-146605) and a prospectus under the Securities Act with respect to the ordinary shares represented by the ADSs. We also filed with the SEC a related registration statement on Form F-6 (File Number 333-146765) with respect to the ADSs.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. All documents filed by us with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. The SEC also maintains a web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We intend to furnish J.P. Morgan, the depositary of our ADSs, with all notices of shareholders' meeting and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our written request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

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In accordance with Rule 5250(d) of the Nasdaq Listing Rules, we will post this annual report on Form 20-F on our website at <http://www.corpasia.net/us/CISG/irwebsite/index.php?mod=filings>. In addition, we will provide hard copies of our annual report free of charge to shareholders and ADS holders upon request.

### I. Subsidiary Information

For a list of our subsidiaries as of April 8, 2011, see Exhibit 8.1 to this annual report.

## **Item 11. Quantitative and Qualitative Disclosures about Market Risk**

### **Interest Rate Risk**

Our exposure to interest rate risk primarily relates to the interest income generated by bank deposits and short-term, highly-liquid investments with original maturities of 90 days or less. Interest-earning instruments carry a degree of interest rate risk, and our future interest income may be lower than expected. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. We have not used any derivative financial instruments to manage our interest risk exposure. As of December 31, 2010, we had no short-term or long-term bank borrowings. If we borrow money in future periods, we may be exposed to additional interest rate risk.

### **Foreign Exchange Risk**

Substantially all of our revenues and expenses are denominated in RMB. Our exposure to foreign exchange risk primarily relates to cash and cash equivalent denominated in U.S. dollars resulting from a private placement completed in December 2005 and proceeds from our initial public offering. We have not hedged exposures denominated in foreign currencies using any derivative financial instruments. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the foreign exchange rate between U.S. dollars and RMB because the value of our business is effectively denominated in RMB, while the ADSs will be traded in U.S. dollars.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the current policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately more than 20% appreciation of the RMB against the U.S. dollar over the following five years. To the extent that we need to convert our U.S. dollar-denominated assets into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Based on the amount of our U.S. dollar-denominated financial assets as of December 31, 2010, a 10% appreciation of the RMB against the U.S. dollar would have resulted in a decrease of RMB20.2 million (US\$3.1 million) in the value of our U.S. dollar-denominated financial assets. Conversely, if we decide to convert our RMB denominated cash amounts into U.S. dollars amounts for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

## **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.

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### D. [American Depositary Shares](#)

#### D.3 Fees Payable by ADS Holders

We have appointed J.P. Morgan as our depositary. A copy of our Form of Amended and Restated Deposit Agreement with J.P. Morgan was filed with the SEC as an exhibit to our Form F-1 registration statement initially filed on October 10, 2007, or the Deposit Agreement. Pursuant to the Deposit Agreement, holders of our ADSs may have to pay to J.P. Morgan, either directly or indirectly, fees or charges up to the amounts set forth in the table below.

Category	Depositary Actions	Associated Fees
(a) Depositing or substituting the underlying shares	Each person to whom ADRs are issued against deposits of shares, including deposits and issuances in respect of: <ul style="list-style-type: none"> <li>• Share distributions, stock split, rights, merger</li> <li>• Exchange of securities or any other transaction or event or other distribution affecting the ADSs or the Deposited Securities</li> </ul>	US\$5.00 for each 100 ADSs (or portion thereof) evidenced by the new ADRs delivered
(b) Receiving or distributing dividends	Distribution of 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	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, combining or grouping of depositary receipts	US\$1.50 per ADS
(f) General depositary services, particularly those charged on an annual basis.	<ul style="list-style-type: none"> <li>• Other services performed by the depositary in administering the ADRs</li> <li>• Provide information about the depositary's right, if any, to collect fees and charges by offsetting them against dividends received and deposited securities</li> </ul>	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 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 Holders in connection with <ul style="list-style-type: none"> <li>• Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment</li> <li>• The depositary's or its custodian's compliance with applicable law, rule or regulation</li> <li>• Stock transfer or other taxes and other governmental charges</li> <li>• Cable, telex, facsimile transmission/delivery</li> <li>• Expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars (which are paid out of such foreign currency)</li> <li>• Any other charge payable by depositary or its agents</li> </ul>	Expenses payable at the sole discretion of the depositary by billing Holders or by deducting charges from one or more cash dividends or other cash distributions

#### **D.4. Payment from the Depositary**

##### ***Direct Payments***

J.P. Morgan, as depositary, has agreed to reimburse certain reasonable company expenses related to our ADR program and incurred by us in connection with the program. For the year ended December 31, 2009 and 2010, the depositary reimbursed US\$0.5 million and US\$0.9 million, respectively. The amounts the depositary reimbursed are not perforce related to the fees collected by the depositary from ADR holders. The table below sets forth the types of expenses that J.P. Morgan has agreed to reimburse and the amounts reimbursed for the year ended December 31, 2009 and 2010.

	<b>For the Year Ended December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>(in thousands of US\$)</b>	
Investor relations <sup>(1)</sup>	296.4	243.7
Directors and officers liability insurance	103.6	96.9
Legal fees incurred in connection with preparation of Form 20-F and ongoing SEC compliance and listing requirements	55.6	172.5
Broker reimbursements <sup>(2)</sup>	5.4	—
Listing fees	—	42.5
Advertising and public relations	—	—
Consulting services fee in connection with SOX Compliance	—	330.0
Others	3.2	42.7

- (1) Includes expenses in relation with roadshows, press release distribution, maintenance of investor relations website and printing.
- (2) Broker reimbursements are fees payable to proxy agents and other service providers for the distribution of proxy materials to beneficial ADR holders.

##### ***Indirect Payment***

As part of its service to the Company, J.P. Morgan has agreed to waive fees for the standard costs associated with the administration of the ADR Program, associated operating expenses and investor relations advice amounting to US\$255,000 each year.

J.P. Morgan has paid no expenses on our behalf. The table below sets forth the fees that J.P. Morgan has agreed to waive and/or expenses that J.P. Morgan has agreed to pay for the year ended December 31, 2010.

	<b>For the Year Ended December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>(in thousands of US\$)</b>	
Third-party expenses paid indirectly	—	—
Fee waived	255	255

## **PART II**

### **Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

#### **A. — D. Material Modifications to the Rights of Security Holders**

None.

E. Use of Proceeds

Our registration statement on Form F-1 (File No. 333-146605) for our initial public offering was declared effective by the SEC on October 30, 2007. On November 5, 2007, we completed our initial public offering after all of the registered securities were sold. Morgan Stanley was the managing underwriter for the offering.

We received net proceeds of approximately US\$163.7 million from our initial public offering. From October 30, 2007, the effective date of our registration statement on Form F-1 for the offering, to December 31, 2010, we used our net proceeds as follows:

- approximately US\$3.0 million to fund establishment of new insurance intermediary companies;
- approximately US\$151.1 million to fund acquisitions; and
- approximately US\$9.6 million to construct our operating platform.

On July 14, 2010, we completed a follow-on public offering of 4,600,000 ADSs, each representing 20 ordinary shares. The ordinary shares underlying the ADSs offered and sold were registered pursuant to our automatic shelf registration statement on Form F-3 (File No. 333-168009) filed with the SEC on July 7, 2010. Morgan Stanley and BofA Merrill Lynch acted as joint bookrunners of this offering. We received net proceeds of approximately US\$109.7 million. As of April 8, 2011, the net proceeds have not been used and are designated for funding the establishment of an e-commerce insurance platform, insurance brokerage business, consumer credit brokerage business and wealth management business.

None of the net proceeds from our initial public offering and the follow-on offering were paid directly or indirectly to directors or officers of our company or their associates, persons owning 10% or more of our equity securities or our affiliates.

**Item 15. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief 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 that evaluation, our chief executive officer and chief financial officer have concluded that, as of December 31, 2010, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the 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 chief financial officer, 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 defined in Rule 13a-15(f) under the Exchange Act. Our management evaluated the effectiveness of our internal control over financial reporting, as required by Rule 13a-15(c) of the Exchange Act, based on criteria established in the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2010.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting 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.

## **Attestation Report of the Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of CNinsure Inc.:

We have audited the internal control over financial reporting of CNinsure Inc. its subsidiaries and variable interest entities (collectively, the “Group”) as of December 31, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Group’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2010 of the Group, and our report dated May 4, 2011 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/Deloitte Touche Tohmatsu  
Deloitte Touche Tohmatsu  
Hong Kong  
May 4, 2011

### **Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of 17 CFR 240.13a-15 that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 16A. Audit Committee Financial Expert**

Our board of directors has determined that Allen Lueth, an independent director (under the standards set forth in Rule 5605 of the Nasdaq Listing Rules and Rule 10A-3 under the Exchange Act) and member of our audit committee, is an audit committee financial expert.

**Item 16B. Code of Ethics**

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers and employees. We have posted a copy of our code of business conduct and ethics on our investor relations website at <http://www.corpasia.net/us/CISG/irwebsite/index.php?mod=governance>.

**Item 16C. Principal Accountant Fees and Services**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu, our independent registered public accounting firm, for the periods indicated.

	<b>For the Year Ended December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>(in thousands of US\$)</b>	
Audit fees(1)	2,248	1,962
Audit-related fees(2)	35	100
Tax fees(3)	24	48
All other fees	—	—

- (1) “Audit fees” meant the aggregate fees billed in each of the fiscal years listed for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements and review of quarterly financial statements included in our reports on Form 6-K, services that are normally provided in connection with statutory and regulatory filings or engagements for those fiscal years.
- (2) “Audit-related fees” meant the aggregate fees billed in each of the fiscal years listed for assurance and related services by our independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit fees.” The fees billed in 2009 comprised US\$30,300 for review of F-3 registration statement and US\$5,100 for S-8 registration statements. The fee billed in 2010 comprised US\$100,000 for review of F-3 registration statement for the follow-on offering.
- (3) “Tax fees” meant the aggregate fees billed in each of the fiscal years listed for professional services rendered by our independent registered public accounting firm for tax compliance, tax advice, and tax planning. The fees billed in 2009 and 2010 represented tax consultant fees for transfer pricing.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our independent registered public accounting firm, including audit services, audit-related services, tax services and other services as described above, other than those for *de minimis* services which are approved by the Audit Committee prior to the completion of the audit.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

No equity securities of our company were purchased by or on behalf of our company or any “affiliated purchaser” (as such term is defined in Rule 10b-18 under the Exchange Act) of our company in the year ended December 31, 2009. In November and December 2008, our board of directors and shareholders respectively approved a share repurchase plan, pursuant to which we were authorized to repurchase up to US\$20 million of our ordinary shares represented by ADSs by the end of 2009. In December 3, 2010, our board of directors approved another share repurchase plan, pursuant to which we were authorized to repurchase up to US\$100 million of our ordinary shares represented by ADSs by June 30, 2011. As of December 31, 2010, we had repurchased 331,059 ADSs, equivalent to 6,621,180 ADSs for an aggregate price of approximately US\$5.6 million on the open market. As of April 8, 2011, we had purchased 486,370 ADSs, equivalent to 9,727,400 ordinary shares, for an aggregate price of approximately US\$7.7 million on the open market.

**Item 16F. Change in Registrant's Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance**

NASDAQ Stock Market Rule 5620(a) requires each issuer to hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year-end. However, NASDAQ Stock Market Rule 5615(a)(3) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. Maples and Calder, our Cayman Islands counsel, has provided a letter to the NASDAQ Stock Market certifying that under Cayman Islands law, we are not required to hold annual shareholder meetings every year. We follow home country practice with respect to annual meetings and did not hold an annual meeting of shareholders in 2009 and 2010. We may, however, hold annual shareholder meetings in the future if there are significant issues that require shareholders' approvals.

Other than the annual meeting practice described above, there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under NASDAQ Stock Market Rules.

**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 of CNinsure Inc. and its subsidiaries are included at the end of this annual report.

**Item 19. Exhibits**

<b>Exhibit Number</b>	<b>Description of Document</b>
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)
1.2	Amendments to the Articles of Association adopted by the shareholders of the Registrant on December 18, 2008 (incorporated by reference to Exhibit 99.2 of our report on Form 6-K furnished to the Commission on December 22, 2008)
2.1	Registrant's Specimen American Depositary Receipt (incorporated by reference to Exhibit 4.1 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)
2.2	Registrant's Specimen Certificate for Ordinary Shares (incorporated by reference to Exhibit 4.2 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)
2.3	Form of Deposit Agreement among the Registrant, the depositary and holder of the American Depositary Receipts (incorporated by reference to Exhibit 4.3 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)
4.1	2007 Share Incentive Plan (as amended and restated effective December 18, 2008) (incorporated by reference to Exhibit 99.3 of our report on Form 6-K furnished to the Commission on December 22, 2008)
4.2	Form of Indemnification Agreement with the Registrant's directors and officers (incorporated by reference to Exhibit 10.3 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)

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<b>Exhibit Number</b>	<b>Description of Document</b>
4.3	Form of Director Agreement with Independent Directors of the Registrant (incorporated by reference to Exhibit 10.4 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)
4.4	Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant (incorporated by reference to Exhibit 4.4 of our annual report on Form 20-F filed with the Commission on May 15, 2009)
4.5	English translation of Form of Loan Agreement between Fanhua Xinlian Information Technology Consulting (Shenzhen) Co., Ltd. (previously known as Yiqiman Enterprise Management Consulting (Shenzhen) Co., Ltd.) and each shareholder of Guangdong Meidiya Investment Co., Ltd. (or Sichuan Yihe Investment Co., Ltd.) (incorporated by reference to Exhibit 10.6 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)
4.6	English translation of Form of Equity Pledge Agreement among Fanhua Xinlian Information Technology Consulting (Shenzhen) Co., Ltd., each shareholder of Guangdong Meidiya Investment Co., Ltd. (or Sichuan Yihe Investment Co., Ltd.) and Guangdong Meidiya Investment Co., Ltd. (or Sichuan Yihe Investment Co., Ltd.) (incorporated by reference to Exhibit 10.7 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)
4.7	English translation of Form of Irrevocable Power of Attorney issued by each shareholder of Guangdong Meidiya Investment Co., Ltd. and Sichuan Yihe Investment Co., Ltd. (incorporated by reference to Exhibit 10.8 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)
4.8	English translation of Form of Exclusive Purchase Option Agreement among Fanhua Xinlian Information Technology Consulting (Shenzhen) Co., Ltd., each shareholder of Guangdong Meidiya Investment Co., Ltd. (or Sichuan Yihe Investment Co., Ltd.), and Guangdong Meidiya Investment Co., Ltd. (or Sichuan Yihe Investment Co., Ltd.) (incorporated by reference to Exhibit 10.9 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)
4.9	English translation of Form of Trademark Licensing Agreement between Beijing Ruisike Management Consulting Company Limited and some of the insurance agency and brokerage subsidiaries of Guangdong Meidiya Investment Co., Ltd. and Sichuan Yihe Investment Co., Ltd. (incorporated by reference to Exhibit 10.12 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)
4.10	English translation of Form of Employment Agreement between an acquired company and its founder (incorporated by reference to Exhibit 10.13 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)
4.11	English translation of Form of Technology Consulting and Service Agreement between Fanhua Xinlian Information Technology Consulting (Shenzhen) Co., Ltd. and some of the insurance intermediary subsidiaries of Guangdong Meidiya Investment Co., Ltd. and Sichuan Yihe Investment Co., Ltd. (incorporated by reference to Exhibit 4.14 of our annual report on Form 20-F filed with the Commission on June 20, 2008)
4.12	English translation of Form of Consulting and Service Agreement between Fanhua Zhonglian Enterprise Image Planning (Shenzhen) Co., Ltd. (formerly known as Haidileji Enterprise Image Planning (Shenzhen) Co., Ltd.) and some of the insurance intermediary subsidiaries of Guangdong Meidiya Investment Co., Ltd. and Sichuan Yihe Investment Co., Ltd. (incorporated by reference to Exhibit 4.15 of our annual report on Form 20-F filed with the Commission on June 20, 2008)
4.13	English translation of Form of Credit and Liability Transfer Agreement among a former shareholder of Guangdong Meidiya Investment Co., Ltd. (or Sichuan Yihe Investment Co., Ltd.), Mr. Peng Ge and Fanhua Xinlian Information Technology Consulting (Shenzhen) Co., Ltd. (incorporated by reference to Exhibit 4.13 of our annual report on Form 20-F filed with the Commission on May 15, 2009)
4.14	English translation of Share Transfer Agreement between CISG Holdings Ltd. and Keep High Holdings Limited (incorporated by reference to Exhibit 4.14 of our annual report on Form 20-F filed with the Commission on May 15, 2009)

<b>Exhibit Number</b>	<b>Description of Document</b>
4.15	English translation of Shareholders Agreement among Guangdong Meidiya Investment Co., Ltd., Mr. Keping Lin and Chengdu Mingxia Industrial Co., Ltd. (incorporated by reference to Exhibit 4.15 of our annual report on Form 20-F filed with the Commission on May 15, 2009)
4.16	English translation of Supplemental Agreement I dated June 30, 2009 (to the Shareholders Agreement dated September 17, 2008) between Guangdong Meidiya Investment Co., Ltd. and Mr. Keping Lin (incorporated by reference to Exhibit 4.16 of our annual report on Form 20-F filed with the Commission on May 7, 2010)
4.17	English translation of Supplemental Agreement II dated November 20, 2009 (to the Shareholders Agreement dated September 17, 2008 and the supplemental agreement dated June 30, 2009) between Guangdong Meidiya Investment Co., Ltd. and Mr. Keping Lin (incorporated by reference to Exhibit 4.17 of our annual report on Form 20-F filed with the Commission on May 7, 2010)
4.18*	Supplemental Subscription and Share Purchase and Shareholders Agreement relating to Inscom Holding Limited dated April 27, 2011 among InsCom HK Limited, InsCom Group Limited, InsCom Holding Limited, Apollo & Muse Holding Limited, Clever Star Holdings Limited, CISG Holdings Ltd. and Subscription and Shares Purchase and Shareholders Agreement dated July 29, 2010 among the same parties.
4.19*	Deed of Adherence relating to InsCom Holding Limited dated October 29, 2010 among InsCom Holding Limited, InsCom Group Limited, InsCom HK Limited, Apollo & Muse Holding Limited, Clever Star Holdings Limited, CISG Holdings Ltd., Wang Strategic Capital Partners (II) Limited, Harbor Pacific Capital Partners I, LP
4.20*	Subscription and Share Purchase Agreement relating to InsCom Holding Limited dated October 29, 2010 among InsCom Holding Limited, InsCom Group Limited, InsCom HK Limited, Apollo & Muse Holding Limited, Clever Star Holdings Limited, Wang Strategic Capital Partners (II) Limited, Harbour Pacific Capital Partners I, LP
4.21*	Put Option Agreement dated October 29, 2010 among Hu Yinan, Apollo & Muse Holding Limited, Wang Strategic Capital Partners (II) Limited and Harbor Pacific Capital Partners I, LP
4.22*	English translation of Loan Agreement dated December 3, 2010 between Ying Si Kang Information Technology (Shenzhen) Co., Ltd. and Chunlin Wang
4.23*	English translation of Equity Pledge Contract dated December 3, 2010 between Ying Si Kang Information Technology (Shenzhen) Co., Ltd., Chunlin Wang and Shenzhen Xinbao Investment Management Co., Ltd.
4.24*	English translation of Exclusive Purchase Option Contract dated December 3, 2010 among Ying Si Kang Information Technology (Shenzhen) Co., Ltd., Chunlin Wang and Shenzhen Xinbao Investment Management Co., Ltd.
4.25*	English translation of Power of Attorney dated December 3, 2010 of Chunlin Wang
4.26*	English translation of Loan Agreement dated December 3, 2010 between Ying Si Kang Information Technology (Shenzhen) Co., Ltd. and Yuan Tian
4.27*	English translation of Equity Pledge Contract dated December 3, 2010 between Ying Si Kang Information Technology (Shenzhen) Co., Ltd., Yuan Tian and Shenzhen Xinbao Investment Management Co., Ltd.
4.28*	English translation of Exclusive Purchase Option Contract dated December 3, 2010 among Ying Si Kang Information Technology (Shenzhen) Co., Ltd., Yuan Tian and Shenzhen Xinbao Investment Management Co., Ltd.
4.29*	English translation of Power of Attorney dated December 3, 2010 of Yuan Tian
4.30*	Share Subscription Agreement dated December 24, 2010 among Datong International Holdings Limited, Winner Sight Global Limited, CISG Holdings Ltd., Keping Lin, Expert Central Limited and Mancini Holdings Limited

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<b>Exhibit Number</b>	<b>Description of Document</b>
4.31*	Share Purchase Agreement dated March 24, 2011 among Winner Sight Global Limited, CNinsure Inc., CISG Holdings Ltd., Guangdong Meidiya Investment Co., Ltd., Keping Lin, Expert Central Limited, Mancini Holdings Limited, Datong International Holdings Limited, Datong Group Limited, Beijing Dahua Rongjin Information Technology Limited, Beijing Fanhua Datong Investment Management Co., Ltd. and Datong Insurance Sales and Services Co., Ltd.
4.32*	English translation of Share Transfer Agreement dated March 24, 2011 between Guangdong Meidiya Investment Co., Ltd. and Beijing Min Si Lian Hua Investment Management Co., Ltd.
4.33*	English translation of Supplemental Agreement (to the Share Transfer Agreement dated March 24, 2011) dated March 24, 2011 between Guangdong Meidiya Investment Co., Ltd. and Beijing Min Si Lian Hua Investment Management Co., Ltd.
4.34*	English translation of Settlement Agreement (Shareholders Agreement) dated March 24, 2011 among Guangdong Meidiya Investment Co., Ltd., Mr. Keping Lin and Beijing Fanhua Datong Investment Management Co., Ltd.
4.35*	English translation of Form of Consulting and Service Agreement made with Fanhua Xinlian Information Technology Consulting (Shenzhen) Co., Ltd.
4.36*	English translation of Form of Consulting and Service Agreement made with Fanhua Zhongnlian Enterprise Image Planning (Shenzhen) Co., Ltd.
4.37*	English translation of Form of IT Platform Service Agreement made with Litian Zhuoyue Software (Beijing) Co., Ltd.
8.1*	Subsidiaries and Consolidated Affiliated Entities of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 of our F-1 registration statement (File No. 333-146605), as amended, initially filed with the Commission on October 10, 2007)
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 Maples and Calder
15.2*	Consent of Commerce & Finance Law Offices
15.3*	Consent of Deloitte Touche Tohmatsu

\* Filed with this Annual Report on Form 20-F

**SIGNATURES**

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

CNINSURE INC.

By: /s/ Yinan Hu

Name: Yinan Hu

Title: Chairman and Chief Executive Officer

Date: May 4, 2011

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**CNINSURE INC.**  
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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### To the Shareholders and the Board of Directors of CNinsure Inc.:

We have audited the accompanying consolidated balance sheets of CNinsure Inc. (the “Company”), its subsidiaries and variable interest entities (the “Group”) as of December 31, 2009 and 2010, and the related consolidated statements of operations, equity and comprehensive income (loss), and cash flows for each of the three years ended December 31, 2008, 2009 and 2010. Our audits also include the financial statement schedule of the Company included in schedule 1. These consolidated financial statements and the financial statement schedule are the responsibilities of the Group’s management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CNinsure Inc., its subsidiaries and variable interest entities as of December 31, 2009 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group’s internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 4, 2011 expressed an unqualified opinion on the Group’s internal control over financial reporting.

Our audits also comprehended the translation of Renminbi amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such United States dollar amounts are presented solely for the convenience of readers in the United States of America.

/s/Deloitte Touche Tohmatsu  
**Deloitte Touche Tohmatsu**  
Hong Kong  
May 4, 2011

**CNINSURE INC.**

**Consolidated Balance Sheets**

*(In thousands, except for shares and per share data)*

	As of December 31,		
	2009	2010	2010
	RMB	RMB	US\$
<b>ASSETS:</b>			
<i><b>Current assets:</b></i>			
Cash and cash equivalents	1,457,890	1,924,884	291,649
Restricted cash	1,957	9,177	1,390
Accounts receivable, net of allowance for doubtful amounts of RMB2,136 and RMB5,790 (US\$877) as of December 31, 2009 and 2010, respectively	181,360	243,175	36,845
Insurance premium receivables	230	92	14
Other receivables (Note 4)	52,108	67,034	10,157
Deferred tax assets (Note 11)	2,602	5,691	862
Amounts due from related parties (Note 15)	25,337	40,000	6,061
Other current assets	6,015	12,372	1,874
<b>Total current assets</b>	<b>1,727,499</b>	<b>2,302,425</b>	<b>348,852</b>
<i><b>Non-current assets:</b></i>			
Property, plant and equipment, net (Note 5)	108,318	102,175	15,481
Goodwill (Note 6)	535,911	1,154,373	174,905
Intangible assets, net	81,485	145,653	22,069
Deferred tax assets (Note 11)	3,801	6,755	1,023
Investment in affiliates (Note 7)	86,701	139,116	21,078
Other non-current assets	2,250	3,959	600
<b>Total non-current assets</b>	<b>818,466</b>	<b>1,552,031</b>	<b>235,156</b>
<b>Total assets</b>	<b>2,545,965</b>	<b>3,854,456</b>	<b>584,008</b>

The accompanying notes are an integral part of the consolidated financial statements.

**CNINSURE INC.**

**Consolidated Balance Sheets—(Continued)**  
*(In thousands, except for shares and per share data)*

	As of December 31,		
	2009	2010	2010
	RMB	RMB	US\$
<b>LIABILITIES AND EQUITY:</b>			
<b>Current liabilities:</b>			
Accounts payable (including accounts payable of the consolidated variable interest entities (“VIEs”) without recourse to CNinsure Inc. of RMB59,168 and RMB75,285 (US\$11,407) as of December 31, 2009 and December 31, 2010, respectively)	72,716	89,573	13,572
Insurance premium payables (including insurance premium payables of the consolidated VIEs without recourse to CNinsure Inc. of RMB1,957 and RMB1,364 (US\$207) as of December 31, 2009 and December 31, 2010, respectively)	1,957	1,364	207
Other payables and accrued expenses (including other payables and accrued expenses of the consolidated VIEs without recourse to CNinsure Inc. of RMB130,073 and RMB52,725 (US\$7,989) as of December 31, 2009 and December 31, 2010, respectively) (Note 9)	182,139	93,460	14,160
Accrued payroll (including accrued payroll of the consolidated VIEs without recourse to CNinsure Inc. of RMB18,962 and RMB27,158 (US\$4,115) as of December 31, 2009 and December 31, 2010, respectively)	24,152	31,237	4,733
Income taxes payable (including income taxes payable of the consolidated VIEs without recourse to CNinsure Inc. of RMB18,564 and RMB32,134 (US\$4,869) as of December 31, 2009 and December 31, 2010, respectively)	37,410	34,927	5,292
Amounts due to related parties (including amounts due to related parties of the consolidated VIEs without recourse to CNinsure Inc. of RMB1,718 and RMB7,800 (US\$1,182) as of December 31, 2009 and December 31, 2010, respectively) (Note 15)	19,274	37,800	5,727
<b>Total current liabilities</b>	<b>337,648</b>	<b>288,361</b>	<b>43,691</b>

The accompanying notes are an integral part of the consolidated financial statements.

**CNINSURE INC.**

**Consolidated Balance Sheets—(Continued)**  
*(In thousands, except for shares and per share data)*

	As of December 31,		
	2009	2010	2010
	RMB	RMB	RMB
<b>Non-current liabilities:</b>			
Other tax liabilities (including non-current portion of other tax liabilities of the consolidated VIEs without recourse to CNinsure Inc. of Nil and Nil as of December 31, 2009 and December 31, 2010) (Note 11)	2,537	5,519	836
Deferred tax liabilities (including non-current portion of deferred tax liabilities of the consolidated VIEs without recourse to CNinsure Inc. of RMB Nil and Nil as of December 31, 2009 and December 31, 2010) (Note 11)	19,075	43,513	6,593
<b>Total non-current liabilities</b>	<b>21,612</b>	<b>49,032</b>	<b>7,429</b>
<b>Total liabilities</b>	<b>359,260</b>	<b>337,393</b>	<b>51,120</b>
<b>Commitments and contingencies (Note 16)</b>			
Ordinary shares (Authorized shares: 10,000,000,000 at US\$0.001 each; issued and outstanding shares: 912,497,726 and 1,002,977,326 as of December 31, 2009 and 2010, respectively) (Note 12)	7,036	7,649	1,159
Additional paid-in capital	1,604,774	2,261,849	342,704
Statutory reserves	103,877	136,681	20,709
Retained earnings	348,663	738,165	111,843
Accumulated other comprehensive loss	(72,542)	(83,360)	(12,630)
<b>Total CNinsure Inc. shareholders' equity</b>	<b>1,991,808</b>	<b>3,060,984</b>	<b>463,785</b>
<b>Noncontrolling interests</b>	<b>194,897</b>	<b>456,079</b>	<b>69,103</b>
<b>Total equity</b>	<b>2,186,705</b>	<b>3,517,063</b>	<b>532,888</b>
<b>Total liabilities and equity</b>	<b>2,545,965</b>	<b>3,854,456</b>	<b>584,008</b>

The accompanying notes are an integral part of the consolidated financial statements.

**CNINSURE INC.**

**Consolidated Statements of Operations**  
*(In thousands, except for shares and per share data)*

	<b>Year Ended December 31,</b>			
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
<b>Net revenues:</b>				
Commissions and fees	843,107	1,154,090	1,484,389	224,907
Other service fees	855	761	640	97
<b>Total net revenues</b>	<b>843,962</b>	<b>1,154,851</b>	<b>1,485,029</b>	<b>225,004</b>
<b>Operating costs and expenses:</b>				
Commissions and fees	(436,803)	(579,911)	(708,403)	(107,333)
Selling expenses	(17,328)	(49,498)	(73,567)	(11,147)
General and administrative expenses*	(180,031)	(199,246)	(271,444)	(41,128)
<b>Total operating costs and expenses</b>	<b>(634,162)</b>	<b>(828,655)</b>	<b>(1,053,414)</b>	<b>(159,608)</b>
<b>Income from operations</b>	<b>209,800</b>	<b>326,196</b>	<b>431,615</b>	<b>65,396</b>
<b>Other income (expense), net:</b>				
Gain on disposal of investment in subsidiary	525	—	—	—
Investment income	—	18,905	41,244	6,249
Interest income	47,967	33,299	26,924	4,080
Interest expense	(95)	(4)	(5)	(1)
Others, net	(28)	1,408	391	59
Changes in fair value of contingent consideration payables	—	(5,946)	—	—
<b>Net income before income taxes and income of affiliates</b>	<b>258,169</b>	<b>373,858</b>	<b>500,169</b>	<b>75,783</b>
Income tax expense	(62,438)	(95,618)	(96,743)	(14,658)
Share of income of affiliates	135	774	12,904	1,955
<b>Net income</b>	<b>195,866</b>	<b>279,014</b>	<b>416,330</b>	<b>63,080</b>
Less: Net income (loss) attributable to the noncontrolling interests	4,129	(21,827)	(5,978)	(906)
<b>Net income attributable to the CNinsure Inc's shareholders</b>	<b>191,737</b>	<b>300,841</b>	<b>422,308</b>	<b>63,986</b>
<b>Net income per share:</b>				
Basic	<b>0.2101</b>	<b>0.3297</b>	<b>0.4408</b>	<b>0.0668</b>
Diluted	<b>0.2090</b>	<b>0.3241</b>	<b>0.4264</b>	<b>0.0646</b>
<b>Net income per American Depositary Shares ("ADS"):</b>				
Basic	<b>4.2025</b>	<b>6.5938</b>	<b>8.8162</b>	<b>1.3358</b>
Diluted	<b>4.1803</b>	<b>6.4815</b>	<b>8.5288</b>	<b>1.2922</b>
<b>Shares used in calculating net income per share:</b>				
Basic	<b>912,497,726</b>	<b>912,497,726</b>	<b>958,029,717</b>	<b>958,029,717</b>
Diluted	<b>917,335,390</b>	<b>928,312,312</b>	<b>990,318,528</b>	<b>990,318,528</b>

\* Including (i) share-based compensation expenses of RMB45,659 and RMB7,553 and RMB22,211 (US\$3,365) for the years ended December 31, 2008, 2009 and 2010, respectively; and (ii) impairment loss on intangible assets of Nil, Nil and RMB4,600 (US\$697) for the years ended December 31, 2008, 2009 and 2010, respectively.

The accompanying notes are an integral part of the consolidated financial statements.

**CNINSURE INC.**

**Consolidated Statements of Equity and Comprehensive Income (Loss)**  
*(In thousands, except for shares and per share data)*

	<u>Share Capital</u>		<u>Additional</u>	<u>Statutory</u>	<u>(Accumulated</u>	<u>other</u>	<u>Noncontrolling</u>		<u>Comprehensive</u>
	<u>Number of Share</u>	<u>Amounts</u>	<u>Paid-in Capital</u>	<u>Reserves</u>	<u>deficit)</u>	<u>comprehensive</u>	<u>Interests</u>	<u>Total</u>	<u>income (loss)</u>
		<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>retained earnings</u>	<u>income (loss)</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
		<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
<b>January 1, 2008</b>	<b>912,497,726</b>	<b>7,036</b>	<b>1,621,064</b>	<b>47,903</b>	<b>(87,941)</b>	<b>(21,150)</b>	<b>18,324</b>	<b>1,585,236</b>	<b>129,963</b>
Share-based compensation	—	—	45,659	—	—	—	—	45,659	
Net income	—	—	—	—	191,737	—	4,129	195,866	195,866
Provision for statutory reserves	—	—	—	23,334	(23,334)	—	—	—	
Acquisition of subsidiaries	—	—	—	—	—	—	71,970	71,970	
Foreign currency translation	—	—	—	—	—	(52,660)	—	(52,660)	(52,660)
<b>Balance as of December 31, 2008</b>	<b>912,497,726</b>	<b>7,036</b>	<b>1,666,723</b>	<b>71,237</b>	<b>80,462</b>	<b>(73,810)</b>	<b>94,423</b>	<b>1,846,071</b>	<b>143,206</b>
Share-based compensation	—	—	6,609	—	—	—	—	6,609	
Net income	—	—	—	—	300,841	—	(21,827)	279,014	279,014
Dividends	—	—	(68,558)	—	—	—	—	(68,558)	
Provision for statutory reserves	—	—	—	32,640	(32,640)	—	—	—	
Acquisition of subsidiaries	—	—	—	—	—	—	122,301	122,301	
Foreign currency translation	—	—	—	—	—	1,268	—	1,268	1,268
<b>Balance as of December 31, 2009</b>	<b>912,497,726</b>	<b>7,036</b>	<b>1,604,774</b>	<b>103,877</b>	<b>348,663</b>	<b>(72,542)</b>	<b>194,897</b>	<b>2,186,705</b>	<b>280,282</b>

The accompanying notes are an integral part of the consolidated financial statements.

**CNINSURE INC.**

**Consolidated Statements of Equity and Comprehensive Income (Loss) — (Continued)**  
*(In thousands, except for shares and per share data)*

	<u>Share Capital</u>		<u>Additional</u>	<u>Statutory</u>	<u>(Accumulated</u>	<u>Accumulated</u>	<u>Noncontrolling</u>	<u>Total</u>	<u>Comprehensive</u>
	<u>Number of Share</u>	<u>Amounts</u>	<u>Paid-in</u>	<u>Reserves</u>	<u>deficit)</u>	<u>other</u>	<u>Interests</u>	<u>RMB</u>	<u>income (loss)</u>
		<u>RMB</u>	<u>Capital</u>	<u>RMB</u>	<u>retained earnings</u>	<u>comprehensive</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
			<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>income (loss)</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Issuance of ordinary shares upon follow-on offering on July 14, 2010	92,000,000	623	743,144	—	—	—	—	743,767	—
Exercise of share options	5,100,780	34	10,041	—	—	—	—	10,075	—
Repurchase of ordinary shares	(6,621,180)	(44)	(37,243)	—	—	—	—	(37,287)	—
Share-based compensation	—	—	22,211	—	—	—	—	22,211	—
Net income	—	—	—	—	422,308	—	(5,978)	416,330	416,330
Dividends	—	—	(80,985)	—	—	—	—	(80,985)	—
Provision for statutory reserves	—	—	—	32,806	(32,806)	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	272,061	272,061	—
Acquisition of additional shares in a subsidiary	—	—	(93)	—	—	—	(2,317)	(2,410)	—
Disposal of subsidiaries	—	—	—	(2)	—	—	(2,584)	(2,586)	—
Foreign currency translation	—	—	—	—	—	(10,818)	—	(10,818)	(10,818)
<b>Balance as of December 31, 2010</b>	<b>1,002,977,326</b>	<b>7,649</b>	<b>2,261,849</b>	<b>136,681</b>	<b>738,165</b>	<b>(83,360)</b>	<b>456,079</b>	<b>3,517,063</b>	<b>405,512</b>
<b>Balance as of December 31, 2010 in US\$</b>		<b>1,159</b>	<b>342,704</b>	<b>20,709</b>	<b>111,843</b>	<b>(12,630)</b>	<b>69,103</b>	<b>532,888</b>	<b>61,441</b>

The accompanying notes are an integral part of the consolidated financial statements.

**CNINSURE INC.**
**Consolidated Statements of Cash Flows**  
*(In thousands)*

	Year Ended December 31,			
	2008	2009	2010	2010
	RMB	RMB	RMB	US\$
<b>OPERATING ACTIVITIES</b>				
<b>Net income</b>	195,866	279,014	416,330	63,080
<b>Adjustments to reconcile net income to net cash generated from operating activities:</b>				
Depreciation	6,222	18,791	30,552	4,629
Amortization of acquired intangible assets	3,260	9,654	21,520	3,261
Impairment loss for acquired intangible assets	—	—	4,600	697
Allowance for doubtful receivables	251	1,885	5,136	778
Change in fair value of contingent consideration payables	—	5,946	—	—
Compensation expenses associated with stock options	45,659	6,609	22,211	3,365
Loss (gain) on disposal of property, plant and equipment	249	26	(97)	(15)
Investment income	—	(18,905)	(41,244)	(6,249)
Share of income of affiliates	(135)	(774)	(12,904)	(1,955)
Gain on disposal of investment in a subsidiary	(525)	—	—	—
Deferred taxes	(4,175)	2,835	(1,450)	(220)
<b>Changes in operating assets and liabilities:</b>				
Accounts receivable	(58,265)	(85,639)	(61,750)	(9,356)
Insurance premium receivables	2,419	(213)	141	21
Other receivables	(13,827)	(5,167)	(7,951)	(1,205)
Other current assets	(3,927)	(762)	(6,357)	(963)
Accounts payable	48,415	13,071	13,793	2,090
Insurance premium payables	(11,361)	(2,243)	(607)	(92)
Other payables and accrued expenses	13,641	16,004	(22,386)	(3,392)
Accrued payroll	6,830	7,631	6,629	1,004
Income taxes payable	23,310	11,170	(2,482)	(376)
Other tax liabilities	712	666	2,981	452
<b>Net cash generated from operating activities</b>	<b>254,619</b>	<b>259,599</b>	<b>366,665</b>	<b>55,554</b>
<b>Cash flows from investing activities:</b>				
Addition in other investments	(189)	(1,401)	(2,509)	(380)
Addition in investment in affiliates	(292)	(68,269)	(39,511)	(5,986)
Purchase of property, plant and equipment	(51,828)	(47,792)	(24,398)	(3,697)
Proceeds from disposal of property and equipment	759	2,059	1,425	216

The accompanying notes are an integral part of the consolidated financial statements.

**CNINSURE INC.**
**Consolidated Statements of Cash Flows—(Continued)**  
*(In thousands)*

	Year Ended December 31,			
	2008	2009	2010	2010
	RMB	RMB	RMB	US\$
Acquisition of subsidiaries, net of cash acquired of RMB41,025, RMB2,006 and RMB18,156 (US\$2,751) in 2008, 2009 and 2010, respectively	(23,868)	(330,652)	(307,844)	(46,643)
Disposal of investment in subsidiaries, net of cash disposed of RMB64, RMB255, and RMB5,283 (US\$800) in 2008, 2009 and 2010, respectively	1,545	4,110	(2,733)	(414)
Amounts due from related parties	(187,595)	—	—	—
Repayments from (to) related parties	—	183,459	(17,231)	(2,611)
Decrease (increase) in restricted cash	8,548	2,243	(7,220)	(1,094)
<b>Net cash used in investing activities</b>	<b>(252,920)</b>	<b>(256,243)</b>	<b>(400,021)</b>	<b>(60,609)</b>
<b>Cash flows from financing activities:</b>				
Repayments of bank loans	(1,634)	—	—	—
Payment for contingent consideration	—	—	(125,380)	(18,997)
Acquisition of additional interest in a subsidiary	(3,000)	—	(2,410)	(365)
Increase in capital injection by noncontrolling interests	10,612	20,315	12,295	1,863
Advances from related parties	10,598	—	—	—
Repayments to related parties	—	(8,923)	(8,907)	(1,350)
Proceeds from share issuances	—	—	743,767	112,692
Proceeds on exercise of stock options	—	—	10,075	1,527
Repurchase of ordinary shares	—	—	(37,287)	(5,650)
Dividends paid	—	(68,558)	(80,985)	(12,270)
<b>Net cash generated from (used in) financing activities</b>	<b>16,576</b>	<b>(57,166)</b>	<b>511,168</b>	<b>77,450</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>18,275</b>	<b>(53,810)</b>	<b>477,812</b>	<b>72,395</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,544,817</b>	<b>1,510,432</b>	<b>1,457,890</b>	<b>220,892</b>
Effect of exchange rate changes on cash and cash equivalents	(52,660)	1,268	(10,818)	(1,638)
<b>Cash and cash equivalents at end of year</b>	<b>1,510,432</b>	<b>1,457,890</b>	<b>1,924,884</b>	<b>291,649</b>
<b>Supplemental disclosure of cash flow information:</b>				
Interest paid	95	4	5	1
Income taxes paid	42,590	80,826	97,869	14,829

Supplemental disclosure of non-cash transactions is set out in note 18.

The accompanying notes are an integral part of the consolidated financial statements.

**CNINSURE INC.****Notes to The Consolidated Financial Statements**  
**(In thousands, except for shares and per share data)****(1) Organization and Description of Business**

CISG Holdings Ltd (“CISG”) was incorporated in the British Virgin Islands (“BVI”) on June 8, 2004. CISG undertook a separate restructuring in anticipation of an initial public offering (“IPO”) involving CNinsure Inc. (the “Company”) that was incorporated in the Cayman Islands on April 10, 2007 as a shell company for listing purpose. On July 31, 2007, prior to its IPO, the Company issued 684,210,526 ordinary shares to the existing shareholders of CISG for exchange of their shares of CISG on a 10,000-for-1 basis and thereafter, became the ultimate holding company of CISG. The Company, its subsidiaries and VIEs are collectively referred to as the “Group”. The Group is principally engaged in the provision of insurance brokerage and agency services, and insurance claims adjusting services in the People’s Republic of China (the “PRC”).

Current PRC laws and regulations place certain restrictions on foreign investment in and ownership of insurance agencies and brokerages. Accordingly, the Group conducts its operations in China principally through contractual arrangements among its PRC subsidiaries, three PRC affiliated entities and the equity shareholders of these PRC affiliated entities, who are PRC nationals. The contractual arrangements include a series of contracts entered into between the Group’s PRC subsidiaries and the equity shareholders of these PRC affiliated entities, including loan agreements, equity pledge agreements, irrevocable powers of attorney, exclusive purchase option agreements, technology consulting and service agreements and trademark licensing agreements. Through these contractual arrangements, the Group is entitled to: (1) receive service fees from the subsidiaries of these PRC affiliated entities; (2) exercise all of the voting powers of the owners of these PRC affiliated entities; (3) receive dividends declared by these PRC affiliated entities and their subsidiaries and (4) acquire all the equity interests of these PRC affiliated entities and their subsidiaries once PRC laws permit. As the Company is the sole primary beneficiary of these VIEs, the Company consolidates them into its consolidated financial statements. (See note 8)

**(2) Summary of Significant Accounting Policies*****(a) Basis of Presentation and Consolidation***

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The consolidated financial statements include the financial statements of the Company, all its majority-owned subsidiaries and those VIEs of which the Company is the primary beneficiary, from the dates they were acquired or incorporated. All intercompany balances and transactions have been eliminated in consolidation. In addition, the Group consolidates VIEs of which it is deemed to be the primary beneficiary and absorbs all of the expected losses and residual returns of the entity.

***(b) Use of Estimates***

The preparation of the consolidated financial statements in conformity with US GAAP requires management of the Group to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant accounting estimates reflected in the Group’s consolidated financial statements included the valuation of deferred tax assets, useful lives of property, plant and equipment, impairment of goodwill; economic lives of intangible assets, allowance for doubtful receivables and fair value of share based compensation. Actual results could differ from those estimates.

***(c) Cash and Cash Equivalents and Restricted Cash***

Cash and cash equivalents consist of cash on hand and bank current deposits. Cash equivalents consist of bank deposits and short-term, highly-liquid investments with original maturities of 90 days or less.

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In its capacity as an insurance agent and broker, the Group collects premiums from certain insureds and remits the premiums or net premiums after deducting its authorized commissions to the appropriate insurance companies. Accordingly, as reported in the consolidated balance sheets, “premiums” are receivables from insureds. Unremitted net insurance premiums are held in a fiduciary capacity until disbursed by the Group. The Group invests these unremitted funds only in cash accounts held for a short term, and reports such amounts as restricted cash in the consolidated balance sheets. Also included in the restricted cash is a guarantee deposits required by China Insurance Regulatory Commission (“CIRC”) in order to protect insurance premium appropriation by insurance agency of Nil and RMB7,813 as of December 31, 2009 and 2010, respectively.

**(d) Accounts Receivable and Insurance Premium Receivables**

Accounts receivable are recorded at the invoiced amount and do not bear interest. Accounts receivable represent fees receivable on agency, brokerage and claims adjusting services primarily from insurance companies. Amounts collected on accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The allowance for doubtful accounts is the Group’s best estimate of the amount of probable credit losses in the Group’s existing accounts receivable. The Group determines the allowance based on historical write-off experience. The Group reviews its allowance for doubtful accounts regularly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability.

Accounts receivable, net is analyzed as follows:

	<b>As of December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>
Accounts receivable	183,496	248,965
Allowance for doubtful accounts	(2,136)	(5,790)
Accounts receivable, net	<u>181,360</u>	<u>243,175</u>

The following table summarized the movement of the Group’s allowance for doubtful accounts:

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Balance at the beginning of the year	—	251	2,136
Provision for doubtful accounts	251	1,885	5,136
Write-offs	—	—	(1,482)
Balance at the ending of the year	<u>251</u>	<u>2,136</u>	<u>5,790</u>

Insurance premium receivables consist of insurance premium to be collected from insured, and is recorded at the invoiced amount and do not bear interest. Amounts collected on insurance premium receivable are included in net cash provided by operating activities in the consolidated statements of cash flows.

**(e) Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives, taking into account residual value:

	<b>Estimated useful life (Years)</b>	<b>Estimated residual value</b>
Office equipment, furniture and fixtures	3-5	0%-3%
Motor vehicles	5-10	0%-3%
Leasehold improvements	5	0%

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The depreciation methods and estimated useful lives are reviewed regularly.

Depreciation expenses recognized in the consolidated statements of operations for the years ended December 31, 2008, 2009 and 2010 were RMB6,222, RMB18,791 and RMB30,552, respectively, of which RMB755, RMB1,292 and RMB2,535, were recorded in the selling expenses and Nil, RMB3,441 and RMB5,607 were recorded in commission and fees under operating costs and expenses for the years ended December 31, 2008, 2009 and 2010, respectively. The remaining amounts were recorded in general and administrative expenses.

***(f) Goodwill and Other Intangible Assets***

Goodwill represents the excess of costs over fair value of net assets of businesses acquired. Goodwill is not amortized, but is tested for impairment at the reporting unit level at least on an annual basis at the balance sheet date or more frequently if certain indicators arise. The Group operates in four reporting units which are its reportable segments. The goodwill impairment review is a two-step process. Step one consists of a comparison of the fair value of a reporting unit with its carrying amount. An impairment loss may be recognized if the review indicates that the carrying value of a reporting unit exceeds its fair value. Estimates of fair value are primarily determined by using discounted cash flows. If the carrying amount of a reporting unit exceeds its fair value, step two requires the fair value of the reporting unit to be allocated to the underlying assets and liabilities of that reporting unit, resulting in an implied fair value of goodwill. If the carrying amount of the goodwill of the reporting unit exceeds the implied fair value, an impairment charge is recorded equal to the excess of the carrying amount over the implied fair value.

The impairment review is highly judgmental and involves the use of significant estimates and assumptions. These estimates and assumptions have a significant impact on the amount of any impairment charge recorded. Discounted cash flow methods are dependent upon assumptions of future sales trends, market conditions and cash flows of each reporting unit over several years. Actual cash flows in the future may differ significantly from those previously forecasted. Other significant assumptions include growth rates and the discount rate applicable to future cash flows. No impairment loss on goodwill was identified for the years ended December 31, 2008, 2009 and 2010.

Identifiable intangibles assets are required to be determined separately from goodwill based on fair value. In particular, an intangible asset acquired in a business combination should be recognized as an asset separate from goodwill if it satisfies either the “contractual-legal” or “separability” criterion. Intangible assets with a finite economic life are carried at cost less accumulated amortization. Prior to October 1, 2010, amortization is computed using the straight-line method over the intangible assets’ economics lives. Starting from October 1, 2010, amortization for identifiable intangibles assets of customer relationship is computed using accelerated method, while amortization for other identifiable intangibles assets is computed using the straight-line method over the intangible assets’ economic lives. The effect of the change in amortization method in customer relationship is insignificant. Intangible assets with indefinite economic lives are not amortized but carried at cost less any subsequent accumulated impairment losses. If an intangible asset that is not being amortized is subsequently determined to have a finite economic life, it will be tested for impairment and then amortized prospectively over its estimated remaining economic life and accounted for in the same manner as other intangible assets that are subject to amortization. Intangible assets with indefinite economic lives are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

Separately identifiable intangible assets consist of brand name, trade name, customer relationship, non-compete agreement, agency agreement and license, and software and system.

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The intangible assets, net consisted of the following:

	Useful life (Years)	As of December 31, 2009			As of December 31, 2010			
		Cost	Accumulated amortization	Net carrying values	Cost	Accumulated amortization	Impairment loss	Net carrying values
		RMB	RMB	RMB	RMB	RMB	RMB	RMB
Brand name	Indefinite	24,091	—	24,091	24,091	—	—	24,091
Trade name	10	—	—	—	8,140	(144)	—	7,996
Customer relationship	4.6 to 9.8	24,086	6,596	17,490	48,356	(14,987)	—	33,369
Non-compete agreement	3 to 14	43,340	5,956	37,384	83,191	(16,583)	(4,600)	62,008
Agency agreement and licence	4.6 to 10	3,007	487	2,520	15,294	(2,654)	—	12,640
Software and system	5 to 10	—	—	—	5,740	(191)	—	5,549
		<u>94,524</u>	<u>13,039</u>	<u>81,485</u>	<u>184,812</u>	<u>(34,559)</u>	<u>(4,600)</u>	<u>145,653</u>

Aggregate amortization expenses for intangible assets were RMB3,260, RMB9,654 and RMB21,520 for the years ended December 31, 2008, 2009 and 2010, respectively. The Group recorded an impairment loss on its intangible asset in the amount of RMB4,600 associated with non-compete agreement attributed to a subsidiary as its carrying value exceeds fair value. As of December 31, 2010, the estimated amortization expenses for the next five years are: RMB27,429 in 2011, RMB25,342 in 2012, RMB20,679 in 2013, RMB18,829 in 2014 and RMB12,969 in 2015, and an aggregate amount of RMB16,314 in years thereafter.

**(g) Other Receivables and Other Current Assets**

Other receivables and other current assets consist of advances, prepayment and prepaid expenses.

**(h) Investment in affiliates**

Investments in affiliates are accounted for using equity method. The Group does not control the affiliate but over which it exerts significant influence.

**(i) Other Non-current Assets**

As of December 31, 2010, other non-current assets represent from 5% to 20% (2009: 5% to 10%) investments in equity security of private companies over which it exerts no significant influence and are measured initially at cost.

**(j) Impairment of Long-Lived Assets**

Property, plant, and equipment, and purchased intangible assets with definite life, subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Management performed the annual impairment test for all long-lived assets as of December 31, 2010 and concluded that there was an impairment loss of intangible asset of RMB4,600 as of December 31, 2010.

**(k) Insurance Premium Payables**

Insurance premium payables are insurance premium collected on behalf of insurance companies but not yet remitted as of the balance sheet dates.

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***(l) Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred income taxes are recognized for temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements, net operating loss carryforwards 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.

***(m) Share-based Compensation***

All forms of share-based payments to employees, including employee stock options and employee stock purchase plans, would be treated the same as any other form of compensation by recognizing the related cost in the consolidated statement of operations. Compensation cost related to employee stock option or similar equity instruments is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. The Group uses the Black-Scholes option-pricing model to determine the fair value of stock options and warrants.

Determining the value of our share-based compensation expense in future periods requires the input of highly subjective assumptions, including estimated forfeitures and the price volatility of the underlying shares. The management estimates the forfeitures of the shares based on past employee retention rates and its expectations of future retention rates, and it will prospectively revise the forfeiture rates based on actual history. The share compensation charges may change based on changes to the actual forfeitures. The actual share-based compensation expenses may be materially different from the current expectations.

Share-based compensation expenses of RMB45,659, RMB7,553 and RMB22,211 for the years ended December 31, 2008, 2009 and 2010, respectively, were included in the general and administrative expenses.

***(n) Employee Benefit Plans***

As stipulated by the regulations of the PRC, the Group's subsidiaries and VIEs in the PRC participate in various defined contribution plans organized by municipal and provincial governments for its employees. The Group is required to make contributions to these plans at a percentage of the salaries, bonuses and certain allowances of the employees. Under these plans, certain pension, medical and other welfare benefits are provided to employees. The Group has no other material obligation for the payment of employee benefits associated with these plans other than the annual contributions described above. The contributions are charged to the consolidated statement of operations as they become payable in accordance with the rules of the above mentioned defined contribution plans.

***(o) Revenue Recognition***

The Group's revenue is derived principally from the provision of insurance brokerage, agency and claims adjusting services. The Group recognizes revenue when all of the following have occurred: persuasive evidence of an agreement with the insurance companies or insurance agencies exists, services have been provided, the fees for such services are fixed or determinable and collectability of the fee is reasonably assured.

Insurance agency and brokerage services are considered to be rendered and completed, and revenue is recognized, at the time an insurance policy becomes effective, that is, when the signed insurance policy is in place and the premium is collected from the insured. The Group has met all the four criteria of revenue recognition when the premiums are collected by the Group or the respective insurance companies and not before, because collectability is not ensured until receipt of the premium. Accordingly, the Group does not accrue any commission and fees prior to the receipt of the related premiums. No allowance for cancellation has been recognized as the management of the Group estimates, based on its past experience that the cancellation of policies rarely occurs. Any subsequent commission adjustments in connection with policy cancellations which have been de minimis to date are recognized upon notification from the insurance carriers. Actual commission and fee adjustments in connection with the cancellation of policies were 0.1%, 0.1% and 0.1% of the total commission and fee revenues for the years ended December 31, 2008, 2009 and 2010, respectively. For property insurance and life insurance, agency and brokerage companies may receive a performance bonus from insurance companies per contract provisions. Once an agency and brokerage company achieves its performance target, typically a certain sales volume, the bonus will become due. The bonus amount is computed based on the insurance premium amount multiplied by an agreed-upon percentage. The contingent commissions are recorded as revenue when received, which in many cases, that is the Group's first notification of the amounts earned.

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Insurance claims adjusting services are considered to be rendered and completed, and revenue is recognized at the time loss adjusting reports are confirmed being received by insurance companies. The Group has met all the four criteria of revenue recognition when the service is provided and the loss adjusting report is accepted by insurance companies. The Group does not accrue any service fee before the receipt of an insurance company's acknowledgement of receiving the adjusting reports. Any subsequent adjustments in connection with discounts which have been de minimis to date are recognized in revenue upon notification from the insurance companies.

Other service fees include revenue from the provision of insurance-related services, such as driver's license renewal and annual inspection for the insured. Revenue is recognized when the services are rendered.

The Group presented revenue net of sales taxes incurred. The sales taxes amounted to RMB54,590, RMB83,958 and RMB102,190 for the years ended December 31, 2008, 2009 and 2010, respectively.

***(p) Contingent Consideration***

In December 2007, the FASB issued ASC 805, *Business Combinations* ("ASC 805") to improve reporting creating greater consistency in the accounting and financial reporting of business combinations. ASC 805 requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. ASC 805 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Effective from January 1, 2009, the Group adopted ASC 805 on a prospective basis. As a result, the recorded purchase price for all acquisitions consummated after January 1, 2009 include an estimation of the fair value of contingent consideration payables. Subsequent changes in the fair value of contingent consideration payables will be recorded in the consolidated statement of operation when incurred. Changes in fair value of contingent consideration payables totaling RMB5,946 and nil was charged to consolidated statement of operations for the year ended December 31, 2009 and 2010, respectively. Also, as a result of adoption of ASC 805, in a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at acquisition date fair value and recognize gain or loss, if any, in earnings. The Group recorded earnings of such remeasurement as investment income of RMB18,905 and RMB41,244 to the consolidated statement of operations for the years ended December 31, 2009 and 2010, respectively.

For acquisitions before January 1, 2009, contingent consideration arrangements generally result in the payment/receiving of additional consideration or surrender/receiving of shares to/from the sellers upon the acquired entities' satisfaction of performance targets subsequent to acquisition as stipulated in the acquisition agreement.

Additional cash payments or surrender of shares which are determined to be additional purchase consideration are accounted for as part of the purchase price of the acquired entities when the outcome of contingency is determinable beyond a reasonable doubt, while those which are determined to be compensatory in nature are recorded as compensation expenses and charged to the consolidated statement of operations. No compensation expenses were paid for the years ended December 31, 2008, 2009 and 2010.

***(q) Fair Value of Financial Instruments***

The carrying amounts of accounts receivable, insurance premium receivables, other receivables, accounts payable, other payables and accrued expenses, amounts due from (to) related parties and insurance premium payables are approximate their fair values due to the short-term maturity of these instruments.

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**(r) Foreign Currencies**

The functional currency of the Company is the United States dollar (“USD”). Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive income or loss in the consolidated statement of shareholders’ equity and comprehensive income (loss). The Group has chosen the Renminbi (“RMB”) as their reporting currency.

The functional currency of the Company’s subsidiaries and VIE is the RMB. Transactions in other currencies are recorded in RMB at the rates of exchange prevailing when the transactions occur. Monetary assets and liabilities denominated in other currencies are translated into RMB at rates of exchange in effect at the balance sheet dates. Exchange gains and losses are recorded in the consolidated statements of operations.

**(s) 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 RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and international economic and political developments that affect supply and demand in the China Foreign Exchange Trading System market. The cash and cash equivalents of the Company included aggregate amounts of RMB1,276,993 and RMB1,723,210 at December 31, 2009 and 2010, respectively, which were denominated in RMB.

**(t) Translation into United States Dollars**

The consolidated financial statements of the Group are stated in RMB. Translations of amounts from RMB into U.S. dollars are solely for the convenience of the readers and were calculated at the rate of US\$1.00 = RMB6.60, on December 30, 2010, representing the noon buying rate in the City of New York for cable transfers of RMB, as certified for customs purposes by the Federal Reserve Bank of New York. The translation is not intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into U.S. dollars at that rate on December 30, 2010, or at any other rate.

**(u) Segment reporting**

The Group distributes a variety of property and casualty; and life insurance products underwritten by domestic and foreign insurance companies operating in the PRC, and provides insurance claims adjusting services as well as other insurance-related services. For the years ended December 31, 2009 and 2010, the Group operates four operating segments: (1) property and casualty insurance (“P&C”) (2) life insurance (“Life”) (3) insurance claims adjusting services (“Claims Adjusting”) and (4) datong life insurance (“Datong”). Details of these operating segments are described in note 21. Operating segments are defined as components of an enterprise about which separate financial information is available and evaluated regularly by the Group’s chief operating decision maker in deciding how to allocate resources and in assessing performance.

Substantially all revenues are derived in the PRC and all long-lived assets are located in the PRC.

**(v) Earnings per Share (“EPS”)**

Basic EPS is calculated by dividing the net income available to common shareholders by the weighted average number of ordinary shares /ADS outstanding during the year. Diluted EPS is calculated by using the weighted average number of ordinary shares /ADS outstanding adjusted to include the potentially dilutive effect of outstanding share-based awards, unless their inclusion in the calculation is anti-dilutive.

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***(w) Advertising Costs***

Advertising costs are expensed as incurred. Advertising costs amounted to RMB832, RMB5,459 and RMB3,825 for the years ended December 31, 2008, 2009 and 2010, respectively.

***(x) Operating leases***

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases are charged to the consolidated statements of operations over the lease period.

***(y) Accumulated Other Comprehensive Income (Loss)***

Accumulated other comprehensive income (loss) represents foreign currency translation adjustments for the period and is included in the consolidated statements of shareholders' equity.

***(z) Recently Issued Accounting Standards***

In December 2010, the Financial Accounting Standard Board ("FASB") issued Accounting Standard Update ("ASU") 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations. The objective of this guidance is to address diversity in practice regarding the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the year had occurred as of the beginning of the comparable prior annual reporting only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments affect any public entity as defined by Topic 805 that enters to business combinations that are material on an individual or aggregated basis. The amendments will be effective for business combinations consummated in periods beginning after December 15, 2010 and should be applied prospectively as of the date of adoption. Early adoption is permitted. The Group does not expect the adoption of this ASU to have any significant impact on its financial condition or result of operations.

In December 2010, the FASB issued an authoritative pronouncement on when to perform Step 2 of the Goodwill Impairment test for Reporting Units with Zero or Negative Carrying Amounts. The amendments in this update modify Step 1 so that for those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the guidance is effective for impairment tests performed during entities' fiscal years (and interim periods within those years) that begin after December 15, 2010. Early adoption will not be permitted. For nonpublic entities, the guidance is effective for impairment tests performed during entities' fiscal years (and interim periods within those years) that begin after December 15, 2011. Early application for nonpublic entities is permitted; nonpublic entities that elect early application will use the same effective date as that for public entities. The Group does not expect the adoption of this ASU to have any significant impact on its financial condition or result of operations.

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In April 2010, the FASB issued ASU 2010-13, Compensation — Stock Compensation (Topic 718); Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades. The objective of this ASU is to address the classification of an employee share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. FASB Accounting Standards Codification Topic 718, Compensation—Stock Compensation, provides guidance on the classification of a share-based payment award as either equity or a liability. A share-based payment award that contains a condition that is not a market, performance, or service condition is required to be classified as a liability. Under Topic 718, awards of equity share options granted to an employee of an entity's foreign operation that provide a fixed exercise price denominated in (1) the foreign operation's functional currency or (2) the currency in which the employee's pay is denominated should not be considered to contain a condition that is not a market, performance, or service condition. However, US GAAP do not specify whether a share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades has a market, performance, or service condition. Diversity in practice has developed on the interpretation of whether such an award should be classified as a liability when the exercise price is not denominated in either the foreign operation's functional currency or the currency in which the employee's pay is denominated. ASU 2010-13 clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. This ASU is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2010, and will be applied prospectively. Affected entities will be required to record a cumulative catch-up adjustment for all awards outstanding as of the beginning of the current period in which the guidance is adopted. The Group does not expect the adoption of this ASU to have any significant impact on its financial condition or result of operations.

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**(3) Acquisitions**

**Acquisitions in 2010**

**(a) P&C segment**

On December 31, 2009 and March 30, 2010, the Group entered into agreements to acquire an addition 41% equity interest in Hebei Fanlian Insurance Agency Co., Ltd. ("Fanlian"), Shandong Fanhua Mintai Insurance Agency Co., Ltd. ("Mintai") and Ningbo Baolian Insurance Agency Co., Ltd. ("Baolian") at a cash consideration of RMB52,000, RMB90,000 and RMB60,000, respectively, bringing the Group's shareholdings in Fanlian, Mintai and Baolian from 10% to 51%. The acquisitions of Fanlian, Mintai and Baolian were completed on January 1, 2010 and April 1, 2010 respectively. The selling shareholders of Fanlian, Mintai and Baolian agree to transfer 5% interest in Fanlian, Mintai and Baolian to the Company for RMB0.001 if Fanlian, Mintai and Baolian fail to meet performance target in years 2010 to 2012. In addition, the selling shareholders of Fanlian, Mintai and Baolian agree to return up to RMB9,000, RMB13,500 and RMB9,000 to the Group, respectively, if performance criteria for years 2010 to 2012 cannot be met.

On September 27, 2010, the Group entered into agreements to acquire an additional 46% equity interest in Shengyang Fangda Insurance Agency Co., Ltd. ("Fangda") for a total cash consideration RMB40,000, bringing its shareholdings in Fangda from 5% to 51%. The acquisition of Fangda was completed on October 1, 2010. The selling shareholder of Fangda agrees to transfer 5% interest in Fangda to the Company for RMB0.001 if Fangda fails to meet performance target in years 2011 to 2013. In addition, the selling shareholder of Fangda agrees to return up to RMB15,000 to the Group if performance criteria for years 2011 to 2013 cannot be met.

On July 29, 2010, the Group entered into an agreement to acquire 65.1% equity interest in Inscom Holding Limited ("Inscom") and its subsidiaries and its VIE for a cash consideration RMB84,000. The acquisition of Inscom was completed on November 1, 2010.

The following table summarizes the estimated fair value for the acquirees assumed at the date of acquisition:

	<u>Fanlian</u> <u>RMB</u>	<u>Mintai</u> <u>RMB</u>	<u>Baolian</u> <u>RMB</u>	<u>Fangda</u> <u>RMB</u>	<u>Inscom</u> <u>RMB</u>
Cash consideration for controlling interest	52,000	90,000	60,000	40,000	84,000
Fair value of previously held equity interest	10,530	16,900	11,270	3,344	—
Fair value of noncontrolling interests	51,580	82,820	55,210	32,776	37,380
Total consideration	<u>114,110</u>	<u>189,720</u>	<u>126,480</u>	<u>76,120</u>	<u>121,380</u>

The Group recognized investment income of RMB41,244 representing gains from re-measuring equity interests formerly held by the Company in Fanlian, Mintai, Baolian and Fangda at fair values on the date of completion of acquiring the additional equity interest.

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The following table summarizes the estimated fair value for major classes of assets acquired and liabilities assumed at the date of acquisition.

	<b>Fanlian</b>	<b>Mintai</b>	<b>Baolian</b>	<b>Fangda</b>	<b>Inscom</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Net tangible assets acquired	3,265	2,632	(411)	2,382	10,044
Intangible assets	20,880	17,850	12,760	12,111	17,680
Goodwill	95,185	173,608	117,093	64,500	98,076
Deferred tax assets	—	92	228	155	—
Deferred tax liability	(5,220)	(4,462)	(3,190)	(3,028)	(4,420)
Total consideration	<u>114,110</u>	<u>189,720</u>	<u>126,480</u>	<u>76,120</u>	<u>121,380</u>

The excess of purchase price over tangible assets and identifiable intangible assets acquired and liabilities assumed was recorded as goodwill.

The acquired intangible assets were composed of the following:

		<b>Fair Value Acquired</b>				
	<b>Useful life</b>	<b>RMB</b>				
	<b>(Years)</b>	<b>Fanlian</b>	<b>Mintai</b>	<b>Baolian</b>	<b>Fangda</b>	<b>Inscom</b>
Trade name	9.4	—	—	—	—	8,140
Customer relationship	5.8-6.25	13,360	490	2,300	4,910	3,210
Non-compete agreement	5.8-6.25	6,640	16,880	10,020	6,311	—
Agency agreement	5.8-6.25	880	480	440	890	590
System and software	5.0-10.0	—	—	—	—	5,740
Total		<u>20,880</u>	<u>17,850</u>	<u>12,760</u>	<u>12,111</u>	<u>17,680</u>

The following unaudited pro forma information summarizes the effect of the acquisition, as if the acquisition had occurred as of January 1, 2009 and January 1, 2010. This unaudited pro forma information is presented for information purposes only. It is based on historical information and does not purport to represent the actual results that may have occurred had the Group consummated the acquisitions on January 1, 2009 and January 1, 2010, nor is it necessarily indicative of future results of operations of the consolidated enterprises:

Acquisition of Fanlian

	<b>Year ended December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Pro forma net revenues	1,180,577	1,485,029
Pro forma income from operations	322,981	431,616
Pro forma net income	299,775	422,309
Pro forma net income per share	0.3285	0.4408

CNINSURE INC.

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Acquisition of Mintai

	Year ended December 31,	
	2009	2010
	RMB (unaudited)	RMB (unaudited)
Pro forma net revenues	1,154,934	1,485,639
Pro forma income from operations	322,948	430,649
Pro forma net income	299,494	421,817
Pro forma net income per share	0.3282	0.4403

Acquisition of Baolian

	Year ended December 31,	
	2009	2010
	RMB (unaudited)	RMB (unaudited)
Pro forma net revenues	1,157,672	1,486,220
Pro forma income from operations	323,474	430,684
Pro forma net income	299,474	421,714
Pro forma net income per share	0.3282	0.4402

Acquisition of Fangda

	Year ended December 31,	
	2009	2010
	RMB (unaudited)	RMB (unaudited)
Pro forma net revenues	1,158,969	1,492,002
Pro forma income from operations	323,819	430,148
Pro forma net income	299,661	421,738
Pro forma net income per share	0.3284	0.4402

Acquisition of Inscom

	Year ended December 31,	
	2009	2010
	RMB (unaudited)	RMB (unaudited)
Pro forma net revenues	1,169,207	1,490,068
Pro forma income from operations	328,576	426,688
Pro forma net income	304,225	415,734
Pro forma net income per share	0.3334	0.4339

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On December 31, 2009, the Group entered into an agreement to acquire 100% equity interest in Litian Zuoyue Software (Beijing) Co., Limited ("Litian") for a total cash consideration RMB0.002. Litian is a company qualified as software company and exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The estimated fair value of liabilities acquired assumed at the date of acquisition amounted to RMB9,007 and intangible assets of RMB9,007 was recorded. Such acquisition was completed on January 1, 2010 and accounted as acquisition of assets.

**Acquisitions in 2009****(a) Claims Adjusting segment**

On June 1, 2009, the Group entered into an agreement to acquire 100% equity interest in Shenzhen Fanhua Property and Casualty Insurance Surveyors & Loss Adjustors Co., Ltd. (formerly known as Shenzhen Hongzhengda Insurance Surveyors & Loss Adjustors Co., Ltd.) ("Hongzhengda") for a total purchase consideration RMB30,000, through a VIE, Fanhua Surveyors & Loss Adjustors Co., Ltd, in which 51% equity interest was held by the Company. Hongzhengda is a company specializing in the provision of claims adjusting services related to non-automobile property and casualty insurance.

The following table summarizes the estimated fair value for major classes of assets acquired and liabilities assumed at the date of acquisition.

	<b>RMB</b>
Net tangible assets acquired	3,597
Intangible assets	11,290
Goodwill	16,940
Deferred tax liability	(1,827)
Total consideration	<u>30,000</u>

The excess of purchase price over tangible assets and identifiable intangible assets acquired and liabilities assumed was recorded as goodwill.

The acquired intangible assets were composed of the following:

	<b>Useful life (Years)</b>	<b>Fair value acquired RMB</b>
Brand name	Indefinite	3,980
Customer relationship	5.6	5,910
Non-compete agreement	3.0	410
Agency agreement	5.6	990
Total		<u>11,290</u>

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The following unaudited pro forma information summarizes the effect of the acquisition, as if the acquisition had occurred as of January 1, 2008 and January 1, 2009. This unaudited pro forma information is presented for information purposes only. It is based on historical information and does not purport to represent the actual results that may have occurred had the Group consummated the acquisitions on January 1, 2008 and January 1, 2009, nor is it necessarily indicative of future results of operations of the consolidated enterprises:

	<b>Year ended December 31,</b>	
	<b>2008</b>	<b>2009</b>
	<b>RMB</b> <b>(unaudited)</b>	<b>RMB</b> <b>(unaudited)</b>
Pro forma net revenues	869,361	1,161,248
Pro forma income from operations	210,580	325,572
Pro forma net income	192,691	300,132
Pro forma net income per share	0.2112	0.3289

***(b) P&C segment***

On March 31, 2009, the Group entered into agreements to acquire an additional 41% equity interest in Hangzhou Fanhua Zhixin Insurance Agency Co., Ltd. ("Zhixin") bringing its shareholdings from 10% to 51% and an additional 46% equity interest in Henan Fnhua Anlian Insurance Agency Co., Ltd. (formerly known as Zhengzhou Fanhua Anlian Insurance Agency Co., Ltd.) ("Anlian") bringing its shareholdings from 5% to 51%.

The Group paid cash consideration totaling RMB2,000 on acquisition date and shall pay up to RMB99,000 and RMB39,000 additional considerations in cash to the former shareholders of Zhixin and Anlian, respectively, contingent on Zhixin and Anlian meeting certain earnings targets on or prior to December 31, 2011.

	<b>Zhixin</b>	<b>Anlian</b>
	<b>RMB</b>	<b>RMB</b>
Cash consideration on acquisition date	1,000	1,000
Fair value of previously held equity interest	16,250	2,730
Fair value of noncontrolling interests	79,600	26,720
Contingent consideration payables at fair value on acquisition date	85,500	31,580
<b>Total consideration</b>	<b>182,350</b>	<b>62,030</b>

The Group recognized investment income of RMB18,905 representing gains from re-measuring the 10% and 5% equity interests formerly held by the Company in Zhixin and Anlian at fair values on April 1, 2009.

The recorded purchase price for all acquisitions consummated after January 1, 2009 will include an estimation of the fair value of liabilities associated with any potential earn-out provisions. Subsequent changes in the fair value of earn-out obligations will be recorded in the consolidated statement of income when incurred. The change to the fair value of earn-out obligations recorded in net income for the year ended December 31, 2009 was RMB5,946.

On August 30, 2009, the Group entered into supplemental agreements with the selling shareholders of Anlian and Zhixin agreeing to fully settle the contingent consideration payables at carrying amounts as of June 30, 2009 of RMB90,000 and RMB33,000, respectively, before the earn-out obligations are met. In addition, pursuant to the supplemental agreements August 30, 2009, the selling shareholder of Anlian has agreed to return up to RMB8,000 to the Group if performance criteria for years 2010 and 2011 cannot be met and the selling shareholder of Zhixin has agreed to return up to RMB23,000 to the Group if performance criteria for years 2009, 2010 and 2011 cannot be met.

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The following table summarizes the estimated fair value for major classes of assets acquired and liabilities assumed at the date of acquisition.

	<b>Zhixin</b>	<b>Anlian</b>
	<b>RMB</b>	<b>RMB</b>
Net tangible assets (liabilities) acquired	(394)	268
Intangible assets	18,090	8,240
Goodwill	168,953	55,524
Deferred tax assets	223	58
Deferred tax liability	(4,522)	(2,060)
Total	<u>182,350</u>	<u>62,030</u>

The excess of purchase price over tangible assets and identifiable intangible assets acquired and liabilities assumed was recorded as goodwill.

The acquired intangible assets were composed of the following:

	<b>Useful life</b>	<b>Fair value acquired</b>	
	<b>(Years)</b>	<b>RMB</b>	
		<b>Zhixin</b>	<b>Anlian</b>
Customer relationship	5.8	720	1,010
Non-compete agreement	5.8	16,590	6,810
Agency agreement	5.8	780	420
Total		<u>18,090</u>	<u>8,240</u>

The following unaudited pro forma information summarizes the effect of the acquisition, as if the acquisition had occurred as of January 1, 2008 and January 1, 2009. This unaudited pro forma information is presented for information purposes only. It is based on historical information and does not purport to represent the actual results that may have occurred had the Group consummated the acquisitions on January 1, 2008 and January 1, 2009, nor is it necessarily indicative of future results of operations of the consolidated enterprises:

	<b>Year ended December 31,</b>	
	<b>2008</b>	<b>2009</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Pro forma net revenues	844,265	1,157,538
Pro forma income from operations	204,209	324,987
Pro forma net income	187,279	299,916
Pro forma net income per share	0.2052	0.3287

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**(4) Other Receivables**

Other receivables, net are analyzed as follows:

	<b>As of December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>
Advances to staff (i)	6,142	9,046
Advances to entrepreneurial agents (ii)	15,919	9,897
Insurance claim receivables	86	65
Rental deposits	5,428	6,147
Interest income receivables (iii)	18,778	13,673
Advances to third parties (iv)	—	21,294
Others	5,755	6,912
	<u>52,108</u>	<u>67,034</u>

- (i) This represented advances to staff of the Group for daily business operations which are unsecured, interest-free and repayable on demand.
- (ii) This represented advances to entrepreneurial agents who provide services to the Group. The advances are used by entrepreneurial individual sales agents to build business. The advances were unsecured, interest-free and repayable on demand.
- (iii) This represented accrued interest income on bank deposits.
- (iv) This mainly represented advance consideration payment made for the acquisition of Henan Zhongrui Insurance Agency Co., Ltd. ("Zhongrui") amounting to RMB18,000. On June 30, 2010, the Group entered into agreement to acquire an additional 45% equity interest in Zhongrui for RMB18,000, bringing the Group's shareholdings in Zhongrui from 10% to 55%. As at December 31, 2010 the acquisition of Zhongrui has not been completed and the acquisition has been subsequently terminated with the refund received on March 25, 2011.

**(5) Property, Plant and Equipment**

Property, plant and equipment, net, is comprised of the following:

	<b>As of December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>
Office equipment, furniture and fixtures	95,456	97,028
Motor vehicles	40,639	47,030
Leasehold improvements	6,961	9,548
Total	143,056	153,606
Less: Accumulated depreciation	(34,738)	(51,431)
Property, plant and equipment, net	<u>108,318</u>	<u>102,175</u>

No impairment for property, plant and equipment was recorded for the years ended December 31, 2008, 2009 and 2010.

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**(6) Goodwill**

The movements in carrying amount of goodwill by reportable segments are as follows:

	<b>P&amp;C segment</b>	<b>Life segment</b>	<b>Claims Adjusting segment</b>	<b>Datong segment</b>	<b>Total</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Balance as of January 1, 2009	—	10,362	21,137	6,389	37,888
Addition for acquisitions	224,477	—	16,940	—	241,417
Addition for contingent considerations	210,068	6,538	—	40,000	256,606
Balance as of December 31, 2009	434,545	16,900	38,077	46,389	535,911
Addition for acquisitions	548,462	—	—	—	548,462
Addition for contingent considerations	—	—	—	70,000	70,000
Balance as of December 31, 2010	983,007	16,900	38,077	116,389	1,154,373

The Group performed the annual impairment analysis as at balance sheet date. The first step of goodwill impairment test for each of its reporting units did not identify any impairment loss. Therefore, no impairment loss was recorded for the years ended December 31, 2008, 2009 and 2010.

**(7) Investment in Affiliates**

As of December 31, 2010, investments in affiliates represent (i) 40% (2009: 40%) equity interest in Shanghai Teamhead Automobile Surveyors Co. Ltd. ("Teamhead Automobile") which is a PRC registered company that provides insurance surveyor & loss adjusters services and (ii) 18.16% (2009: 20.58%) equity interest in Sincere Fame International Limited ("Sincere Fame") which is a BVI company that provides consumer credit brokerage services based in Guangzhou, PRC. Equity interest 20.58% in Sincere Fame was acquired at a cash consideration of RMB85,500 on October 31, 2009. In January 2010, Sincere Fame issued new ordinary shares to a new shareholder, as a result, the equity interest of the Group in Sincere Fame was diluted to 18.16% from 20.58%. In July 2010, Sincere Fame subsequently further issue new ordinary shares and the Group subscribed 18.16% of these newly issued shares at a cash consideration of RMB39,511 to maintain its shareholding in Sincere Fame at 18.16%.

During the year, the Group recognized share of income of affiliates with regard to Teamhead Automobile and Sincere Fame totaling RMB12,904.

Investment as of December 31, 2009 and 2010 were as follows:

	<b>As of December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>
Teamhead Automobile	489	266
Sincere Fame	86,212	138,850
Total	86,701	139,116

**(8) Variable Interest Entities**

Applicable PRC laws and regulations prohibit foreign investment in and ownership of insurance agencies and brokerages. As a Cayman Islands corporation, the Company is deemed a foreign legal person under PRC laws.

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To comply with these foreign ownership restrictions, the Company conducts its operations in the PRC principally through contractual arrangements among its PRC subsidiaries, Sichuan Yihe Investment Co., Ltd. (“Yihe Investment”), Guangdong Meidiya Investment Co., Ltd. (“Meidiya Investment”) and Shenzhen Xinbao Investment Management Co., Ltd. (“Xinbao Investment”) (collectively referred as the “Three PRC Affiliated Entities”) and the equity holders of the Three PRC Affiliated Entities, who are PRC nationals. To provide the Company effective control over the Three PRC Affiliated Entities, and the ability to receive substantially all of the economic benefits of the Three PRC Affiliated Entities and their subsidiaries, a series of contractual arrangements were entered amongst Fanhua Xinlian Information Technology Consulting (Shenzhen) Co., Ltd. (“Xinlian Information”), Fanhua Zhonglian Enterprise Image Planning (Shenzhen) Co., Ltd. (“Zhonglian Enterprise”), Litian and Ying Si Kang Information Technology (Shenzhen) Co., Ltd. (“Ying Si Kang Information”), which are PRC subsidiaries of the Company, and Yihe Investment, Meidiya Investment and Xinbao Investment and their direct equity holders.

**Agreements that transfer economic benefits to Xinlian Information, Zhonglian Enterprise and Litian***IT platform related service, consulting service and trademark licensing agreements*

Pursuant to IT platform service, consulting service and trademark licensing agreements entered into between our PRC subsidiary Litian, Xinlian Information and Zhonglian Enterprise and most of the insurance intermediary subsidiaries of the Three PRC Affiliated Entities, Litian, Xinlian Information and Zhonglian Enterprise agreed to provide IT platform related service, consulting service and trademark licensing to most of the insurance intermediaries in exchange for fees payable quarterly calculated as a percentage of revenues of each insurance intermediary.

**Agreements that provide Company the option to purchase the equity interests in the Three PRC Affiliated Entities***Exclusive Purchase Option Agreements*

Pursuant to the exclusive purchase right agreements, Xinlian Information and Ying Si Kang Information may purchase the entire equity interests in, or all the assets of the Three PRC Affiliated Entities, for a purchase price equal to the amount of the individual shareholder's actual capital contribution to the Three PRC Affiliated Entities or the minimum price permitted by PRC laws, if and when PRC laws are amended to permit such a transaction.

**Agreements that provide Company effective control over the Three PRC Affiliated Entities***Loan Agreements*

Each of original equity holders of Meidiya Investment and Yihe Investment entered into loan agreements with Xinlian Information, evidencing a zero interest loan granted to them, equal to their respective capital contributions to Meidiya Investment and Yihe Investment. In the event that the loan is not renewed, then upon the expiration of its term and subject to then applicable PRC laws, the loan can be repaid only with the proceeds from the transfer of the individual shareholder's equity interests in Meidiya Investment and Yihe Investment to Xinlian Information or another person designated by Xinlian Information. In addition, the loan agreement contains a number of covenants that restrict the actions the individual shareholder can take or cause Meidiya Investment to take, or that require the individual shareholder to take or cause Meidiya Investment to take specific actions. Subsequently, the original equity holders of Meidiya Investment and Yihe Investment entered into a credit and liability transfer agreement with the current individual shareholders of Meidiya Investment and Yihe Investment to transfer all of their rights and obligations under the loan agreements to their current individual shareholders.

Each of the individual shareholders of Xinbao Investment entered into a loan agreement with our subsidiary Ying Si Kang Information, evidencing a zero interest loan granted to them, equal to their respective capital contributions to Xinbao Investment. The terms of the loan agreement are substantially similar to those in the loan agreements described above.

*Equity Pledge Agreement*

Pursuant to the equity pledge agreements between (1) Yihe Investment, Xinlian Information and the equity holders of Yihe Investment; (2) Meidiya Investment, Xinlian Information and the equity holders of Meidiya Investment; and (3) Xinbao Investment, Ying Si Kang Information and the equity holders of Xinbao Investment, the equity holders of the Three PRC Affiliated Entities have pledged their equity interest in the Three PRC Affiliated Entities to Xinlian Information and Ying Si Kang Information secure his obligations under the loan agreement between (1) Yihe Investment and Xinlian Information; (2) Meidiya Investment and Xinlian Information; and (3) Xinbao Investment and Ying Si Kang Information. During the term of the equity pledge agreement, Xinlian Information and Ying Si Kang Information are entitled to all the dividends declared on the pledged equity interests.

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*Power of attorney*

Pursuant to the power of attorney, the nominee equity holders of the Three PRC Affiliated Entities each executed an irrevocable power of attorney appointing a person designated by Xinlian Information or Ying Si Kang Information as their attorney-in-fact to vote on their behalf on all matters of the Three PRC Affiliated Entities requiring equity holder approval under PRC laws and regulations and the articles of association of the Three PRC Affiliated Entities. If Xinlian Information or Ying Si Kang Information designate the individual shareholders of the three PRC Affiliated Entities to attend a shareholder's meeting of the three PRC Affiliated Entities, the individual shareholder agrees to vote his shares as instructed by Xinlian Information or Ying Si Kang information.

The Articles of Association of the Three PRC Affiliated Entities state that the major rights of the equity holders include the power to review and approve annual budget, operating strategy and investment plan, elect the members of board of directors and approve their compensation plan. Therefore, through the irrevocable power of attorney arrangement, Xinlian Information and Ying Si Kang Information have the ability to exercise effective control over the Three PRC Affiliated Entities through equity holder votes and, through such votes, to also control the composition of the board of directors. In addition, the senior management teams of the Three PRC Affiliated Entities are the same as that of Xinlian Information and Ying Si Kang Information.

These contractual arrangements allow the Group to effectively control the Three PRC Affiliated Entities and their subsidiaries and to derive substantially all of the economic benefits from them. Accordingly, the Group treats the Three PRC Affiliated Entities as VIEs and because the Group is the primary beneficiary of the Three PRC Affiliated Entities, the Group has consolidated the financial results of the Three PRC Affiliated Entities and their subsidiaries.

However, there are certain risks related to the VIEs arrangements, which include but are not limited to the following:

- If the ownership structure and contractual arrangements are found to be in violation of any existing or future PRC laws or regulations, the Group could be subject to severe penalties;
- The Group rely on contractual arrangements with the VIEs and its equity holders for substantially all of its China operations, which may not be as effective as direct ownership in providing operational control; and
- The Group may have to incur significant cost to enforce, or may not be able to effectively enforce, the contractual arrangements with the VIEs and their equity holders in the event of a breach or non-compliance by the VIEs or their equity holders.

In June 2009, the FASB issued an authoritative pronouncement to amend the accounting rules for VIEs. The amendments effectively replace the quantitative-based risks-and-rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has (1) the power to direct the activities of a variable interest entity that most significantly affect the entity's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. The new guidance also requires additional disclosures about a reporting entity's involvement with variable interest entities and about any significant changes in risk exposure as a result of that involvement. The Company adopted the new guidance for the year ended December 31, 2010.

The Company, through the contractual arrangements, has (1) the power to direct the activities of the VIEs that most significantly affect the VIEs' economic performance and (2) the right to receive benefits from the VIEs. The Company will continue to consolidate the VIEs upon the adoption of the new guidance which therefore, other than for additional disclosures, has no accounting impact.

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The VIEs are principally engaged in the provision of insurance brokerage, agency and claims adjusting services in the PRC.

The financial information of the Company's VIEs and VIEs' subsidiaries as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010 is as follows

	<b>As of December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>
Total assets	1,249,737	1,644,806
Total liabilities	896,406	992,668

	<b>Year Ended December 31,</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Net Revenues	709,536	1,062,019	1,379,040
Net Income	23,850	56,825	68,571
Net cash provided by operating activities	3,897	(7,704)	8,688
Net cash used in investing activities	(36,857)	(346,255)	(192,449)
Net cash provided by financing activities	19,577	387,749	287,846

**(9) Other Payables and Accrued Expenses**

Components of other payables and accrued expenses are as follows:

	<b>As of December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>
Consideration payables on acquisition of subsidiaries	85,380	—
Business and other tax payable	17,897	34,085
Refundable deposits from employees and agents	13,354	15,177
Audit fee	11,085	10,177
Advances from third parties	20,643	11,517
Payables for addition of office equipment, furniture and fixtures	12,593	9,799
Other professional fees	5,431	2,423
Insurance compensation claim payable to customers	3,575	2,307
Others	12,181	7,975
Total	182,139	93,460

Other payables and accrued expenses are unsecured, interest-free and repayable on demand.

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**(10) Employee Benefit Plans**

Employees of the Group located in the PRC are covered by the retirement schemes defined by local practice and regulations, which are essentially defined contribution plans. The calculation of contributions for these eligible employees is based on 10% to 22% of the applicable payroll cost according to the specific requirement of the local regime government.

In addition, the Group is required by law to contribute certain percentage of applicable salaries for medical insurance benefits, unemployment and other statutory benefit. The contribution percentage may different from district to district which is subject to the specific requirement of local regime government. The PRC government is directly responsible for the payments of the benefits to these employees.

For the years ended December 31, 2008, 2009 and 2010, the Group contributed RMB5,890, RMB16,834 and RMB24,871 respectively, to these plans.

**(11) Income Taxes**

The Company is a tax exempted company incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, the Company is not subject to tax on their income or capital gains. In addition, upon any payments of dividends by the Group to its shareholders, no Cayman Islands withholding tax is imposed.

The Group's subsidiaries and VIEs incorporated in PRC are subject to Income Tax in the PRC.

On March 16, 2007, the PRC promulgated New Enterprise Income Tax Law (the "New Income Tax Law"). The New Taxation Law which becomes effective from January 1, 2008. Under the New Taxation Law, all enterprises (both domestic enterprises and FIEs) have one unified income tax rate of 25%. On December 6, 2007, the State Council of the PRC issued Implementation Regulations on the New Taxation Law. The New Taxation Law and Implementation Regulations have changed the tax rate from 15% to 18%, 20%, 22%, 24% and 25% for the years ending December 31, 2008, 2009, 2010, 2011, 2012 respectively for Shenzhen PRC subsidiaries. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply.

Pursuant to the relevant laws and regulations in the PRC, Litian, a subsidiary of the Group is qualified as a software company and thus is exempted from PRC Income Tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. Year 2010 is the first profit-making year and no provision for PRC income tax has been made in the consolidated financial statement.

The Group has adopted the provisions of ASC subtopic 740-10 ("ASC 740-10"), *Income taxes: Overall (Pre-Codification: FIN 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109)*, on January 1, 2007. ASC 740-10 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognizing, measurement classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of December 31, 2010, the Group's liabilities for unrecognized tax benefits totaled RMB5,519 (2009: RMB2,537) and were included in other tax liabilities. The total liabilities for unrecognized tax benefits and increase for the current period of these liabilities relate primarily to the allocations of revenue and costs among its operations.

The movements of unrecognized tax benefits are as follows:

	RMB
Balance as of January 1, 2008	1,160
Gross increase in prior-period tax positions	711
Balance as of December 31, 2008	1,871
Gross increase in prior-period tax positions	666
Balance as of December 31, 2009	2,537
Gross increase in prior-period tax positions	2,982
Balance as of December 31, 2010	5,519

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The Group is subject to taxation in the PRC. The uncertain tax positions are related to tax years that remain subject to examination by the relevant taxable authorities. Based on the outcome of any future examinations, or as a result of the expiration of statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized tax benefits for tax positions taken regarding previously filed tax returns, might materially change from those recorded as liabilities for uncertain tax positions in the Group's consolidated financial statements as of December 31, 2010. In addition, the outcome of these examinations may impact the valuation of certain deferred tax assets (such as net operating losses) in future periods. However, based on the current lack of any examinations in progress, and the protocol of finalizing audits by the relevant tax authorities, it is not possible to estimate the impact of any amount of such changes, if any, to previously recorded uncertain tax positions. The Group's policy is that it recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company does not anticipate any significant increases or decreases to its liability for unrecognized tax benefit within the next twelve months.

For PRC, tax years 2005 through 2010 still remain subject to examination by the PRC tax authorities.

Income tax expenses are comprised of the following:

	<b>Year Ended December 31,</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Current tax expense	(65,901)	(92,117)	(95,229)
Deferred tax income (expense)	3,463	(3,501)	(1,514)
Income tax expense	<u>(62,438)</u>	<u>(95,618)</u>	<u>(96,743)</u>

The principal components of the deferred income tax assets and liabilities are as follows:

	<b>As of December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>
<b>Current deferred tax assets:</b>		
Operating loss carry forward	2,602	5,691
Less: valuation allowances	—	—
Current deferred tax asset, net	<u>2,602</u>	<u>5,691</u>
<b>Non-current deferred tax assets:</b>		
Operating loss carry forward	5,063	5,730
Others	2,115	2,592
Less: valuation allowances	(3,377)	(1,567)
Non-current deferred tax asset, net	<u>3,801</u>	<u>6,755</u>
Total	<u>6,403</u>	<u>12,446</u>
<b>Deferred tax liabilities:</b>		
Intangible assets, net	<u>(19,075)</u>	<u>(43,513)</u>

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Due to the uncertainty of the level of PRC subsidiaries or VIEs' taxable income and the lack of operating history in the VIEs, management does not believe certain subsidiaries or VIEs will generate sufficient taxable income such that it is more likely than not that the deferred tax assets will not be realized. As such, a valuation allowance has been established for these deferred tax assets as of December 31, 2009 and 2010. The Group had totally operating loss carry forwards of RMB44,381 and RMB56,645 for the years ended December 31, 2009 and 2010, respectively. Such operating loss carry forwards expire five years after the Group incurs the loss unless utilized.

Reconciliation between the provision for income taxes computed by applying the PRC enterprise income rate of 25% to net income before income taxes and income of affiliates, and the actual provision for income taxes is as follows:

	<b>Year Ended December 31,</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Net income before income taxes and income of affiliates	258,169	373,858	500,169
PRC statutory tax rate	25%	25%	25%
Income tax at statutory tax rate	64,542	93,464	125,042
Expenses not deductible for tax purposes:			
Entertainment	355	475	840
Salaries and employee's benefits	118	—	—
Others	—	471	1,130
Tax exemption and tax relief:			
Income tax at preferential tax rate of 18%, 20% and 22% for 2008, 2009 and 2010	(15,111)	(15,541)	(8,023)
Impact of lower tax rates in other jurisdictions	12,530	14,561	9,007
Tax holidays	—	—	(31,783)
Change in valuation allowance	(279)	1,253	(1,810)
Others	283	935	2,340
Income tax expense	<u>62,438</u>	<u>95,618</u>	<u>96,743</u>

Additional PRC income taxes that would have been payable without the tax exemption amounted to approximately RMB29,407 for the year ended December 31, 2010. Basic and diluted net income per share for the year ended December 31, 2010 would have been decreased to RMB0.0307 and RMB0.0297, respectively. There is no tax exemption for the year ended December 31, 2008 and 2009.

Under the New Income Tax law, enterprises are classified as either resident or non-resident. A resident enterprise refers to one that is incorporated under the PRC law or under the law of a jurisdiction outside the PRC with its "de facto management organization" located within the PRC. Non-resident enterprise refers to one that is incorporated under the law of a jurisdiction outside the PRC with its "de facto management organization" located also outside of the PRC, but which has either set up institutions or establishments in the PRC or has income originating from the PRC without setting up any institution or establishment in the PRC. Under the New Enterprise Income Tax ("EIT") Implementation Regulation, "de facto management organization" is defined as the organization of an enterprise through which substantial and comprehensive management and control over the business, operations, personnel, accounting and properties of the enterprise are exercised. Under the New Income Tax Law and the New EIT Implementation Regulation, a resident enterprise's global net income will be subject to a 25% EIT rate. The Group does not believe that its legal entities organized outside of China should be treated as residents for New Income Tax law purposes. Even if one or more of its legal entities organized outside of China were characterized as China tax residents, none of them had profit; therefore, no significant impact would be expected on the net current tax payable balance and the net deferred tax balance.

If the entity were to be non-resident for PRC tax purpose, dividends paid to it out of profits earned after January 1, 2009 would be subject to a withholding tax. In the case of dividends paid by PRC subsidiaries the withholding tax would be 10% and in the case of a subsidiary 25% or more directly owned by residents in the Hong Kong SAR, the withholding tax would be 5%.

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Aggregate undistributed earnings of the Group's subsidiaries and VIEs in the PRC that are available for distribution to the Group of approximately RMB1,068,764 as of December 31, 2010 are considered to be indefinitely reinvested under ASC No.740-30, *Accounting for Income Taxes — Special Areas*, and accordingly, no provision for has been made for the Chinese dividend withholding taxes that would be payable upon the distribution of those amounts to the Group. If those earnings were to be distributed or they were determined to be no longer permanently reinvested, the Group would have to record a deferred income tax liability in respect of those undistributed earnings of approximately RMB106,876.

Under applicable accounting principles, a deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting over tax basis, 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 Group has not recorded any such deferred tax liability attributable to the undistributed earnings of its financial interest in VIE affiliates because the Group believes such excess earnings can be distributed in a manner that would not be subject to tax.

**(12) Capital Structure**

On July 13, 2007, the Company approved to issue 34,210,526 ordinary shares upon exercise of options by the Group's executives.

On July 31, 2007, the Company issued shares to the shareholders of CISG on the same date on a 10,000-to-1 share basis. All shares and per share data of the Company have been retrospectively restated in this consolidated financial statements to reflect the impact of the shares exchange.

On October 31, 2007, the Company issued 228,287,200 new shares to the public through IPO, representing 25% of total shares outstanding as of December 31, 2007.

On July 14, 2010, the Company issued 92,000,000 new shares to the public upon its following-on offering, represent 9.2% of total shares outstanding as of December 31, 2010.

On December 3, 2010, the Company's board of directors approved a corporate share repurchase program authorizing up to US\$100,000 in ADS repurchases by June 30, 2011. As of December 31, 2010, the Company had repurchased 331,059 ADS (equal to 6,621,180 ordinary shares), representing 0.66% of the total shares outstanding as December 31, 2010, for an aggregate price of approximately US\$5,604 on the open market.

During year of 2010, the Company issued 5,100,780 new shares for the exercise of options, representing 0.51% of the total shares outstanding as of December 31, 2010.

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**(13) Net Income per Share**

The computation of basic and diluted net income per ordinary share is as follows:

	Year Ended December 31,		
	2008	2009	2010
	RMB	RMB	RMB
<i>Basic:</i>			
Net income attributable to the Company's shareholders	191,737	300,841	422,308
Weighted average number of ordinary shares outstanding	912,497,726	912,497,726	958,029,717
Basic net income per ordinary share	0.2101	0.3297	0.4408
Basic net income per ADS	4.2025	6.5938	8.8162
<i>Diluted:</i>			
Net income attributable to the Company's shareholders	191,737	300,841	422,308
Weighted average number of ordinary shares outstanding	912,497,726	912,497,726	958,029,717
Share options	4,837,664	15,814,586	32,288,811
Total	917,335,390	928,312,312	990,318,528
Diluted net income per ordinary share	0.2090	0.3241	0.4264
Diluted net income per ADS	4.1803	6.4815	8.5288

Certain share options issued during 2007 have been cancelled in 2008 and 2009. For details of the options scheme issued, please refer to note 19 to the financial statements.

**(14) Distribution of Profits**

As stipulated by the relevant PRC laws and regulations applicable to China's foreign investment enterprise, the Group's subsidiaries and VIEs in the PRC are required to maintain non-distributable reserves which include a statutory surplus reserve as of December 31, 2010. Appropriations to the statutory surplus reserve are required to be made at not less than 10% of individual company's net profit as reported in the PRC statutory statements of the Company's subsidiaries and VIEs. The appropriations to statutory surplus reserve are required until the balance reaches 50% of the registered capital of respective subsidiaries and VIEs.

The statutory surplus reserve is used to offset future losses. These reserves represent appropriations of retained earnings determined according to PRC law and may not be distributed. There are no appropriations to reserves by the Company other than the Group's subsidiaries and VIEs in the PRC during any of the periods presented. Amounts contributed to the statutory reserves were RMB103,877 and RMB136,681 as of December 31, 2009 and 2010, respectively.

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**(15) Related Party Balances and Transactions**

The principal related party balances and transactions as of and for the years ended December 31, 2009 and 2010 are as follows:

a) Amounts due from related parties:

	As of December 31,	
	2009	2010
	RMB	RMB
Amount due from an affiliate (i)	500	20,000
Amounts due from directors/officers (i)	3,637	—
Amounts due from noncontrolling shareholders (ii)	21,200	20,000
Total	25,337	40,000

b) Amounts due to related parties:

	As of December 31,	
	2009	2010
	RMB	RMB
Amount due to an affiliate (i)	17,231	—
Amount due to a shareholder (i)	325	—
Amounts due to noncontrolling shareholders (iii)	1,718	37,800
Total	19,274	37,800

- (i) The amount due from/to an affiliate, amounts due from directors/officers and amount due to a shareholder were unsecured, interest-free and repayable on demand. As of December 31, 2010, amount due from an affiliate represents RMB20,000 receivable from a subsidiary of Sincere Fame. This amount was subsequently settled on January 4, 2011.
- (ii) Amounts due from noncontrolling interests were unsecured, interest free and repayable on demand. The amounts represented RMB20,000 receivable from Mr. Keping Lin ("Mr. Lin") who committed to inject to Datong as working capital unilaterally within two years on the completion of selling Beijing Fanhua Datong Investment Management Co., Ltd. ("Datong Investment") to the Group. Such commitment has been cancelled subsequent to year ended December 31, 2010 on selling of Datong Investment on March 25, 2011.
- (iii) As of December 31, 2010, included in amount due to noncontrolling shareholders was RMB30,000 payable to Mr. Lin, the selling shareholder of Datong Investment as Datong Investment met the year 2010 performance target. Such contingent consideration payable has been subsequently settled in 2011. The amount was unsecured, interest-free and repayable demand.

c) A subsidiary of the Company paid service charges of RMB807 and Nil to an affiliate for the year ended December 31, 2009 and 2010, respectively.

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**(16) Commitments and Contingencies**

The Group has several non-cancelable operating leases, primarily for office rent.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum operating lease payments as of December 31, 2010 are:

	<b>Minimum Lease Payment</b>
	<b>RMB</b>
Year ending December 31:	
2011	21,251
2012	8,747
2013	5,586
2014	482
2015	72
<b>Total</b>	<b>36,138</b>

Rental expenses incurred under operating leases for the years ended December 31, 2008, 2009 and 2010 amounted to RMB12,864, RMB25,622 and RMB30,340, respectively.

As of December 31, 2009 and 2010, the Group had a commitment of RMB1,152 and RMB365, respectively, in connection with acquisition of office equipment that would be due in the following year.

The Group entered into various acquisition agreements which contain certain purchase considerations that are contingent upon future performance of the acquired companies. Please refer to Note 3 for more details.

**(17) Concentrations of Credit Risk**

***Concentration risks***

Details of the customers accounting for 10% or more of total net revenues from commissions and fees are as follows:

	<b>Year ended December 31,</b>					
	<b>2008</b>	<b>% of sales</b>	<b>2009</b>	<b>% of sales</b>	<b>2010</b>	<b>% of sales</b>
	<b>RMB</b>		<b>RMB</b>		<b>RMB</b>	
PICC Property and Casualty Company Limited ("PICC")	180,595	21%	225,847	20%	275,889	19%
China Pacific Property Insurance Co., Ltd ("CPIC")	165,879	20%	196,530	17%	202,404	14%
Aviva-Cofco Life Insurance Co., Ltd ("Aviva-Cofco")	*	*	*	*	192,670	13%
Ping An Property & Casualty Insurance Company of China, Ltd ("Ping An")	98,410	12%	140,057	12%	156,251	11%
	<b>444,884</b>	<b>53%</b>	<b>562,434</b>	<b>49%</b>	<b>827,214</b>	<b>57%</b>

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Details of the customers which accounted for 10% or more of accounts receivable are as follows:

	As of December 31,			
	2009	%	2010	%
	RMB		RMB	
Aviva-Cofco	26,176	14%	62,509	26%
PICC	46,539	25%	34,572	14%
Ping An	18,305	10%	*	*
CPIC	17,638	10%	*	*
	<u>108,658</u>	<u>59%</u>	<u>97,081</u>	<u>40%</u>

\* Less than 10%

The Group performs ongoing credit evaluations of its customers and generally does not require collateral on accounts receivable.

The Group places its cash and cash equivalents with financial institutions with high-credit ratings and quality.

Substantially all of the Group's revenues for the three years ended December 31, 2008, 2009 and 2010 were generated from the PRC. A substantial portion of the identifiable assets of the Group is located in the PRC. Accordingly, no geographical segments are presented.

**Currency risk**

Except for the proceeds from initial public offering and follow-on offering are in USD, substantially all of the revenue-generating operations of the Group are transacted in RMB, which is not fully convertible into foreign currencies. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted by the People's Bank of China. However, the unification of the exchange rate does not imply convertibility of RMB into USD or other foreign currencies. All foreign exchange transactions must take place either through the People's Bank of China or other institutions authorized to buy and sell foreign exchange or at a swap center. Approval of foreign currency payments by the People's Bank of China or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

**(18) Non-Cash Transactions**

The Group entered into the following non-cash investing activities:

	Year ended December 31,		
	2008	2009	2010
	RMB	RMB	RMB
Considerations payable in connection with acquisition of subsidiaries	11,406	85,380	30,000
Considerations payable in connection with acquisition of an affiliate	—	17,231	—
Payables for addition of office equipment, furniture and fixtures	4,652	12,593	9,799
Net assets acquired in connection with acquisitions of subsidiaries (Note 15 (ii))	20,000	—	—

# CNINSURE INC.

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### (19) Share-based Compensation

#### 2010 Options

On February 8, 2010, the Company granted 48,000,000 shares options (“2010 Options”) to its directors and employees to purchase ordinary share of the Company. 30% of the options are vested on March 31, 2011 (“Option E1”), 30% of the options on March 31, 2012 (“Option E2”), 20% of the options on March 31, 2013 (“Option E3”), and remaining 20% on March 31, 2014 (“Option E4”). The expiration date of the 2010 Options is March 31, 2016. The 2010 Options has an exercise price of US\$0.8395 (RMB5.7308) per ordinary share, equal to price per ordinary share quoted on Nasdaq Global Select Market at the date of the passing resolutions, as determined by using the Black-Scholes option pricing model. There is no intrinsic value of the option as of the date of grant. For the year ended December 31, 2010, share-based compensation expenses of RMB16,653 was recognized in connection with the 2010 Options.

The assumptions used in determining the fair value of the 2010 Options were as follows:

	Option E1	Option E2	Option E3	Option E4
Weight average assumptions — expected dividend yield	1.31%	1.31%	1.31%	1.31%
Risk-free interest rate	2.35%	2.61%	2.82%	3.06%
Expected life	3.64 years	4.14 years	4.64 years	5.14 years
Expected volatility	34.91%	33.7%	32.62%	31.82%

As of December 31, 2010, no 2010 Options had been exercised. The expected term was estimated by taking into consideration the expiration period and the vesting terms. Expected volatility was estimated based on daily stock prices of comparable companies for a period with length commensurate to expected term.

#### 2009 Options

On March 9, 2009, the Company granted 10,000,000 shares options (“2009 Options”) to its employees to purchase ordinary share of the Company. 30% of the options are vested on March 31, 2010 (“Option D1”), 30% of the options on March 31, 2011 (“Option D2”), 20% of the options on March 31, 2012 (“Option D3”), and remaining 20% on March 31, 2013 (“Option D4”). The expiration date of the 2009 Options is March 31, 2015. The 2009 Options has an exercise price of US\$0.336 (RMB2.2982) per ordinary share, equal to price per ordinary share quoted on Nasdaq Global Select Market at the date of the passing resolutions, as determined by using the Black-Scholes option pricing model. There is no intrinsic value of the option as of the date of grant. For the year ended December 31, 2009 and 2010, share-based compensation expenses of RMB1,497 and RMB1,479 was recognized in connection with the 2009 Options.

The assumptions used in determining the fair value of the 2009 Options were as follows:

	Option D1	Option D2	Option D3	Option D4
Weight average assumptions — expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	3.35%	3.51%	3.55%	3.61%
Expected life	3.56 years	4.06 years	4.56 years	5.06 years
Expected volatility	33.0%	31.9%	32.2%	31.2%

As of December 31, 2010, 772,500 shares of 2009 Options had been exercised. The expected term was estimated by taking into consideration the expiration period and the vesting terms. Expected volatility was estimated based on daily stock prices of comparable companies for a period with length commensurate to expected term.

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### 2008 Options

On November 21, 2008, the Company granted 32,000,000 share options to certain directors and employees of the Company ("2008 Options"). 30% of the options are vested on March 31, 2010 ("Option C1"), 30% of the options on March 31, 2011 ("Option C2"), 20% of the options on March 31, 2012 ("Option C3"), and remaining 20% on March 31, 2013 ("Option C4"). The expiration date of the 2008 Options is March 31, 2015. The 2008 Options has an exercise price of US\$0.278 (RMB1.8967), equal to the fair value of the Company's share price at the grant date, as determined by using the Black-Scholes option pricing model. There is no intrinsic value of the option as of the date of grant. For the years ended December 31, 2009 and 2010, share-based compensation expenses of RMB4,269 and RMB4,079 was recognized in connection with 2008 Options.

The assumptions used in determining the fair value of the 2008 Options were as follows:

	Option C1	Option C2	Option C3	Option C4
Weight average assumptions — expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	3.70%	3.71%	3.93%	4.07%
Expected life	3.86 years	4.36 years	4.86 years	5.36 years
Expected volatility	28.2%	28.9%	28.0%	27.6%

As of December 31, 2010, 2,328,280 shares in 2008 Options had been exercised. The expected term was estimated by taking into consideration the expiration period and the vesting terms. Expected volatility was estimated based on daily stock prices of comparable companies for a period with length commensurate to expected term.

### 2007 Options

#### (a) Option A

On February 3, 2007, CISG granted share options ("2007 Option A") to the Company's former Chief Financial Officer, Mr. David Tang to purchase 5,473,684 ordinary shares. The shares grant represents 0.8% of the issued share capital of CISG on a fully diluted basis upon full exercise of all outstanding options. The options vest over two-year period, with 40% of the options vest upon public listing of the Company and 30% on each of the first and second anniversary of his employment. The 2007 Option A has an exercise price of RMB2.3214 per ordinary share, equal to the fair value of CISG's share price at the grant date, as determined by using the Black-Scholes option pricing model. The management of the Company determined the value of the Company's share as of January 31, 2007, with the assistance of a third party valuation company. There is no intrinsic value of the option as of the date of grant.

The assumptions used in determining the fair value of the options were as follows:

Weighted average assumptions—expected dividend yield	0%
Risk-free interest rate	2.71%
Expected life	5.6 years
Expected volatility	28.5%

The expected term was estimated by taking into consideration the expiration period and the vesting terms. Expected volatility is estimated based on daily stock prices of comparable companies for a period with length commensurate to expected term.

On February 25, 2008, a resolution was passed to terminate the employment with Mr. David Tang. The effective day of the termination was April 1, 2008. An aggregate of 85% of options granted was vested to Mr. David Tang and immediately exercisable upon the termination of employment. All vested options to Mr. David Tang are deemed exercisable upon termination of employment and must be exercised prior to the valid date according the grant documents. If not exercised prior thereto, the vested options shall be expired and no longer be exercisable.

As of December 31, 2010, 2,000,000 shares in 2007 Option A had been exercised.

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**(b) Option B**

According to Board Resolution dated October 10, 2007, on October 31, 2007, the Company granted 42,000,000 share options ("2007 Option B") to its employees to purchase common shares of the Company. Exercise price is US\$0.8 per share. 40% of the options ("Option B1") are vested on March 31, 2009, 30% of the options ("Option B2") on March 31, 2010, and remaining 30% ("Option B3") on March 31, 2011. The expiration date of the options is March 31, 2014. The management of the Company determined the value of the Company's share as of October 30, 2007 to be equal to the IPO price, which result in no intrinsic value of the option as of the date of grant.

The assumptions used in determining the fair value of the options were as follows:

	<b>Option B1</b>	<b>Option B2</b>	<b>Option B3</b>
Weight average assumptions — expected dividend yield	0%	0%	0%
Risk-free interest rate	3.81%	3.89%	3.97%
Expected life	3.92 years	4.42 years	4.92 years
Expected volatility	23.07%	23.29%	24.20%

For the years ended December 31, 2009 and 2010, share-based compensation expenses of RMB1,787 and nil was recognized in connection with 2007 Option B, respectively.

In December 2008, 30,804,500 of 2007 Option B were cancelled and share-based compensation expenses amounting to RMB29,634, representing the remaining unamortized share-based compensation expenses for these options was recognized and included in the total share-based compensation in connection with 2007 Option B.

In June 2009, 2,360,600 of 2007 Option B were cancelled by cash settlement of RMB0.4 per share totaling RMB944 was charged in additional paid-in capital. In addition, share-based compensation expenses amounted to RMB1,510 representing the remaining unamortized share-based compensation expenses for these options was recognized and included in the total share-based compensation.

For the three years ended December 31, 2010, changes in the status of outstanding options were as follows:

	<b>No. of Shares underlying options granted</b>	<b>Weighted average exercise price in RMB</b>	<b>Aggregate Intrinsic Value RMB</b>
Balance as of December 31, 2008	39,492,631	2.2305	30,330
Granted on March 9, 2009	10,000,000	2.2982	
Exercised	—	—	
Cancelled	(2,360,600)	5.8437	
Forfeited	(565,400)	5.2703	
Balance as of December 31, 2009	46,566,631	2.0250	224,835
Granted on February 8, 2010	48,000,000	5.7308	
Exercised	(5,100,780)	2.1240	
Cancelled	—	—	
Forfeited	(1,446,410)	2.1513	
Balance as of December 31, 2010	88,019,441	4.0381	146,782
Exercisable as of December 31, 2010	11,853,681	2.0618	43,193

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As of December 31, 2010, there were totally 76,165,760 outstanding unvested options. As of December 31, 2009 and 2010, there was RMB19,581 and RMB71,680, respectively, of total unrecognized compensation cost related to non-vested share options granted in 2009 and 2010.

The following table summarizes information about the Company's share option plans for the years ended December 31, 2008, 2009 and 2010:

	<b>Year ended December 31,</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Weighted-average grant-date fair value of options granted	0.5790	0.7208	1.5770
Total intrinsic value of options exercised	—	—	32,465
Total fair value of share options vested	3,414	—	7,526

The following table summarizes information about the Company's stock option plans as of December 31, 2010:

	<b>Options outstanding</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted average exercise price in RMB</b>	<b>Options Exercisable</b>
2010 Options	48,000,000	4.25	5.7308	—
2009 Options	8,272,170	3.25	2.2982	2,068,770
2008 Options	29,094,640	3.26	1.8967	7,132,280
2007 Option A	2,652,631	6.0	2.3214	2,652,631
<b>Total</b>	<b>88,019,441</b>			<b>11,853,681</b>

**(20) Restricted Net Assets**

Relevant PRC statutory laws and regulations permit payments of dividends by the Group's PRC subsidiaries only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. As a result of these PRC laws and regulations, the Group's PRC subsidiaries are restricted in their ability to transfer a portion of their net assets either in the form of dividends, loans or advances. As of December 31, 2009 and 2010, the Company had restricted net assets of RMB1,233,052 and RMB1,490,552, respectively, which were not eligible to be distributed. These amounts were comprised of the registered capital of the Company's PRC subsidiaries and the statutory reserves disclosed in Note 14.

**(21) Segment Reporting**

The Group operates in four principal operating segments: P&C, Life, Claims Adjusting and Datong. Business segments are defined as components of an enterprise about which separate financial information is available and evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance.

The principle activities of the four reportable operating segments are as follows:

*1) P&C segment*

This segment provides brokerage and agency services of property and casualty insurance products.

**CNINSURE INC.**

**Notes to The Consolidated Financial Statements**  
*(In thousands, except for shares and per share data)*

*2) Life segment*

This segment mainly provides life insurance brokerage and agency services.

*3) Claims Adjusting segment*

This segment provides pre-underwriting survey, claim adjusting, disposal of residual value, loading and unloading supervision and consulting services.

*4) Datong segment*

Datong segment is engaged in providing life insurance brokerage and agency services. The Group considers Datong as a separate segment as the target customers is different from the life segment and its performance will be reviewed by management individually.

The following table shows our operations by business segment for the years ended December 31, 2008, 2009 and 2010. Other includes expenses not allocated to reportable segments and corporate related items.

	<b>Year ended December 31,</b>			
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
<b>Net revenues</b>				
P&C	599,353	783,220	821,259	124,433
Life	154,174	177,713	235,584	35,695
Claims Adjusting	89,012	140,670	177,094	26,832
Datong	1,423	53,248	251,092	38,044
<b>Total net revenues</b>	<b>843,962</b>	<b>1,154,851</b>	<b>1,485,029</b>	<b>225,004</b>
<b>Operating costs and expenses</b>				
P&C	(319,776)	(408,643)	(389,266)	(58,980)
Life	(127,634)	(158,804)	(194,612)	(29,487)
Claims Adjusting	(70,961)	(121,753)	(156,825)	(23,761)
Datong	(5,837)	(72,281)	(214,001)	(32,424)
Others	(109,954)	(67,174)	(98,710)	(14,956)
<b>Total operating costs and expenses</b>	<b>(634,162)</b>	<b>(828,655)</b>	<b>(1,053,414)</b>	<b>(159,608)</b>
<b>Income (loss) from operations</b>				
P&C	279,577	374,577	431,993	65,453
Life	26,540	18,909	40,972	6,208
Claims Adjusting	18,051	18,917	20,269	3,071
Datong	(4,414)	(19,033)	37,091	5,620
Others	(109,954)	(67,174)	(98,710)	(14,956)
<b>Total income from operations</b>	<b>209,800</b>	<b>326,196</b>	<b>431,615</b>	<b>65,396</b>

CNINSURE INC.

**Notes to The Consolidated Financial Statements**  
*(In thousands, except for shares and per share data)*

	As of December 31,		
	2009	2010	2010
	RMB	RMB	US\$
<b>Segment assets</b>			
P&C	956,836	1,876,999	284,394
Life	120,860	175,064	26,525
Claims Adjusting	174,425	175,777	26,633
Datong	169,507	282,799	42,848
Others	1,124,337	1,343,817	203,608
<b>Total assets</b>	<b>2,545,965</b>	<b>3,854,456</b>	<b>584,008</b>

**CNINSURE INC.**

**Notes to The Consolidated Financial Statements**  
***(In thousands, except for shares and per share data)***

**(22) Subsequent Events**

- (a) On March 25, 2011, the Company announced that it has reached definitive agreements to sell its 55% equity interest in Datong to an independent third party at a cash consideration of approximately US\$63,690. In addition, Datong agreed to pay a cash dividend of RMB10,000 exclusively to the Company. The transaction has been completed on March 25, 2011.
- (b) On February 15, 2011, the Company entered into an agreement to waive the selling shareholders of Fanlian, Mintai, Baolian and Fangda to transfer 5% interest in Fanlian, Mintai, Baolian and Fangda if these entities fails to meet performance target as described in note (3)(a).
- (c) On April 28, 2011, our board of directors approved the grant of options to purchase an aggregate of 28,400,000 ordinary shares to certain directors, officers and employees pursuant to the amended and restated 2007 Share Incentive Plan. The exercise price of these options is US\$0.734 per ordinary share equal to the closing price of ADS at grant date. These options will vest over a four-year period starting from March 31, 2012.

**CNINSURE INC.**

**SCHEDULE 1—CONDENSED FINANCIAL STATEMENTS OF THE COMPANY**

**Balance Sheets**  
*(In thousands, except for shares)*

	<b>As of December 31,</b>		
	<b>2009</b>	<b>2010</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
<b>ASSETS:</b>			
<b><i>Current assets:</i></b>			
Cash and cash equivalents	43,490	109,393	16,575
Other receivables	3,057	2,034	308
Amounts due from subsidiaries	1,011,289	1,539,092	233,196
<b>Total current assets</b>	<b>1,057,836</b>	<b>1,650,519</b>	<b>250,079</b>
<b><i>Non-current assets:</i></b>			
Investment in subsidiaries	947,610	1,436,221	217,609
<b>Total assets</b>	<b>2,005,446</b>	<b>3,086,740</b>	<b>467,688</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>			
<b><i>Current liabilities:</i></b>			
Other payables	10,030	12,557	1,903
Amounts due to subsidiaries	3,608	13,199	2,000
<b>Total liabilities</b>	<b>13,638</b>	<b>25,756</b>	<b>3,903</b>
Ordinary shares (Authorized shares: 10,000,000,000 at US\$0.001 each; issued and outstanding shares: 912,497,726 and 1,002,977,326 as of December 31, 2009 and 2010, respectively)	7,036	7,649	1,159
Additional paid-in capital	1,604,774	2,261,849	342,704
Statutory reserves	103,877	136,681	20,709
Retained earnings	348,663	738,165	111,843
Accumulated other comprehensive loss	(72,542)	(83,360)	(12,630)
<b>Total shareholders' equity</b>	<b>1,991,808</b>	<b>3,060,984</b>	<b>463,785</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,005,446</b>	<b>3,086,740</b>	<b>467,688</b>

## CNINSURE INC.

## SCHEDULE 1—CONDENSED FINANCIAL STATEMENTS OF THE COMPANY — (Continued)

Statements of Operations  
(In thousands)

	Year Ended December 31,			
	2008	2009	2010	2010
	RMB	RMB	RMB	US\$
General and administrative expenses	(63,757)	(18,749)	(26,705)	(4,046)
Interest income	17,089	896	450	68
Equity in earnings of subsidiaries	238,405	318,694	448,563	67,964
Net income	<u>191,737</u>	<u>300,841</u>	<u>422,308</u>	<u>63,986</u>

**CNINSURE INC.**

**SCHEDULE 1—CONDENSED FINANCIAL STATEMENTS OF THE COMPANY — (Continued)**

**Statements of Equity and Comprehensive Income (Loss)**  
*(In thousands, except for shares)*

	<b>Share Capital</b>		<b>Additional Paid-in Capital RMB</b>	<b>Statutory Reserves RMB</b>	<b>(Accumulated deficit) retained earnings RMB</b>	<b>Accumulated other comprehensive (loss) income RMB</b>	<b>Total RMB</b>	<b>Comprehensive (loss) income RMB</b>
	<b>Number of Share</b>	<b>Amounts RMB</b>						
<b>Balance as of January 1, 2008</b>	<b>912,497,726</b>	<b>7,036</b>	<b>1,621,064</b>	<b>47,903</b>	<b>(87,941)</b>	<b>(21,150)</b>	<b>1,566,912</b>	<b>132,387</b>
Share-based compensation	—	—	45,659	—	—	—	45,659	
Net income	—	—	—	—	191,737	—	191,737	191,737
Provision for statutory reserves	—	—	—	23,334	(23,334)	—	—	
Foreign currency translation	—	—	—	—	—	(52,660)	(52,660)	(52,660)
<b>Balance as of December 31, 2008</b>	<b>912,497,726</b>	<b>7,036</b>	<b>1,666,723</b>	<b>71,237</b>	<b>80,462</b>	<b>(73,810)</b>	<b>1,751,648</b>	<b>139,077</b>
Share-based compensation	—	—	6,609	—	—	—	6,609	
Net income	—	—	—	—	300,841	—	300,841	300,841
Dividends	—	—	(68,558)	—	—	—	(68,558)	
Provision for statutory reserves	—	—	—	32,640	(32,640)	—	—	
Foreign currency translation	—	—	—	—	—	1,268	1,268	1,268
<b>Balance as of December 31, 2009</b>	<b>912,497,726</b>	<b>7,036</b>	<b>1,604,774</b>	<b>103,877</b>	<b>348,663</b>	<b>(72,542)</b>	<b>1,991,808</b>	<b>302,109</b>
Issuance of ordinary shares upon follow-on offering	92,000,000	623	743,144	—	—	—	743,767	
Exercise of share options	5,100,780	34	10,041	—	—	—	10,075	
Repurchase of ordinary shares	(6,621,180)	(44)	(37,243)	—	—	—	(37,287)	
Share-based compensation	—	—	22,211	—	—	—	22,211	
Net income	—	—	—	—	422,308	—	422,308	422,308
Dividends	—	—	(80,985)	—	—	—	(80,985)	
Provision for statutory reserves	—	—	—	32,806	(32,806)	—	—	
Foreign currency translation	—	—	—	—	—	(10,818)	(10,818)	(10,818)
Others	—	—	(93)	(2)	—	—	(95)	
<b>Balance as of December 31, 2010</b>	<b>1,002,977,326</b>	<b>7,649</b>	<b>2,261,849</b>	<b>136,681</b>	<b>738,165</b>	<b>(83,360)</b>	<b>3,060,984</b>	<b>411,490</b>
<b>Balance as of December 31, 2010 in US\$</b>		<b>1,159</b>	<b>342,704</b>	<b>20,709</b>	<b>111,843</b>	<b>(12,630)</b>	<b>463,785</b>	<b>62,347</b>

CNINSURE INC.

SCHEDULE 1—CONDENSED FINANCIAL STATEMENTS OF THE COMPANY — (Continued)

Statements of Cash Flows  
(In thousands)

	Year Ended December 31,			
	2008	2009	2010	2010
	RMB	RMB	RMB	US\$
<b>OPERATING ACTIVITIES</b>				
Net income	191,737	300,841	422,308	63,986
Adjustments to reconcile net income to net cash generated from operating activities:				
Equity in earnings of subsidiaries	(238,405)	(318,694)	(448,563)	(67,964)
Compensation expenses associated with stock options	45,659	6,609	22,211	3,365
Changes in operating assets and liabilities:				
Other receivables	2,004	(459)	1,023	155
Other payables	8,564	(2,547)	2,527	383
<b>Net cash generated from (used in) operating activities</b>	<b>9,559</b>	<b>(14,250)</b>	<b>(494)</b>	<b>(75)</b>
<b>Cash flows from investing activities</b>				
Increase in investment in subsidiaries	(36,989)	(5,653)	(40,143)	(6,082)
Advances to subsidiaries	(664,893)	(198,132)	(518,212)	(78,517)
<b>Net cash used in investing activities</b>	<b>(701,882)</b>	<b>(203,785)</b>	<b>(558,355)</b>	<b>(84,599)</b>
<b>Cash flows from financing activities:</b>				
Proceeds from share issuances	—	—	743,767	112,692
Proceeds on exercise of stock options	—	—	10,075	1,527
Share repurchase	—	—	(37,287)	(5,650)
Dividends paid	—	(68,558)	(80,985)	(12,270)
<b>Net cash generated from (used in) financing activities</b>	<b>—</b>	<b>(68,558)</b>	<b>635,570</b>	<b>96,299</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(692,323)</b>	<b>(286,593)</b>	<b>76,721</b>	<b>11,625</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,073,798</b>	<b>328,815</b>	<b>43,490</b>	<b>6,588</b>
Effect of exchange rate changes on cash and cash equivalents	(52,660)	1,268	(10,818)	(1,638)
<b>Cash and cash equivalents at end of year</b>	<b>328,815</b>	<b>43,490</b>	<b>109,393</b>	<b>16,575</b>

**CNINSURE INC.**

**Note to Schedule 1**  
***(In thousands, except for shares)***

Schedule 1 has been provided pursuant to the requirements of Rule 12-04(a), 5-04(c) and 4-08(e)(3) of Regulation S-X, which require condensed financial statements as to the financial position, changes in financial position and results of operations of a parent company as if the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of the consolidated and unconsolidated subsidiaries (including variable interest entities) together exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. As of December 31, 2010, RMB1,490,552 of the restricted capital and reserves are not available for distribution, and as such, the condensed financial statements of the Company has been presented for the years ended December 31, 2009 and 2010.

CISG undertook a separate restructuring in anticipation of an initial public offering involving a holding company (the “Company”) that was incorporated in the Cayman Islands on April 10, 2007. The Company became the ultimate holding company upon completion of a 10,000-for-1 share exchange with the existing shareholders of CISG on July 31, 2007. The exchange was accounted for as a reverse merger on the basis that CISG was the accounting acquirer.

DATED THE 27<sup>TH</sup> DAY OF APRIL 2011

(1) INSCOM HK LIMITED

and

(2) INSCOM GROUP LIMITED

and

(3) INSCOM HOLDING LIMITED

and

(4) APOLLO & MUSE HOLDING LIMITED

and

(5) CLEVER STAR HOLDINGS LIMITED

and

(6) CISG HOLDINGS LIMITED

**SUPPLEMENTAL SUBSCRIPTION  
and SHARE PURCHASE  
and SHAREHOLDERS AGREEMENT**  
relating to  
**INSCOM HOLDING LIMITED**

**STEVENSON, WONG & CO.**  
4/F & 5/F, Central Tower  
No. 28 Queen's Road Central  
Hong Kong  
Ref.: LFC/HLO(P)/68611/09(Comm)

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**THIS SUPPLEMENTAL SUBSCRIPTION AND SHARES PURCHASE AND SHAREHOLDERS AGREEMENT** is made on the 27<sup>th</sup> April 2011

**BETWEEN:-**

- (1) **INSCOM HK LIMITED**, a company incorporated under the laws of the HKSAR (under company number 1457225) whose registered office is situate at 12/F Ruttonjee House, 11 Duddell Street, Central, Hong Kong. (“**INSCOM HK**”);
- (2) **INSCOM GROUP LIMITED**, a company incorporated under the laws of the British Virgin Islands (under company number 1584027) whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (the “**INSCOM BVI**”);
- (3) **INSCOM HOLDING LIMITED**, a company incorporated under the laws of the British Virgin Islands (under company number 1584021) whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (the “**Company**”);
- (4) **APOLLO & MUSE HOLDING LIMITED**, a company incorporated under the laws of the British Virgin Islands (under company number 1584020) whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**Apollo**”);
- (5) **CLEVER STAR HOLDINGS LIMITED**, a company incorporated under the laws of the British Virgin Islands (under company number 1593866) whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**CSH**”); and
- (6) **CISG HOLDINGS LTD.**, a company incorporated under the laws of the British Virgin Islands (under company number 599853) whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**CISG**” or “**Subscriber**”).

and is SUPPLEMENTAL to a subscription and shares purchase and shareholders agreement (the “**Principal Agreement**”) relating to Inscom Holding Limited dated 29 July 2010 and made between the parties hereto.

**WHEREAS:-**

- (A) Pursuant to the Principal Agreement, the Subscriber has agreed to purchase and subscribe and the Company has agreed to issue and allot the Subscriber such number of Subscription Shares (as defined in the Principal Agreement) and Apollo has agreed to sell and transfer the Sale shares (as defined in the Principal Agreement) in accordance with the terms of the Principal Agreement.
- (B) Following further discussions between the parties to the Principal Agreement and having regard to the prevailing circumstances, the parties have agreed to vary the terms of the Principal Agreement on the terms and conditions as hereinafter provided.

- (C) Apollo and CSH, together with the Company, INSCOM BVI and INSCOM HK, have entered into a similar subscription and share purchase agreement (the “**Further Share Purchase Agreement**”) relating to the Company on 29 October 2010 with two other subscribers, namely Wang Strategic Capital Partners (II) Limited and Harbor Pacific Capital Partners I, LP (the “**New Subscribers**”). The New Subscribers had, pursuant to the execution of the Further Share Purchase Agreement, executed a Deed of Adherence to the effect that they shall perform, assume, comply with and be bound by all the terms, covenants, obligations and provision in the Principal Agreement.
- (D) Apollo, CSH and the Company confirm that (i) the relevant terms in the Principal Agreement to be amended by this Supplemental Agreement were not included in the Further Share Purchase Agreement; and (ii) the relevant terms in the Principal Agreement as amended by this Supplemental Agreement do not affect the rights and obligations of the New Subscribers under the Principal Agreement and/or Further Share Purchase Agreement.

**NOW, THEREFORE**, the parties hereto agree as follows:-

Section 1 Interpretation. Words and expressions defined in the Principal Agreement shall, unless the context otherwise requires, have the same meanings when used in this Supplemental Agreement.

Section 2 Amendments to the Principal Agreement. With effect from the date of this Supplemental Agreement, the terms of the Principal Agreement shall be deemed to be amended as follows:

- (a) Section 6.1 of the Principal Agreement shall be replaced by the following clause in its entirety:-

“Section 6.1 Performance Benchmark.

- (a) As an inducement to the Subscriber’s agreement to subscribe for the Subscription Shares, each of Apollo, CSH and the Company hereby agrees to undertake to use its/his/her best endeavors to achieve targets of Net Profit to be agreed for the financial years of 2011, 2012 and 2013 respectively.
- (b) The exact targets of Net Profit shall be further negotiated and agreed among the Subscriber, Apollo and CSH by 31 December 2011.
- (c) If no agreement on applicable targets of Net Profit is made among CISG, Apollo and CSH by 31 December 2011, each of Apollo, CSH and the Company shall be deemed to have undertaken the Subscriber to use its/his/her best endeavors to achieve the following targets:-

“the Net Profit for the financial years of 2011, 2012 and 2013 shall not be less than RMB 102,600,000, RMB 136,300,000 and RMB 170,200,000 respectively.”

Section 3 Miscellaneous.

- (a) Save as expressly amended or altered by this Supplemental Agreement, the Principal Agreement shall continue in full force and effect and upon the same terms and conditions.
- (b) The headings of the clauses of this Supplemental Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Supplemental Agreement.
- (c) In the event of any conflict between the provisions of the Principal Agreement and this Supplemental Agreement, the provisions of this Supplemental Agreement shall prevail.
- (d) This Supplemental Agreement may be executed by the parties hereto in counterparts and by different parties on separate counterparts, each of which when so executed and delivered shall be an original but all of which shall together constitute one and the same instrument.
- (e) This Supplemental Agreement and the Principal Agreement constitute the entire and only agreement between the parties hereto with respect to the subject matter hereof.
- (f) Time shall be of the essence as regards any date or period mentioned in this Supplemental Agreement, or any date or period substituted for the same by the agreement of the parties otherwise.
- (g) Section 12 (Miscellaneous) of the Principal Agreement shall be incorporated herein by reference and shall apply *mutatis mutandis* to this Agreement.

[intentionally left blank]

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IN WITNESS whereof this Supplemental Agreement has been executed on the date and year said above written.

**INSCOM HK**

SIGNED BY Tian Yuan )  
a director, for and on behalf of ) /s/ Tian Yuan  
**INSCOM HK LIMITED** )  
in the presence of )

/s/ Han Chunying

**INSCOM BVI**

SIGNED BY Tian Yuan )  
a director, for and on behalf of ) /s/ Tian Yuan  
**INSCOM GROUP LIMITED** )  
in the presence of )

/s/ Han Chunying

**The Company**

SIGNED BY Tian Yuan )  
a director, for and on behalf of ) /s/ Tian Yuan  
**INSCOM HOLDING LIMITED** )  
in the presence of )

/s/ Han Chunying

**Apollo**

SIGNED BY Tian Yuan )  
authorized signatory for and on behalf ) /s/ Tian Yuan  
**of APOLLO & MUSE HOLDING** )  
**LIMITED**, in the presence of )

/s/ Han Chunying

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**CSH**

SIGNED BY Feng Zhuojun )  
a director, for and on behalf of ) /s/ Feng Zhuojun  
**CLEVER STAR HOLDINGS LIMITED** )  
in the presence of )

/s/ Zhu Jiusheng

**CISG**

SIGNED BY Hu Yinan )  
a director, for and on behalf of ) /s/ Hu Yinan  
**CISG HOLDING LIMITED** )  
in the presence of )

/s/ Zhu Jiusheng

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DATED THE 29<sup>TH</sup> DAY OF JULY 2010

(1) INSCOM HK LIMITED

and

(2) INSCOM GROUP LIMITED

and

(3) INSCOM HOLDING LIMITED

and

(4) APOLLO & MUSE HOLDING LIMITED

and

(5) CLEVER STAR HOLDINGS LIMITED

and

(6) CISG HOLDINGS LTD

**SUBSCRIPTION and SHARES PURCHASE  
and SHAREHOLDERS AGREEMENT**

relating to

**INSCOM HOLDING LIMITED**

**STEVENSON, WONG & CO.**

4/F & 5/F, Central Tower

No. 28 Queen's Road Central

Hong Kong

Ref.: LFC/HLO(P)/68611/09(Comm)

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**THIS SUBSCRIPTION AND SHARES PURCHASE AND SHAREHOLDERS AGREEMENT** is made on the 29<sup>th</sup> day of July 2010.

**BETWEEN:-**

- (1) **INSCOM HK LIMITED**, a company incorporated under the laws of the HKSAR (under company number 1457225) whose registered office is situate at 12/F Ruttonjee House, 11 Duddell Street, Central, Hong Kong. (“**INSCOM HK**”);
- (2) **INSCOM GROUP LIMITED**, a company incorporated under the laws of the British Virgin Islands (under company number 1584027) whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**INSCOM BVI**”);
- (3) **INSCOM HOLDING LIMITED**, a company incorporated under the laws of the British Virgin Islands (under company number 1584021) whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (the “**Company**”);
- (4) **APOLLO & MUSE HOLDING LIMITED**, a company incorporated under the laws of British Virgin Islands (under company number 1584020) whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**Apollo**”);
- (5) **CLEVER STAR HOLDINGS LIMITED**, a company incorporated under the laws of British Virgin Islands (under company number 1593866) whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**CSH**”);
- (6) **CISG HOLDINGS LTD.**, a company incorporated under the laws of the British Virgin Islands (under company number 599853) whose registered office is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**CISG**” or “**Subscriber**”).

**WHEREAS:-**

- (A) The Company is a private limited company incorporated and subsisting under the laws of the British Virgin Islands and as at the date hereof has an authorized capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 10,000 Ordinary Shares have been issued and fully paid. Corporate information of the Company is set out in Schedule 1 of this Agreement.
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(B) As at the date hereof, the Company is the legal and beneficial owner of the entire issued share capital of INSCOM BVI, which in turn owns the entire issued share capital of INSCOM HK. Corporate information of INSCOM BVI and INSCOM HK is set out in Schedules 3A and 3B of this Agreement respectively. INSCOM HK owns the entire equity interests in 英斯康信息技术(深圳)有限公司 (“Ying Si Kang”) as at the date hereof, which is a wholly foreign owned enterprise incorporated in PRC. Corporate information of Ying Si Kang is set out in Schedule 3C of this Agreement. Through the structure of variable interests entities (“VIE”), Ying Si Kang has exercised effective control and management over the following two PRC companies: -

- (i) 深圳市新保投资管理有限公司 (SZ Xinbao Investment); and
- (ii) 深圳市保网电子商务有限公司 (SZ InsCom E-Commerce).

(SZ Xinbao Investment and SZ InsCom E-Commerce are collectively referred to as the “First PRC Subsidiaries” and individually, a “First PRC Subsidiary”. The current corporate information of each First PRC Subsidiary is set out in Schedule 3D of this Agreement.)

- (C) CISG, a private limited company incorporated and subsisting under the laws of the British Virgin Islands, is a wholly owned subsidiary of CNinsure Inc., a company incorporated in the Cayman Islands and whose shares are listed on NASDAQ under symbol CISG.
- (D) As at the date hereof, Apollo is legal and beneficial owner of 7,788 Ordinary Shares of the Company constituting 77.88% of the entire issued share capital of the Company. Apollo has agreed to sell and CISG has agreed to purchase the Sale Shares (as defined below) in accordance with the terms of this Agreement.
- (E) The Subscriber has agreed to subscribe and the Company has agreed to issue and allot to the Subscriber such number of Subscription Shares (as defined below) in accordance with the terms of this Agreement.
- (F) Immediately upon Closing of the Subscription and Shares Purchase, CISG shall procure its beneficial equity interests in the following PRC companies be transferred to Ying Si Kang or its associated companies in the PRC: -

- (i) 河南泛华安联保险代理有限公司 (“HN Fanhua Anlian Insurance”);
- (ii) 杭州泛华执信保险代理有限公司 (“HZ Fanhua Zhixin Insurance”);
- (iii) 天津泛华祥和保险代理有限公司 (“TJ Fanhua Xianghe Insurance”);
- (iv) 福州泛华国信保险代理有限公司 (“FZ Fanhua Guoxin Insurance”);
- (v) 长沙联益保险代理有限公司 (“CS Lianyi Insurance”); and
- (vi) 宁波保联保险代理有限公司 (“NB Baolian Insurance”).

(HN Fanhua Anlian Insurance, HZ Fanhua Zhixin Insurance, TJ Fanhua Xianghe Insurance, FZ Fanhua Guoxin Insurance, CS Lianyi Insurance and NB Baolian Insurance are collectively referred to as the “Second PRC Subsidiaries” and individually, a “Second PRC Subsidiary”. The current corporate information of each Second PRC Subsidiary is set out in Schedule 3E of this Agreement.)

- (G) The Parties are desirous of entering into this Agreement to set out the terms and conditions of the Subscription and Shares Purchase and to establish certain matters pertaining to the operation and management of the Group and to regulate certain rights and obligations among themselves with respect thereto.
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NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and of other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereto agree as follows:-

## **ARTICLE I DEFINITIONS**

Section 1.1 **Definitions.** As used herein and unless otherwise expressly stipulated, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

**“Approved Accounts”** shall mean the consolidated balance sheet and profit and loss accounts of the Company for a relevant financial period to be prepared by the Company in accordance with US GAAP and approved by Supermajority of the Board. For the purpose of this Agreement, the following terms of, “2011 Approved Accounts”, “2012 Approved Accounts” and “2013 Approved Accounts” shall accordingly be construed to mean the Approved Accounts for the respective financial periods of (i) 1 January 2011 to 31 December 2011, (ii) 1 January 2012 to 31 December 2012 and (iii) 1 January 2013 to 31 December 2013.

**“Accounts”** shall mean the consolidated financial statements of the Company and INSCOM HK and INSCOM BVI for the financial year ended the Accounts Date (including the notes thereto).

**“Accounts Date”** shall mean 30<sup>th</sup> June 2010.

**“Affiliate”** of any Person shall mean any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such Person. The term **“control”** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

**“Agreement”** shall mean this subscription and shares purchase and shareholders agreement, together with the Schedules hereto, as modified, supplemented or amended from time to time.

**“Articles of Association”** shall mean the Memorandum and Articles of Association of the Company, as modified, supplemented or amended from time to time in accordance with the terms hereof and thereof.

**“Associates”** shall have the same meaning as ascribed thereto under the Listing Rules.

**“Board”** or **“Board of Directors”** shall mean the board of directors of the Company.

**“Business”** shall mean the business being undertaken and will continue to be undertaken by the Group in accordance with Section 2.2 of this Agreement.

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“**Business Day**” shall mean any day except a Saturday, Sunday or other day on which commercial banking institutions in any one of China, Hong Kong or New York City is authorized or required to close.

“**Capital Event**” shall mean IPO or such other means of capital raising as approved by Supermajority of the Board, or a sale of majority of assets or the business of the Group to an unconnected third party, or a merger of the Company with another operation or company, or allotment of new shares, securities in and of the Company thereby resulting in the change of controlling shareholder(s) of the Company and Control of the Board of Directors.

“**China**” or “**PRC**” shall mean the People’s Republic of China.

“**Closing**” shall mean completion of the Subscription and Shares Purchase on the Closing Date. The corporate structure immediate after Closing is set out in Schedule 2 of this Agreement.

“**Closing Date**” shall mean the date when all Closing conditions set out in Section 5.1 are fulfilled or such other date as the Company and the Subscriber shall agree in writing upon which Subscription and Shares Purchase shall be completed in accordance with Section 5.2 and in any event shall not be later than 1<sup>st</sup> October 2010.

“**Closing Accounts**” shall mean the consolidated financial statements in respect of the Company and INSCOM HK and INSCOM BVI for the period from 1<sup>st</sup> April 2010 to the Closing Date (such financial statements comprising a balance sheet and a profit and loss accounts) which shall be prepared and provided by the Company.

“**Company Shareholder(s)**” shall mean Apollo, CSH, and CISG and any shareholders of the Company for so long as it/he/she is a shareholder registered in the Register of Members of the Company.

“**Control**” shall have the meaning provided in the definition of “**Affiliate**” in this Section 1.1.

“**Directors**” shall mean members of the board of directors of the Company.

“**Due Diligence Reports**” shall mean collectively the Legal Due Diligence Report and the Financial Due Diligence Report.

“**Encumbrances**” shall mean any mortgage, charge, pledge, lien, equities, hypothecation or other encumbrance, priority of security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-lease back arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same.

“**Entire Issued Share Capital**” shall mean all issued shares of the Company including both Ordinary Shares and Preference Shares.

“**Existing Shareholders**” shall mean Apollo, and CSH.

“**Financial Due Diligence Report**” shall mean the financial due diligence report to be prepared by CISG.

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“**Future Finance**” shall mean any further finance, working capital required by the Group for operation of the business.

“**Governmental Authority**” shall mean the government of China or any other country or any provincial, state or political subdivision thereof and any administration, agency, court, commission or other authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any stock or commodities exchange or other quasi-governmental entity established to perform such functions.

“**Group**” shall mean the Company, INSCOM BVI, INSCOM HK, Ying Si Kang, the First PRC Subsidiaries, the Second PRC Subsidiaries and their respective Subsidiaries, Affiliates, Associates, and any other company which becomes the holding company of the Company or which owns or carries on all or substantially all of the business, assets and undertaking of the Company and the term “**Group Company(ies)**” shall be construed as any member(s) of the Group.

“**HK\$**” shall mean dollars in the lawful currency of HKSAR.

“**HKSAR**” shall mean Hong Kong Special Administrative Region of China.

“**Intellectual Property Rights**” or “**IP Rights**” shall mean patents, trade marks, service marks, trade names, internet domain names, rights in designs, copyright (including rights in computer software and databases) and rights in know-how and other intellectual property rights, in each case whether registered or unregistered and including applications for the grant of any such rights and all rights or forms of protection having equivalent or similar effect anywhere in the world.

“**IP Works**” shall mean any item of Technical Information in which Intellectual Property Rights subsist.

“**IPO**” shall mean listing of the Ordinary Shares or such other shares, securities in the capital of (a) the Company; or (b) any other company which becomes the holding company of the Company or which owns or carries on all or substantially all of the business, assets and undertaking of the Company on The Stock Exchange of Hong Kong Limited or NASDAQ or other internationally recognized stock exchange or securities exchange through an initial public offering or otherwise as approved by the Company Shareholders.

“**Know-How**” shall mean information, data, know-how or experience whether patentable or not including but not limited to all design, operating instructions, machinery designs, products specifications, blue prints and any other technical and commercial information relating thereto.

“**Legal Due Diligence Report**” shall mean the due diligence report to be prepared by the Subscriber setting out the results of their review regarding the legality of the business and such other related legal issues arising from matters contemplated under the Business Plan.

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“**Listing Rules**” shall mean the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and that the term “**Other Applicable Securities Rules**” shall mean such applicable rules governing listing of securities of National Association of Securities Dealers Automated Quotation System or other internationally recognized stock exchange or securities exchange.

“**NASDAQ**” shall mean the National Association of Securities Dealers Automated Quotation System.

“**Net Profit**” shall mean the total earnings after income taxes, depreciation, amortization, interest and other expenses as determined by the Company in accordance with US GAAP. For the purpose of this Agreement, the Net Profit shall exclude any extraordinary one-time gain or loss for a particular financial year end unless such exclusion is agreeable by CISG. For the purpose of this Agreement, the following terms of “**2011 Net Profit**”, “**2012 Net Profit**” and “**2013 Net Profit**” shall be construed to mean Net Profit for the financial years of 2011, 2012 and 2013 as shown in the 2011 Approved Accounts, 2012 Approved Accounts and 2013 Approved Accounts respectively.

“**Ordinary Shares**” shall mean the ordinary shares of US\$1.00 each of the Company as provided in the Articles of Association.

“**Parties**” shall mean the Company, INCOM HK, INSCOM BVI, Apollo, CSH, and CISG and their respective successors and permitted transferees in accordance with the terms of this Agreement.

“**Person**” shall mean any individual, corporation, partnership, joint venture, association, trust, limited liability company or any other entity or organization, including a governmental or political subdivision or an agency, unit or instrumentality thereof.

“**Performance Benchmark**” shall mean the performance targets to be achieved by the Group as more particularly set out in Section 6.1.

“**Preference Shares**” shall mean the preference shares of US\$1.00 each of the Company.

“**Regulatory Approvals**” shall mean any license, approval, authorization or consent of, or filing, registration or qualification with, or notice to, any Governmental Authority which is required to be made or obtained by the Company and/or its Subsidiaries in connection with the conduct of their businesses as contemplated by this Agreement and the Articles of Association.

“**RMB**” shall mean Renminbi, the lawful currency of China.

“**Sale Shares**” shall mean 6,588 existing Ordinary Shares legally and beneficially owned by Apollo which shall be sold by Apollo to CISG in accordance with the terms of this Agreement.

“**Shares**” shall mean Ordinary Shares and Preference Shares.

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**“Shares Purchase”** shall mean the purchase of Sale Shares by CISG as provided in Article III of this Agreement.

**“Shares Purchase Consideration”** shall have the meaning provided in Section 3.2.

**“Subscription”** shall mean the subscription of Subscription Shares by CISG as provided in Article IV of this Agreement.

**“Subscription Consideration”** shall have the meaning provided in Section 4.2.

**“Subscription Shares”** shall mean 69,250 Preference Shares to be subscribed for by the Subscriber, representing about 87% of the entire issued share capital of the Company as enlarged by the Subscription.

**“Subsidiary”** of any Person shall mean any other Person of which the first Person, directly or indirectly: (i) has the power to appoint or remove a majority of the board of directors or, if such other Person does not have a board of directors, other individuals performing similar functions; or (ii) controls 50% or more of the issued shares or securities of such other Person having power to vote; **“Subsidiaries”** shall be construed accordingly.

**“Supermajority”** shall mean the affirmative vote of at least two Directors, at least one of which is a Director appointed by CISG.

**“Technical Information”** shall mean all identifiable Know-How, experience, data, designs, drawings, specifications, testing procedures and all other technical or commercial information relating to the business whether in human or machine readable form and whether stored electronically or otherwise.

**“Transfer”** shall mean any sale, assignment, conveyance, pledge, mortgage or other disposition.

**“USD”** shall mean dollars in the lawful currency of the United States of America.

**“US GAAP”** shall mean Generally Accepted Accounting Principles as may from time to time be adopted by the Financial Accounting Standards Board.

**“Warranties”** shall mean the representations and warranties given in the terms as set out in Article VII and Schedule 4 of this Agreement.

Section 1.2 Principles of Construction. All references to articles, sections and exhibits are to articles, sections and exhibits in or to this Agreement unless otherwise specified. The words **“hereof”**, **“herein”**, and **“hereunder”** and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

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## **ARTICLE II THE COMPANY; COOPERATION**

Section 2.1 Cooperation. Each of the Parties shall cooperate and ensure due performance and observance of all the terms and conditions of this Agreement (in so far as that Party is responsible for the compliance of such terms and conditions as contemplated under this Agreement).

Section 2.2 Business. Unless otherwise agreed by CISG, the Group shall, through the operation of members of the Group, carry out the Business in China.

Section 2.3 Creation of Preference Shares. Each of Apollo, CSH and the Company agrees that prior to Closing, the Company shall create, and Apollo and CSH shall procure the Company to create, a class of Preference Shares in addition to the existing class of Ordinary Shares, and the authorized share capital of the Company shall consist of 10,000 authorized Ordinary Shares and 70,000 Preference Shares. Holders of the Preference Shares will enjoy the rights and privileges as set out in Schedule 6 of this Agreement.

Section 2.4 Corporate Restructuring. Each of the Parties shall cooperate with each other in carrying out the corporate restructuring of the Group within 3 months after Closing whereby CISG shall procure the equity interests in the Second PRC Subsidiaries be transferred to Ying Si Kang or its associated companies in the PRC at the consideration calculated with reference to the investment sum of RMB 395,000,000. The conditions to closing of the acquisition of equity interests in the Second PRC Subsidiaries shall include (a) completion of the share purchase and subscription under this Agreement; (b) relevant board and shareholders' approval of the Company in respect of the acquisition and the transaction contemplated therein; and (c) all consents, permits from relevant Governmental Authority as well as all third party consents which are legally required for completion of the acquisition of equity interests in the Second PRC Subsidiaries having been duly obtained. CISG will use its best effort to achieve the corporate restructuring. The Parties agree to cooperate with each other and take all reasonable action as proposed by CISG (including granting time extension to CISG after 3 months period) with a view to complete the corporate restructuring. In the event that the corporate restructuring can not be completed within the time to be agreed by the Parties, this Agreement will be terminated and the Parties will restore to the position before entering into this Agreement.

## **ARTICLE III SHARES PURCHASE**

Section 3.1 Purchase of Sale Shares. Subject to CISG's satisfaction of all the conditions set forth in Section 5.1, Apollo, as legal and beneficial owner, shall sell and CISG, relying on the Warranties, shall purchase the Sale Shares on the Closing Date or such later date by mutual agreement between Apollo and CISG free from Encumbrances and with all rights now or hereafter becoming attached to the Sale Shares (including, the right to receive all dividends and distributions declared, made or paid on the Sale Shares or in respect of them on or after the date of this Agreement).

Section 3.2 Consideration for the Shares Purchase. The consideration for the purchase of the Sale Shares shall be in the sum of RMB84,000,000 (or the USD equivalent to RMB84,000,000 at such an exchange rate to be quoted by the remitting bank at the date when remittance shall be made by CISG) which shall be paid by CISG to Apollo in clear and available fund (or such other means of payment as agreed between Apollo and CISG) within 3 months from the Closing Date.

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#### **ARTICLE IV THE SUBSCRIPTION**

Section 4.1 The Subscription. Subject to the Subscriber's satisfaction of all the conditions set forth in Section 5.1, the Subscriber agrees to subscribe for and the Company agrees to issue to the Subscriber or its nominee(s) the Subscription Shares free from all Encumbrances on the Closing Date or such later date as when such conditions are satisfied or waived.

Section 4.2 Consideration for the Subscription. In consideration of the Company's allotment of the Subscription Shares to the Subscriber, the Subscriber shall pay RMB 395,000,000 (or the USD equivalent to RMB 395,000,000 at such an exchange rate to be quoted by the remitting bank at the date immediately before the remittance shall be made by the Subscriber) to the Company upon Closing.

#### **ARTICLE V CONDITIONS TO CLOSING; CLOSING**

Section 5.1 Conditions to Closing of the Subscription and Share Purchase. The obligation of the Subscriber or CISG to effect the Closing of the Subscription and Share Purchase under this Agreement is subject to the fulfillment, prior to or at the Closing, of each of the following conditions (any or all of which, to the extent permitted by law, may be waived by written agreement of the Subscriber or CISG):

- (a) Representations and Warranties. The representations and warranties of each of the Parties contained in Section 7.1 and Schedule 4 of this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though made again on and as of such date.
  - (b) Performance of Obligations. Each of the other Parties shall have performed and complied in all material respects with all obligations and covenants required to be performed or complied with by it on or prior to the Closing Date.
  - (c) No Government Injunction/Consents from Governmental Authority. There is not pending or threatened any action, proceeding or investigation that seeks any governmental injunction or restraining order issued by a court of competent jurisdiction against the Company and/or any member of the Group. All consents, permits from relevant Governmental Authority as well as all third party consents which are legally required for completion of the Subscription and Shares Purchase having been duly obtained.
  - (d) No Material Adverse Change. There shall not have occurred any material adverse change in the financial markets, governmental regulations and business environment in China. The Subscriber being satisfied that consummation of any of the transactions contemplated by this Agreement would not produce a material adverse effect on the Group or the business of the Group.
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- (e) Due Diligence Reports. In addition to Section 5.1(a)-(d), the Subscriber's obligation to effect Closing is further subject to the Subscriber being satisfied with the results of the Due Diligence Reports in which:-
- (i) the Legal Due Diligence Report has confirmed such legal issues including but not limited to:-
    - (aa) legality of the First PRC Subsidiaries' operation of the Business in China in accordance with the details of the Business Plan;
    - (bb) legality of such other issues incidental to matters, transactions contemplated under the Business Plan; and
    - (cc) legality of the entities of the Group outside China.
  - (ii) the Financial Due Diligence Report has confirmed satisfaction of such accounting issues incidental to matters, transactions contemplated under the Business Plan including but not limited to: -
    - (aa) satisfaction of such accounting issues incidental to matters, transactions contemplated under the Business Plan;
    - (bb) accuracy of the financial statements which have been submitted by the Company and/ or Apollo to CISG. In particular, the Financial Due Diligence Report shall confirm that the Group has no liabilities other than those which have been disclosed;
- (f) Business Plan. The business plan shall have been finalized to the satisfaction of the Subscriber setting out relevant information as the Subscriber may require including but not limited to description of the organizational structure, business strategy and production expansion plan, analysis of market conditions and regulatory environment, utilization of Subscription Consideration by the Company, investment plan and financial projection of the business for the next 3 years following Closing.
- (g) Closing Accounts. The Company shall have produced the Closing Accounts to the Subscriber and the Subscriber being satisfied (i) with the financial position and other issues and matters as reflected in the Closing Accounts; (ii) that there shall be no material deviations or changes between the Closing Accounts and the Accounts; and (iii) that the Company shall have a book value of net cash asset of not less than RMB10,000,000 or equivalent sum in USD. For the avoidance of doubt, "net cash asset" shall mean net asset in cash as shown in the Closing Accounts.
- (h) satisfaction of financial review of the Company whereby it is substantiated that the net cash asset of the Company shall not be less than RMB 10,000,000 or equivalent sum in USD; and
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- (i) Other Conditions to Closing. Such other conditions as CISG may require and considers to be necessary in the course of conducting the due diligence of the Group.

Section 5.2 Closing of the Subscription and Shares Purchase.

- (a) Company's Obligations. Subject to satisfaction of all the conditions set out in Section 5.1, Closing shall take place on the Closing Date. At Closing and in so far as the Subscription is concerned, the Company shall and the Existing Shareholders shall procure the Company to deliver to the Subscriber:-
    - (i) duly executed sealed share certificate(s) issued in the name of CISG or its nominee(s) in respect of the Subscription Shares in favor of the Subscriber and/ or its nominee(s);
    - (ii) certified true copies of the board resolutions as referred to in Section 5.2(c);
    - (iii) shareholders resolution approving the amendments to the Articles of Association; and
    - (iv) such other documents (including any power of attorney under which any document required to be delivered under this Section shall have been executed and any waivers or consents) as the Subscriber may require to enable the Subscriber and/or its nominee(s) to be registered as holders of the Subscription Shares.
  - (b) Apollo's Obligations. Subject to satisfaction of all the conditions set out in Section 5.1, Closing shall take place on the Closing Date. At Closing and in so far as the Shares Purchase is concerned, Apollo shall cause to deliver to CISG:
    - (i) original share certificate(s) in respect of the Sale Shares;
    - (ii) the duly completed and executed instrument(s) of transfer and sold notes by Apollo in favor of CISG or its nominee(s) in respect of the Sale Shares;
    - (iii) a copy of the Company's register of members, certified by a director of the Company as true and complete as of the Closing Date, updated to show CISG or its nominee(s) as the holder of the Sale Shares of the Company; and
    - (iv) a certified copy of the written resolutions of the directors of Apollo authorizing the Share Purchase.
  - (c) Board Resolutions of the Company. On or prior to Closing, the Company shall pass and the Existing Shareholders shall cause the Company to pass board resolutions to the effect that:
    - (i) the Subscription Shares be allotted and issued to the Subscriber on the Closing Date, for cash at the Subscription Consideration;
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- (ii) the transfer of the Sale Shares shall be approved for registration and the relative share certificates issued to CISG or its nominee(s);
- (iii) the Subscriber or CISG or its nominee(s) be entered into the register of members of the Company as holder of the Subscription Shares and the Sale Shares;
- (iv) the appointment of Mr. Chunlin Wang and Mr. Peng Ge or such other person as nominated by the Subscriber or CISG as directors of the Company;
- (v) the appointment of Mr. Chunlin Wang as chairman of the Board of Directors; and
- (vi) such other matters to be dealt with and resolved upon as the Subscriber or CISG shall require for the purpose of giving effect to the provisions of this Agreement.

**ARTICLE VI**  
**PERFORMANCE BENCHMARK**  
**SHARE ADJUSTMENT MECHANISM**

Section 6.1 Performance Benchmark. As an inducement to the Subscriber's agreement to subscribe for the Subscription Shares, each of Apollo, CSH and the Company hereby undertakes to use its/his/her best endeavors to achieve the following targets:-

"the 2011, 2012 and 2013 Net Profit shall not be less than RMB 102,600,000, RMB 136,300,000 and RMB 170,200,000 respectively."

Section 6.2 Non Fulfillment of the Performance Benchmark/ Shares Adjustment Mechanism.

- (a) In the event that Performance Benchmark is not fulfilled in any single year of 2011, 2012 and 2013, CISG shall have the right to demand Apollo to pay to CISG an amount equivalent to such portion of net profit that falls short of the Performance Benchmark for that particular year ("Cash Compensation") within 15 days upon the delivery of the Approved Accounts of that particular year. For the avoidance of doubt, the aggregate Cash Compensation for 2011, 2012 and 2013 shall not in any event exceed the total amount of RMB84,000,000.
  - (b) In the event that the Performance Benchmark in any single year of 2011, 2012 and 2013 is less than 70% of the target mentioned in Section 6.1, CISG shall, in addition and without prejudice to Cash Compensation, have the right to demand CSH in any of such year to transfer such number of shares ("**Compensation Shares**") constituting 3% of the entire issued share capital of the Company at a nominal consideration of USD1.00 to CISG or its nominee(s) within 15 days upon the delivery of the Approved Accounts of that particular year. For the avoidance of doubt, CISG shall have the right to demand CSH to transfer a total number of the Compensation Shares representing 9% of the entire issued share capital of the Company at a total nominal consideration of USD3.00 if the Net Profit for all the years of 2011, 2012 and 2013 is less than 70% of the target mentioned in Section 6.1.
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**ARTICLE VII**  
**REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS**

Section 7.1 Warranties of All Parties. Each Party hereby represents and warrants to the other Parties that on the date hereof and as of the Closing Date:-

- (a) Corporate Status, Power and Authority. Such Party has full power and authority (corporate or otherwise) to enter into and perform its/his obligations under this Agreement.
- (b) Authorization and Enforceability. The execution and delivery of this Agreement and the performance of the obligations hereunder has been duly authorised (corporate or otherwise) by such Party and this Agreement constitutes valid and binding obligation of such Party, enforceable against such Party in accordance with its terms.
- (c) Regulatory Approvals. No consent, waiver, approval or authorization of any Governmental Authority or any filing, registration or qualification with or notice to, any Governmental Authority is required on the part of such Party in connection with such Party's execution or delivery of this Agreement or the performance of any of its obligations hereunder.
- (d) Litigation. To the best knowledge of such Party after having made due inquiry, there are no judicial or administrative actions, proceedings or investigations pending or threatened against such Party that questions the validity, binding nature and enforceability of this Agreement or the ability of such Party to perform the obligations under this Agreement. In the event that the Company has come to the knowledge of the aforesaid, Apollo and CSH shall forthwith notify CISG.
- (e) Encumbrances. Unless with the unanimous consent of the board of directors, all the shareholders of the Company warrants and undertakes that they shall not mortgage, charge, pledge, lien or have other form of security or encumbrance on, over or affecting any of their equity interest in the Company.

Section 7.2 General Warranties by the Company, Apollo and CSH.

- (a) In consideration of CISG entering into this Agreement, each of the Company, Apollo and CSH hereby:-
    - (i) warrants, represents and undertake to CISG that on the date hereof and as of the Closing Date, each statement set out in Schedule 4 of this Agreement and this Article is true, accurate and not misleading;
    - (ii) warrants, represents and undertakes to CISG that the entry into and performance of this Agreement by the Parties (other than CISG) will not be contrary to any applicable law;
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- (iii) undertakes to CISG that prior to the Closing Date, if any of the Warranties is discovered by the Company and/or Apollo and/or CSH to be untrue, inaccurate or misleading or any of the Warranties has not been fully and/or punctually carried out in any respect, or in the event of the Company and/or Apollo and/or CSH becoming unable or failing to do anything required under this Agreement to be done by any one of them on or before the Closing Date and if any of the aforesaid comes to the knowledge of the Company and/or Apollo and/or CSH, the Company and/or Apollo and/or CSH shall forthwith notify CISG, and in all these events, CISG shall have the absolute discretion to postpone completion of the Subscription and/or Share Purchase for three (3) months and require the Company and/or Apollo and/or CSH to rectify the aforesaid events. In the event that such event(s) shall not have been rectified to the satisfaction of CISG within three (3) months from the Closing Date, CISG shall have the right not to complete the Subscription and/or Share Purchase and may by notice in writing rescind this Agreement, in which event the Parties shall be discharged from their respective further obligations hereunder on a no recourse basis except for their obligations under Section 10.3 and Articles XI and XII.
- (b) The Warranties shall be separate and independent and save as expressly provided shall not be limited by reference to any other section or anything in this Agreement or the Schedules.
- (c) The Warranties shall be deemed to be repeated as at the Closing Date as if all references therein to the date of this Agreement were references to the Closing Date.

Section 7.3 Indemnity on Warranties. Each of Apollo and CSH hereby agrees and undertakes, jointly and severally, to indemnify CISG or the relevant Group Company and to keep the same indemnified in respect of their costs (including their legal costs) and expenses which CISG and/or the relevant Group Company may reasonably incur either before or after the commencement of any arbitration or other proceedings brought by CISG in connection with:-

- (a) the settlement of any claim that any of the Warranties are untrue or misleading or have been breached;
- (b) any arbitration proceedings in which CISG claims that any of the Warranties are untrue or misleading or have been breached and in which the arbitral order is given for CISG; or
- (c) the enforcement proceedings of any such arbitral order.

#### Section 7.4 Guarantee and Indemnity

- (a) In consideration of CISG's entering into this Agreement, each of Apollo and CSH as primary obligor hereby, jointly and severally, unconditionally and irrevocably guarantees by way of continuing guarantee to CISG the due and punctual performance and observance by the Company and the Existing Shareholders of their respective obligations, commitments, undertakings, agreements, Warranties, indemnities and covenants under or pursuant to this Agreement and, agrees to indemnify and keep indemnified CISG in full from and against all liabilities, losses, damages, claims, costs and expenses (including properly
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incurred reasonable legal costs and expenses on a full indemnity basis) which CISG may suffer through or arising from any breach by the Company and/or Existing Shareholders of such obligations, commitments, undertakings, agreements, Warranties, indemnities or covenants. Each of Apollo and CSH as primary obligor, unconditionally and irrevocably agrees that if either the Company or the Existing Shareholders shall fail to discharge the liability undertaken or expressed to be undertaken by it/them under or pursuant to this Agreement, Apollo and CSH shall forthwith upon demand unconditionally perform (or procure performance of) and shall satisfy (or procure the satisfaction of) the obligation or liability in regard to which such default has been made in the manner prescribed by this Agreement so that the same benefits shall be conferred on CISG as it would have received if such obligation or liability had been duly performed and satisfied by the Company and/or Existing Shareholders. Each of Apollo and CSH hereby waives all rights which it may have to require CISG to proceed first against or claim payment from the Company and/or Existing Shareholders.

- (b) The guarantee and indemnity set out in this Section 7.4(a) shall be a continuing security to CISG for all obligations, commitments, undertaking, Warranties, indemnities and covenants on the part of the Company and Existing Shareholders under or pursuant to this Agreement notwithstanding any settlement of account or other matter or thing whatsoever and is in addition and without prejudice to and not in substitution for any rights or security which CISG may now or hereafter have or hold for the performance and observance of the obligations, commitments, undertakings, agreements, Warranties, indemnities and covenants of the Company and/or Existing Shareholders under or in connection with this Agreement.
  - (c) The obligations of Apollo and CSH under this Section shall not be affected by any matter or thing which but for this provision might operate to affect or prejudice those obligations, including without limitation:-
    - (i) any time or indulgence granted to, or composition with, the Company and/or the Existing Shareholders or any other person;
    - (ii) the taking, variation, renewal or release of, or neglect to perfect or enforce this Agreement or any right, guarantee, remedy or security from or against the Company and/or the Existing Shareholders or any other person;
    - (iii) any unenforceability or invalidity of any obligation of the Company and/or the Existing Shareholders, so that this Section shall be construed as if there were no such unenforceability or invalidity;
    - (iv) the liquidation, bankruptcy, winding-up, receivership of the Company and/or the Existing Shareholders or other member of the Group; and
    - (v) any other act, matter, event or omission which but for this provision would or might operate to discharge, impair or otherwise affect the liabilities of Apollo and CSH hereunder.
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Section 7.5 Legitimate Fund. CISG warrants and undertakes that the consideration for the Subscription and Share Purchase shall be from legal and legitimate fund.

Section 7.6 Termination of Agreement. In consideration of the Parties entering into this Agreement, each of the Company and the Existing Shareholders hereby irrevocably agrees and confirms that as between each of them, any and all agreement between the Company and the Existing Shareholders shall be replaced and superseded by this Agreement in its entirety upon execution of this Agreement.

## **ARTICLE VIII TRANSFER OF SHARE OR OTHER EQUITY INTERESTS**

Section 8.1 Prohibited Transfer by Apollo and CSH. None of Apollo and CSH shall Transfer or otherwise Encumber any Ordinary Shares or any other equity interest in the Company now or hereafter owned or held by any of them without obtaining the prior written approval of CISG. In the event that Apollo or CSH ("Selling Shareholder") has an intention to Transfer any Ordinary Shares or other equity interest in the Company, the relevant Selling Shareholder shall provide all relevant information regarding the intended transfer/encumbrance and the intended transferee(s) to CISG which will seriously consider whether or not to grant such a written approval. For the purpose of putting this Section 8.1 into full effect, each of Apollo and CSH undertakes and warrants that except with the prior written approval of CISG, the Control of Apollo and CSH shall not be changed or modified in any respect and shall not enter into any agreement/arrangement in relation to such a change of Control. The prohibition mentioned herein shall be automatically removed upon the completion of a fully underwritten IPO.

Section 8.2 Right of First Refusal. Each of the Existing Shareholders (collectively the "Selling Shareholders" and each a "Selling Shareholder") who contemplates to sell any of its Shares ("Offered Shares") in the Company to any Person shall inform CISG and comply with the provisions set out in Schedule 5 of this Agreement.

Section 8.3 Co-Sale Rights. The Existing Shareholders shall have the right, exercisable upon written notice to CISG, in the event that CISG contemplates to sell any of its Shares, to participate in such sale of the Shares on the same terms and conditions.

Section 8.4 Deed of Adherence. No transfer of shares by any selling Party to any third party shall be entered into the Company's share register and all parties hereto shall procure that unless such third party has first entered into a deed of adherence with all parties hereto other than the selling Party pursuant to which such third party shall agree, inter alia, to be bounded by all the restrictions of, and to discharge all duties and obligations as set out in this Agreement as if it were an original party hereto. Such deed of adherence shall be in such form as such other parties shall reasonably require.

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**ARTICLE IX**  
**DIRECTORS, OFFICERS; SHAREHOLDER VOTING**

Section 9.1 Number and Appointment of Directors. (a) Unless otherwise agreed by the Subscriber, the Board of Directors shall consist of three (3) directors of whom two (2) shall be appointed by CISG and one (1) shall be appointed by Apollo; (b) Constitution of the board of directors of each of the Group Companies shall be the same as the Company and that all Directors shall be appointed as directors of the Group Companies unless otherwise agreed by the Subscriber. Any Director who ceases to be a director of the Company shall cease to be a director of the Group Companies; (c) Each Director shall be entitled to appoint any person or any other Director to be his alternate and each alternate shall have one vote for every Director whom he represents in addition to any vote of his own; (d) If the Subscriber shall cease to hold any Ordinary Shares, it shall procure the resignation of all those Directors nominated by it and will indemnify the other Party and the Group against any claims which may be brought by such Directors.

Section 9.2 Vacancy; Removal. In the event that the position of a Director becomes vacant for any reason (including the death, disability or resignation of any such Director) and not replaced by another Director to be appointed by the original Company Shareholder which initially appointed such Director and approved by a Supermajority of the Board of Directors, the Company Shareholders shall vote their shares of Ordinary Shares to elect as replacement Director as a person appointed by the Company Shareholder(s) that originally appointed or is now entitled to appoint the Director whose office is vacant. A Director shall be removed with or without cause upon and only upon the affirmative vote of the Company Shareholders in accordance with this Section 9.2, the Articles of Association of the Company and the provisions of applicable law. Each Company Shareholder shall vote its shares for the removal of a Director only upon the request of the Company Shareholder(s) that originally appointed or is now entitled to appoint such Director. Otherwise than in accordance with the provisions herein, no Company Shareholder shall vote for the removal of a Director. Any Company Shareholder removing a Director shall be responsible for and shall indemnify the other Company Shareholders and the Group against any claim of whatever nature arising out of such removal.

Section 9.3 Quorum. The quorum for a Directors meeting shall be at least two (2) Directors of which one (1) shall be the director appointed by CISG.

Section 9.4 Right to Convene and the conduct of Meeting.

- (a) The Board shall meet as required provided that any Director may call a Board meeting by not less than seven (7) days' notice in writing to the Company specifying the business to be transacted thereat. Directors may participate in a meeting of the Board by means of telephone conference or similar communications equipment whereby all persons participating in the meeting can hear each other and such participation shall constitute presence in person. Resolutions of the Board may be passed by resolution signed by all the Directors.
  - (b) A shareholder of the Company or any member of the Group may call a general meeting of the relevant company by not less than seven (7) days' notice in writing to the Company. The quorum for shareholders' meetings shall be two (2) and must consist of at least one (1) person being the authorized representative or proxy for CISG.
  - (c) Each Company Shareholder will exercise or refrain from exercising any voting rights or other powers of control so as to ensure the passing of any and every resolution necessary or desirable to procure that the affairs of the Group are conducted in accordance with the provisions of this Agreement and otherwise to give full effect to the provisions of this Agreement and likewise to ensure that no resolution is passed which does not accord with such provisions.
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Section 9.5 Power of the Directors. The business and affairs of the Company shall be managed and controlled by the Board of Directors and that subject to Section 10.1 hereof, questions arising in any meeting of the Board shall be decided by a simple majority of votes and the chairman of the Board (if any) shall not have a second or casting vote.

Section 9.6 Shareholders' Meeting. A meeting of shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50 percent of the votes of the shares entitled to vote on Resolutions of Shareholders to be considered at the meeting.

Section 9.7 Right to Appoint Chief Financial Officer. The Chief Financial Officer and the relevant executive officers handling the finance and accounts of the Company shall be selected by CISG.

Section 9.8 Compliance. The Company shall observe and adhere to all the constitution and rules and regulation which are currently enforced by CISG including financial centralization system, financial internal control system, commercial conduct standards and fully comply with the Sarbanes-Oxley Act 2002.

## **ARTICLE X MANAGEMENT**

Section 10.1 Management. The Company and any member of the Group shall not carry out, and the Company Shareholders shall procure the Group not to carry out, any of the following actions except as expressly required or permitted by this Agreement or approved by a Supermajority of the Board of Directors:-

- (a) issuing or agreeing to issue any shares of any class in any member of the Group or any loan capital, securities or other rights, having attached thereto a right of conversion into or exchange for any shares or any equity interest in any member of the Group.
  - (b) acquiring, merging or consolidating with or into any other company, or reconstructing or amalgamating its business or, promoting or taking any steps to effect its winding up or passing of any resolution to liquidate it or applying to any court of competent jurisdiction for an order to convene a meeting of creditors or any class of creditors or members or any class of members or to sanction any such compromise or arrangement.
  - (c) incorporating any subsidiary or acquiring further interest or permit the disposal or dilution of its interest, directly or indirectly, in any subsidiary or acquire shares or interests in any company, joint venture, partnership or such other business entities or dispose of any shares or interests in any company or acquire or dispose of any loans or loan capital.
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- (d) commencing, acquiring or expanding any new line of business which does not fall within the business or engaging in any other business activities other than those contemplated under the Business Plan.
  - (e) engaging in any material investments or disposals of assets of the Company outside the ordinary course of business. For this purpose, a “**material investment**” or a “**material disposal**” means an investment or a disposal which has a book value of more than RMB5,000,000.00.
  - (f) borrowing any money or obtaining any credit advance in any form from any parties which incurs an accumulated indebtedness in excess of RMB5,000,000.00 over any 12 months period.
  - (g) creating or allowing to subsist any security interest and/or Encumbrances over any of the Group’s assets in excess of an accumulated sum of RMB5,000,000.00 over any 12 months period.
  - (h) entering into any contract or arrangement other than in the ordinary course of business and involving an one-off transaction sum of more than RMB5,000,000.00 or series of transactions of the same or similar nature involving an accumulated sum of more than RMB5,000,000.00 over any 12 months period.
  - (i) issuing or agreeing to issue any shares, options or convertible bonds to any Person at a price lower than the Effective Subscription Price.
  - (j) repurchasing or redemption of stocks/shares/securities or debt instruments (except to the extent such debt is due in accordance with its terms and conditions issued by any Group Company).
  - (k) committing to any capital expenditure not previously approved by annual budget of the Group and in excess of RMB5,000,000.00 over any 12 months period.
  - (l) declaring or paying any dividends.
  - (m) entering into any connected transaction(s) (as defined in the Listing Rules) between any member of the Group of the one part and connected persons (as defined in the Listing Rules) of the other part.
  - (n) changing or amending the Memorandum and Articles of Association of any member of the Group other than those amendments which are necessary to accord with the provisions of this Agreement.
  - (o) altering its accounting year end or changing its secretary, or accounting policies, practices and procedures.
  - (p) changing the size of the Board of Directors.
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- (q) the appointment of senior managerial staff, including the chief executive officer, chief financial officer and such other key staff members receiving an annual remuneration of more than RMB1,000,000.00.
  - (r) approval of the annual budget and business plan of the Group.
  - (s) entering into or modifying, varying any employment contract, remuneration package or benefit scheme in respect of senior managerial staff members;.
  - (t) acquiring, hiring or leasing of any automobile, apartment for any staff member of the management team of the Group.
  - (u) altering the arrangement regarding appointment of authorized signatories of bank accounts of the Group.
  - (v) lending any money to any person (otherwise than by way of deposit with a bank or other financial institution the normal business of which includes the acceptance of deposits) or granting any credit to any person (except to its customers in the normal course of business).
  - (w) direct or indirect provision of any guarantees to any parties.
  - (x) pledging of the stocks or shares of any member of the Group to any parties/persons.
  - (y) varying, modifying or abrogating any of the rights attaching to any of the stocks or shares of any member of the Group.
  - (z) increasing its nominal share capital, reducing its share capital or share premium account or capital redemption reserve fund, or sub-dividing or consolidating any of the stocks of any member of the Group.
  - (aa) granting or agreeing to grant any option over or right to acquire or purchase or redeem any shares or stocks of any member of the Group.
  - (bb) consolidate, subdivide or convert any of its share capital of any member in the Group.
  - (cc) passing any resolution the result of which would be its winding up, liquidation or receivership save as otherwise expressly provided in this Agreement, or make any composition or arrangement with creditors.
  - (dd) issuing any debentures or other securities convertible into shares or debentures or interests.
  - (ee) offering the Ordinary Shares or other securities of the Company or any member of the Group for subscription by the general public by initial public offering either on The Stock Exchange of Hong Kong Limited or other stock exchange or securities exchange of other parts of the world.
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- (ff) determining the relevant stock exchange or securities exchange for the IPO as well as the appropriate timing for the IPO application and IPO valuation.
- (gg) approval of the terms and conditions regarding the Share Incentive Scheme upon which the Management Incentive Shares or any part thereof will be granted.
- (hh) entering into any contract or arrangement not at arm's length (including but not limited to the terms pursuant to which any Ordinary Shares or other securities in the Company will be issued and allotted to any potential subscribers or investors.
- (ii) doing or failing to do anything which has the effect of breaching, varying or modifying the terms of this Agreement.

For the purpose of this Section 10.1, any reference to a sum of monies shall include monies incurred/involved in a single transaction as well as the aggregate of all sums of monies incurred/involved in a series of transactions of the same or substantially the same nature.

Section 10.2 Use of the Subscription Consideration. The Parties agree that the Subscription Consideration or any part thereof shall only be used as working capital of the Group or for further acquisitions of other companies as may be approved by Supermajority of the Board.

Section 10.3 Confidentiality. Subject to as hereinafter expressly appears and save and except expressly approved by all the parties in writing, each of the parties to this Agreement shall maintain and shall procure that their respective appointees as directors of the Company shall maintain strict confidence and secrecy in respect of all information of a proprietary commercial and trading nature received by them or it directly or indirectly pursuant to this Agreement, and each of the parties to this Agreement shall use its best endeavours to procure that its respective officers, directors and associates (if any) shall likewise maintain strict confidence and secrecy in respect of such information.

- (a) For the purposes of this Clause, “**Confidential Information**” means all information of a confidential nature disclosed (whether in writing, verbally or by any other means and whether directly or indirectly) by one party (the “**Disclosing Party**”) to any other party (the “**Receiving Party**”) whether before or after the date of this Agreement.
  - (b) During the term of this Agreement and within one year after the termination or expiration of this Agreement for any reason whatsoever the Receiving Party shall:
    - (i) keep the Confidential Information confidential;
    - (ii) not disclose the Confidential Information to any other person other than with the prior written consent of the Disclosing Party or being compelled by law or in accordance with Section 10.3 hereof; and
    - (iii) not use the Confidential Information for any purpose other than the performance of its obligations under this Agreement.
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- (c) During the term of this Agreement the Receiving Party may disclose the Confidential Information to its employees (the “**Recipient**”) to the extent that it is necessary for the purposes of this Agreement.
- (d) The Receiving Party shall procure that each Recipient is made aware of and complies with all the Receiving Party’s obligations of confidentiality under this Agreement as if the Recipient was a party to this Agreement.
- (e) The obligations contained in Section 10.3 hereof shall not apply to any Confidential Information which:-
  - (i) is at the date of this Agreement or at any time after the date of this Agreement comes into the public domain other than through breach of this Agreement by the Receiving Party or any Recipient; or
  - (ii) can be shown by the Receiving Party to the reasonable satisfaction of the Disclosing Party to have been known to the Receiving Party prior to it being disclosed by the Disclosing Party to the Receiving Party; or
  - (iii) subsequently comes lawfully into the possession of the Receiving Party from a third party; or
  - (iv) is required to be disclosed to the relevant Governmental Authority in compliance with relevant laws and regulations applicable to that Party or the relevant Listing Rules or any applicable rules in relation to any applicable stock exchange.

Section 10.4 Financial Information. The Company shall deliver to each Company Shareholder the following financial and management information at the following intervals:

- (a) Quarterly Financial Statements. Within 35 days after the close of each fiscal quarterly accounting period ending after the date hereof, the consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarterly period and the related statements of income, shareholders’ equity and cash flow for such quarterly period and (if different) for that portion of the fiscal year that has elapsed with the last day of such quarterly period, and in each such case setting forth comparative figures for the corresponding periods in the prior fiscal year, all of which shall be prepared in accordance with US GAAP applied on a consistent basis.
  - (b) Annual Financial Statements. Within 120 days after the close of each fiscal year of the Company, the consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal year and the related statements of income, shareholders’ equity and cash flow for such fiscal year, in each case setting forth comparative figures for the preceding fiscal year, all of which shall be prepared in accordance with US GAAP applied on a consistent basis.
  - (c) Monthly Management Reports. Within 15 days after the close of each fiscal monthly accounting period ending after the date hereof, the Company shall prepare and submit to the Company Shareholders management reports setting out operational, management and financial conditions of the Group in order to enable the Subscriber ascertaining the latest position of business activities undertaken by the Group and the Group’s financial position.
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- (d) Annual Budget. Within 30 days before the end of each year, the Company shall prepare and submit to the Company Shareholders its estimated detailed financial budget for the following financial year.
- (e) Any other information in relation to the business activities, operation and financial condition of the Group that the Directors may reasonably request from time to time.

The financial statements and management reports referred to under this section shall be in such form as the Subscriber may reasonably request in writing.

Section 10.5 Anti-dilution.

- (a) If the Company wishes to issue ("Further Issuance") any further Ordinary Shares or any other shares in the capital of the Company or any loan capital, securities or other rights which having attached thereto a right of conversion into or exchange for any Ordinary Shares or any equity interest in the Company, the Company shall give and the Existing Shareholders shall procure the Company to give notice (the "**Company's Notice**") to CISG stating the total number of additional Ordinary Shares or any shares to be issued or which could be issued upon exercise of a right of conversion or exchange pursuant to the Further Issuance and the price for such Further Issuance to be subscribed for CISG shall have the option but not the obligation to subscribe at the price set forth in the Company's Notice for that proportion of Further Issuance equivalent to the percentage (%) which the number of Ordinary Shares held by CISG bears to the total number of issued Ordinary Shares of the Company at the time when the Company's Notice is issued. Such option may be exercised by CISG by serving a notice to the Company at any time within 20 Business Days following CISG's receipt of the Company's Notice and accompanied by payment in full for that proportion of the Further Issuance to be subscribed for. The Company hereby agrees that any Further Issuance will be at a price that is not less than CISG's price pursuant to this Subscription. The Parties hereby expressly acknowledge, confirm and agree the purpose of this Section 10.5 is to offer an anti-dilution protection in favor of CISG so that if CISG shall have elected to exercise the option hereunder, its shareholdings in the Company will not be diluted notwithstanding the Further Issuance.
- (b) If and whenever the Ordinary Shares by reason of any consolidation or sub-division shall become of a lesser nominal amount, CISG will proportionally be issued with additional Ordinary Shares at a nominal consideration so that CISG's shareholdings in the Company immediately upon such consolidation or sub-division will remain the same as its shareholdings in the Company immediately before such consolidation or sub-division.

Section 10.6 Specific Right of the Existing Shareholders. If no Capital Event shall have been completed within three (3) years from Closing, each of the Existing Shareholders shall be entitled to require CISG to purchase its Shares at the price to be negotiated and determined by the relevant Existing Shareholder and CISG.

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## **ARTICLE XI DISPUTE RESOLUTION**

Section 11.1 Arbitration. Any dispute, controversy or claim arising out of or relating to this Agreement shall be settled by arbitration administered by the Hong Kong International Arbitration Centre in accordance with the UNCITRAL Arbitration Rules as at present in force and as may be amended by the provisions of this Section. The arbitration shall be the sole and exclusive forum for resolution of such dispute, controversy or claim, and the award rendered shall be final and binding. Judgment on the award rendered may be entered in any court having jurisdiction thereof.

### Section 11.2 Procedures.

- (a) The number of arbitrators shall be three, one of whom shall be appointed by the Party asserting a claim against the other Party or Parties, one of whom shall be appointed by the Party or Parties (acting together), as the case may be, against whom a claim has been asserted, and the third of whom shall be selected by mutual agreement, if possible, within thirty days of the selection of the second arbitrator and thereafter by the administering authority. In the event the Party against whom a claim has been asserted fails to appoint the second arbitrator within 15 days after the first arbitrator is appointed by the Party asserting a claim, then the administering authority shall select the second and third arbitrators after expiration of the said 15 days.
- (b) The language of arbitration shall be conducted in the English language and any foreign language documents presented at such arbitration shall be accompanied by an English translation thereof. The arbitration shall be held in HKSAR.
- (c) Any award of the arbitrators (i) shall be in writing, (ii) shall state the reasons upon which such award is based and (iii) may include an award of costs, including reasonable attorney's fees and disbursements.
- (d) Any Party may make an application to the arbitrators seeking injunctive relief to maintain the status quo until such time as the arbitration award is rendered or the dispute, controversy or claim is otherwise resolved. Any Party may apply to any court having jurisdiction hereof and seek injunctive relief in order to maintain the status quo until such time as the arbitration award is rendered or the dispute, controversy or claim is otherwise resolved.

## **ARTICLE XII MISCELLANEOUS**

Section 12.1 Notices. All notices, requests, communications (and including service of legal process out of the courts of HKSAR) to any Party hereunder shall be in writing (including facsimile or similar writing and overnight express mail or courier delivery) and shall be given to the respective agents at the address/facsimile number set forth in this Agreement hereto or to such other address/facsimile number as such Party may hereafter specify for the purpose by notice to the other Parties in the manner provided in this Section.

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If to INSCOM HK:  
Address: 中国深圳福田区商报路奥林匹克大厦 7 层A区  
Fax No.: 0755-83521432  
Attention: Mr. Tian Yuan (田源)

If to INSCOM BVI:  
Address: 中国深圳福田区商报路奥林匹克大厦 7 层A区  
Fax No.: 0755-83521432  
Attention: Mr. Tian Yuan (田源)

If to the Company:  
Address: 中国深圳福田区商报路奥林匹克大厦 7 层A区  
Fax No.: 0755-83521432  
Attention: Mr. Tian Yuan (田源)

If to Apollo:  
Address: 中国深圳福田区商报路奥林匹克大厦 7 层A区  
Fax No.: 0755-83521432  
Attention: Mr. Tian Yuan (田源)

If to CSH:  
Address: 中国广州市沿江中路 299 号银海大厦 22 层  
Fax No.: 020-61262893  
Attention: Ms. Feng Zhuo Jun (冯卓君)

If to CISG  
Address: 中国广州市沿江中路 299 号银海大厦 22 层  
Fax No.: 020-61262893  
Attention: Mr. Hu Yi Nan (胡义南)

All such notices, requests and other communications shall be deemed received (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, and (ii) if given by overnight express mail or courier delivery or any other means permitted by this Section, when received; provided, that if the date of receipt hereunder is not a Business Day, the notice, request or communication shall be deemed not to have been received until the next succeeding Business Day in the place of receipt.

Section 12.2 Amendments and Waivers. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and is executed by each of the Parties hereto. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law. Upon the occurrence of an IPO event, the Parties hereto agree that Articles 8, 9 & 10 shall be amended accordingly for the purpose of complying with all applicable rules and regulations of the relevant stock or securities exchange.

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Section 12.3 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceably by the respective successors and assigns of the Parties; provided, however, that none of the Parties may assign or Transfer any of its rights or obligations hereunder except in accordance with the provisions stipulated in this Agreement.

Section 12.4 Conflict with Articles of Association. In the event of any conflict between the Articles of Association and this Agreement, the provisions of this Agreement shall prevail.

Section 12.5 Expenses. If Closing shall take place, the Company shall bear the following costs and expenses incurred in this transaction ("**Agreed Transaction Expenses**") including (a) legal costs for the preparation, negotiation, execution, delivery and performance of this Agreement; (b) audit fees for preparation of the Approved Accounts for the financial year of [\*] and conduct of audit review for the first six months of [\*] and (c) valuation expenses and that all these Agreed Transaction Expenses shall be paid by the Subscriber to the relevant professional parties direct. Subject to the Subscriber undertaking to duly settle the Agreed Transaction Expenses, the Subscription Consideration payable by the Subscriber shall correspondingly be reduced by a sum equivalent to the Agreed Transaction Expenses. If for any reason Closing shall not take place, (i) the Company shall be fully responsible for audit fees and expenses and that (ii) the Company and Subscriber shall bear all legal expenses and valuation fees in equal share. Other than the Agreed Transaction Expenses, each Party shall bear its own costs and expenses in connection with the Subscription.

Section 12.6 Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and any such term or provision to the extent determined to be invalid, illegal or unenforceable shall be replaced by a valid, legal and enforceable provision that comes as close as possible to carrying out the intent and effect of the defective term or provision.

Section 12.7 Further Assurances. The Parties will execute and deliver such further instruments and do such further acts and things as may be required to carry out the intent and purposes of this Agreement into full effect.

Section 12.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the HKSAR.

Section 12.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The English language text of this Agreement shall prevail over any translation thereof.

Section 12.10 Force Majeure. The failure or delay of any of the Parties to perform any obligation under this Agreement solely by reason of acts of God, acts of government, riots, wars, terrorism, or other causes beyond its reasonable control ("**Force Majeure**") shall not be deemed to be a breach of this Agreement; provided, however, that the Party so prevented from complying herewith shall not have procured such Force Majeure, shall have used reasonable diligence to avoid such Force Majeure or ameliorate its effects, and shall continue to take all actions reasonably within its power to comply as fully as possible with the terms of this Agreement. Except where the nature of the event shall prevent it from doing so, the Party suffering such Force Majeure shall notify the other Parties in writing promptly after the occurrence of such Force Majeure and shall in every circumstance, to extent reasonable and lawful under the circumstances, use its best efforts to remove or remedy such event.

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Section 12.11 Headings Descriptive. The headings of the several articles and sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

Section 12.12 Integration. This Agreement (including the Exhibits and Schedules hereto, which are incorporated herein and made an integral part hereof) hereof constitute the entire and only agreement between the Parties with respect to the subject matter hereof and supersede all prior agreements commitments or understandings, whether written or verbal, that the Parties hereto or thereto may have had with respect to the subject matter thereof.

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IN WITNESS whereof this Agreement has been executed on the date and year said above written.

**INSCOM HK**

SIGNED BY: Tian Yuan	)	
Power of attorney of a director, for and on behalf of	)	/s/ Tian Yuan
<b>INSCOM HK LIMITED</b>	)	
in the presence of	)	

**INSCOM BVI**

SIGNED BY: Tian Yuan	)	
a director, for and on behalf of	)	/s/ Tian Yuan
<b>INSCOM GROUP LIMITED</b>	)	
in the presence of	)	

**The Company**

SIGNED BY: Tian Yuan	)	
a director, for and on behalf of	)	/s/ Tian Yuan
<b>INSCOM HOLDING LIMITED</b>	)	
in the presence of	)	

**Apollo**

SIGNED BY: Tian Yuan	)	
Power of attorney of a director, for and on behalf of	)	/s/ Tian Yuan
<b>APOLLO &amp; MUSE HOLDING Limited</b>	)	
in the presence of	)	

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**CSH**

SIGNED BY:Feng Zhuojun	)	
a director, for and on behalf of	)	/s/ Feng Zhuojun
<b>CLEVER STAR HOLDINGS LIMITED</b>	)	
in the presence of	)	

**CISG**

SIGNED BY:Hu Yanan	)	
a director, for and on behalf of	)	/s/ Hu Yanan
<b>CISG HOLDINGS LTD.</b>	)	
in the presence of	)	



**SCHEDULE 1**  
**Corporate Information of the Company**

(1) Name of the Company : InsCom Holding Limited

(2) Company No. : 1584021

(3) Date of Incorporation : 7 May, 2010

(4) Place of Incorporation : British Virgin Islands

(5) Registered Address : P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

(6) Directors : Yuan Tian

(7) Authorized Share Capital : US\$50,000 divided into 50,000 shares of US\$1.00 each

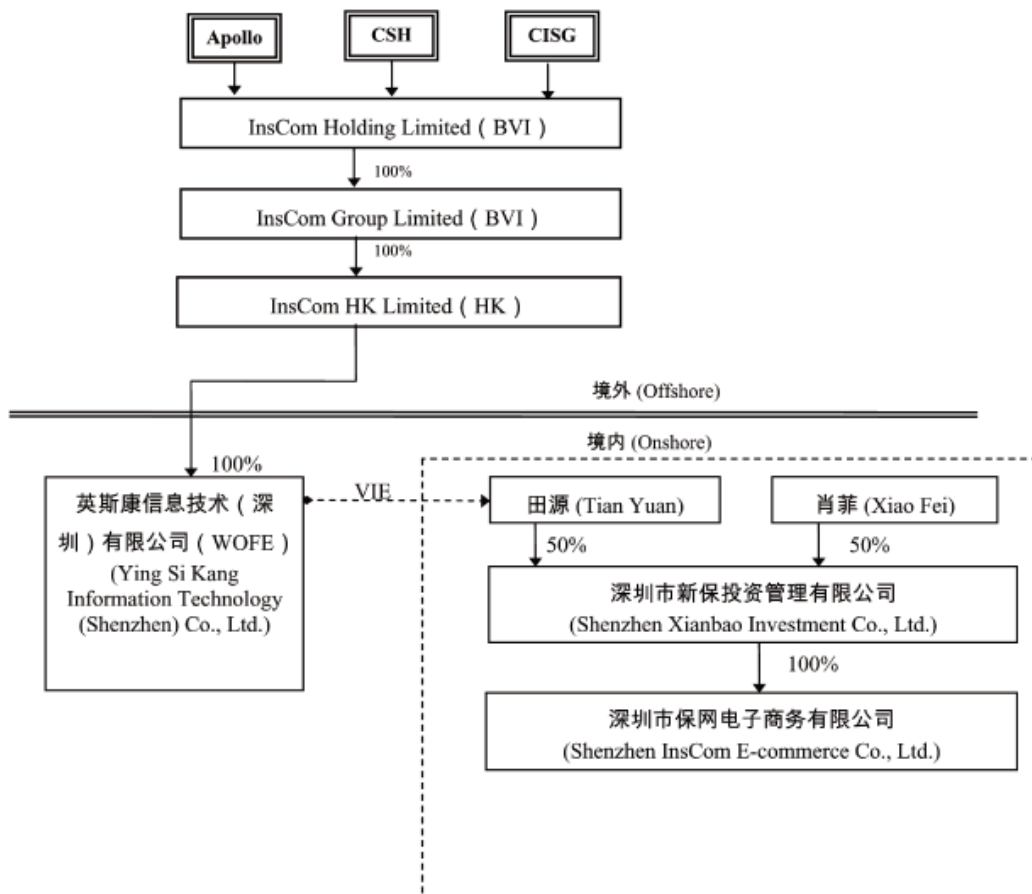
(8) Issued Share Capital : US\$10,000

**(9) Shareholders**

<b><u>Name of Shareholder</u></b>	<b><u>No. of Shares</u></b>	<b><u>Percentage holdings</u></b>
Apollo & Muse Holding Limited	7,788 ordinary	77.88%
Clever Star Holdings Limited	2,212 ordinary	22.12%

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**SCHEDULE 2**  
**Corporate Structure of the Company immediately after Closing**



**SCHEDULE 3A**  
**Corporate Information of INSCOM BVI**  
**(as at the date of the Agreement)**

(1) Name of the Company : InsCom Group Limited

(2) Company No. : 1584027

(3) Date of Incorporation : 7 May, 2010

(4) Place of Incorporation : British Virgin Islands

(5) Registered Address : P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

(6) Directors : Yuan Tian

(7) Authorized Share Capital : 50,000 shares of a single class each with a par value US\$1.00

(8) Issued Share Capital : US\$1

(9) Shareholders

<u>Name of Shareholder</u>	<u>No. of Shares</u>	<u>Percentage holdings</u>
InsCom Holding Limited	1	100%

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**SCHEDULE 3B**  
**Corporate Information of INSCOM HK**  
**(as at the date of the Agreement)**

(1) Name of the Company : InsCom HK Limited

(2) Company No. : 1457225

(3) Date of Incorporation : 17 May, 2010

(4) Place of Incorporation : Hong Kong

(5) Registered Address : 12/F Ruttonjee House, 11 Duddell Street, Central, Hong Kong

(6) Directors : Yuan Tian

(7) Issued Share Capital : HK\$1.00

(8) Shareholders

<u>Name of Shareholder</u>	<u>No. of Shares</u>	<u>Percentage holdings</u>
InsCom Group Limited	1	100%

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**SCHEDULE 3C**  
**Corporate Information of Ying Si Kang**  
**(as at the date of the Agreement)**

(1) **Name of the Company** : Ying Si Kang Information Technology (Shenzhen)Co., Ltd

(2) **License No.** : 440301503378995

(3) **Date of Incorporation** : 15 July, 2010

(4) **Place of Incorporation** : PRC

(5) **Registered Address** : 2108-2110-35 Tower A, Jiahe Huaqiang Buiding, Shennan Road, Futian District, Shenzhen

(6) **Legal Representative** : Yuan Tian

(7) **Registered Capital** : US\$1,200,000.00

**(8) Shareholders**

<u>Name of Shareholder</u>	<u>Percentage holdings</u>
InsCom HK Limited	100%

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**SCHEDULE 3D**  
**Corporate Information of the First PRC Subsidiaries**  
**(as at the date of the Agreement)**

(1) Name of the Company : Shenzhen Xinbao Investment Co., Ltd

(2) License No. : 440301104741339

(3) Date of Incorporation : 12 June, 2010

(4) Place of Incorporation : PRC

(5) Registered Address : 2108-2110-28 Tower A, Jiahe Huaqiang Buiding, Shennan Road, Futian District, Shenzhen

(6) Legal Representative : Yuan Tian

(7) Registered Capital : RMB30,000.00

**(8) Shareholders**

<u>Name of Shareholder</u>	<u>Percentage holdings</u>
Yuan Tian	50%
Fei Xiao	50%

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(1) Name of the Company : Shenzhen InsCom E-Commerce Co., Ltd

(2) License No. : 440301103498934

(3) Date of Incorporation : 2 June, 2004

(4) Place of Incorporation : PRC

(5) Registered Address : Unit A, Olympics Building7/F, Shangbao Road, Futian District, Shenzhen

(6) Legal Representative : Yuan Tian

(7) Registered Capital : RMB3,000,000.00

(8) Shareholders

<u>Name of Shareholder</u>	<u>Percentage holdings</u>
Yuan Tian	50%
Fei Xiao	50%

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**SCHEDULE 3E**  
**Corporate Information of the Second PRC Subsidiaries**  
**(as at the date of the Agreement)**

Company Name	License No.	Date of Incorporation	Registered Capital (RMB)	Legal Representative	Shareholders
HN Fanhua Anlian Insurance Agency Co.,Ltd	410192100013786	29 Jan, 2008	3,000,000	Jun Zhang	Meidiya: 51% Jingshi: 49%
HZ Fanhua Zhixin Insurance Agency Co.,Ltd	330102000013189	4 Jan, 2008	5,000,000	Yu Zeng	Meidiya: 51% Jingshi: 49%
TJ Fanhua Xianghe Insurance Agency Co.,Ltd	120102000011824	23 Nov, 2007	2,000,000	Changhua Mu	Meidiya: 70% Zhiyong: 30%
FZ Fanhua Guoxin Insurance Agency Co.,Ltd	350102100011038	24 Jan, 2008	5,000,000	Xiaomin Gong	Fanhua Investment: 70% Jingshi: 30%
CS Lianyi Insurance Agency Co.,Ltd	430102000040432	19 Dec, 2007	5,000,000	Jiangrong Xu	Meidiya: 70% Jingshi: 30%
NB Baolian Insurance Agency Co.,Ltd	330215000013767	25 May, 2009	2,000,000	Guangqing Ying	Meidiya: 51% Jingshi: 49%

**NOTE:**

*In the table above, Guangdong Meidiya Investment Co., Ltd is referred to as Meidiya, Chengdu Jingshi Investment Co., Ltd is referred to as Jingshi, Sichuan Zhiyong Investment Co., Ltd is referred to as Zhiyong and Fujian Fanhua Investment Co., Ltd is referred to as Fanhua Investment.*

**SCHEDULE 4**  
**Warranties**

Save as disclosed in writing prior to execution of this Agreement, the Existing Shareholders hereby represents and warrants to the Subscriber that all representations and statements of fact set out in this Schedule or otherwise contained in this Agreement are and will be true in all material respects as at the date hereof and as at Closing.

**1. GENERAL**

**1.1 Accuracy of recitals and schedules**

The information and particulars relating to the Group as set out in the recitals and Schedules to this Agreement are true and accurate in all respects.

**1.2 Memorandum and articles of association, statutory books and returns**

- (A) Copies of articles of association of each member of Group which have been given to the Subscriber are accurate and complete in all respects and have annexed or incorporated copies of all resolutions or agreements required to be so annexed or incorporated by the rules and regulations governing companies in the PRC.
- (B) The statutory books and registers of the Group have been properly kept and no notice or allegation that any of them is incorrect or should be rectified has been received.
- (C) All returns and particulars, resolutions and other documents which any member of the Group is required by law to file with or deliver to the relevant authorities have been correctly made up and duly filed or delivered.

**1.3 Ownership of Interest**

- (A) The PRC Subsidiaries have been duly incorporated and are validly existing under the laws of the PRC and have full power, authority and legal right to own their assets and carry on the business.
  - (B) Save and except already disclosed to the Subscriber in writing by the Existing Shareholders, no person is entitled or has claimed to be entitled to require any member of Group to issue any share equity or loan capital either now or at any future date whether contingently or not.
  - (C) Save and except already disclosed to the Subscriber in writing by the Existing Shareholders, there is no option, right of pre-emption, right to acquire, mortgage, charge, pledge, lien or other form of security or encumbrance on, over or affecting any of the equity interest of the Group nor is there any commitment to give or create any of the foregoing, and no person has claimed to be entitled to any of the foregoing.
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#### **1.4 Subsidiaries, associations and branches**

Save and except already disclosed to the Subscriber in writing by the Existing Shareholders, the Company has no subsidiaries nor is it a member of any partnership or other unincorporated association, joint venture or consortium.

#### **1.5 Ownership of assets**

The Group is the legal and beneficial owner of its assets as set out in the Accounts.

#### **1.6 Vulnerable antecedent transactions**

The Group has taken no steps to be a party to a transaction and has not entered into any disposition of property pursuant to or as a result of which an asset owned, purportedly owned or otherwise held by any member of the Group is liable to be transferred or re-transferred to another person or which gives or may give rise to a right of compensation or other payment in favor of another person.

#### **1.7 Compliance with statutes**

- (A) Each member of the Group has conducted its business in accordance with all applicable laws, regulations and rules issued by the relevant PRC government authorities and has not committed any criminal, illegal or unlawful act.
- (B) To the best belief and knowledge of the Existing Shareholders, neither the Group, nor any of its officers, agents or employees (during the course of their duties), has done or omitted to do anything which is a contravention of any statute, order, regulation or the like giving rise to any fine, penalty or other liability or sanction on the part of the Group which could have produced adverse effect on the normal operation of the Group.
- (C) The Group has not committed any breach of contract or statutory duty or other unlawful act which could lead to a claim for damages being made against it and no event has occurred which would entitle any third party to terminate any contract or any benefit enjoyed by the Group.

#### **1.8 Licenses and consents**

All necessary licenses, approvals and/or permits for undertaking the business by the Group have been validly issued to the Group Companies by the Governmental Authorities and that the Existing Shareholders are not aware of anything that might result in the revocation, suspension or modification of any of such licenses, approvals and permits or any circumstances that might prejudice their renewal.

#### **1.9 Litigation**

The Existing Shareholders do not have actual knowledge and have not received any written notice that:-

- (A) the Group is engaged in any litigation or arbitration proceedings.
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- (B) the Group has done or omitted to do anything which will give rise to any litigation or arbitration proceedings by or against the Group, and
- (C) the Group is the subject of any investigation, inquiry or enforcement proceedings or process by any governmental, administrative or regulatory body.

#### 1.10 Insolvency

- (A) Save as disclosed prior to signing of this Agreement, the Existing Shareholders have not received any written notice or verbal indication from any party in which:-
  - (i) any receiver, liquidator, provisional administrator or other person carrying on similar function has been appointed in respect of any Group or in respect of the whole or any part of the assets or undertaking of any Group; and
  - (ii) any winding up or administrative order has been made and no petition has been presented for such an order in respect of any Group.

Save as disclosed prior to signing of this Agreement, the Existing Shareholders have not received any notice in which:-

- (i) any meeting has been convened at which a resolution shall be proposed, any resolution has been passed, any petition has been presented and any order has been made for the winding up or dissolution of any Group Company or for an administrative order in respect of any Group Company; or
    - (ii) any Group Company has stopped or suspended payment of its debts, become unable to pay its debts (within the meaning of Section 178 of the Companies Ordinance or any similar provisions under the applicable laws in PRC) or otherwise become insolvent.
  - (B) Save as disclosed prior to signing of this Agreement, the Existing Shareholders have not received any written notice in which any circumstances have arisen which entitle any person to take any action, appoint any person, commence proceedings or obtain any order.
  - (C) Save as disclosed prior to signing of this Agreement, the Company, INSCOM HK and INSCOM BVI have not carried on any actual business operation in any part of the world and have not entered into any contract, agreement (whether verbal or in writing) with any Person.
-

## **2. ACCOUNTS AND FINANCIAL**

### **2.1 Accuracy of the Accounts**

The Accounts

- (A) to the best knowledge and belief of the Existing Shareholders, the Accounts have been prepared in accordance with US GAAP and laws and regulations of PRC.
- (B) are complete and accurate in all material respects and give, a true and fair view of the state of affairs and financial position of the Group Companies as at the Account Date.
- (C) are true, accurate and complete, in all material respects with regard to capital commitments, assets and liabilities (actual and contingent), profits and loss and the financial position of the Group Companies as at the Account Date.
- (D) are not materially and adversely affected by any unusual or non-recurring items.
- (E) fully disclose all the assets of the Group Companies as at the Account Date.
- (F) fully disclose and make full provision or reserve for all actual liabilities, and
- (G) fully disclose and make provision or reserve for or note all contingent liabilities, capital or burdensome commitments and deferred taxation.

### **2.2 Book debts**

Other than the loans and liabilities as shown in the Accounts, if any, the Group Companies has no outstanding book debts or indebtedness as at the Account Date.

### **2.3 Books and records**

All accounts, books, ledgers, and other financial records of the Group Companies:-

- (A) to the best knowledge and belief of the Existing Shareholders, all accounts, books, ledgers, and other financial records of the Group Companies have been properly maintained and contain accurate records of all matters required to be entered in them in accordance with US GAAP, and applicable statutes and regulations of PRC; and
- (B) give a true and fair view of the matters which ought to appear in them.

### **2.4 Dividends and distributions**

- (A) No dividend or other distribution of profits or assets has been or agreed to be declared, made or paid by the Group Companies since the Account Date.
  - (B) All dividends or other distributions of profits or assets declared, made or paid since the respective dates of incorporation of the Group Companies have been declared, made and paid in accordance with the applicable PRC statutes and regulations and the respective articles of association (or equivalent documents) of each member of the Group Companies.
-

## **2.5 Bank and other borrowings**

- (A) The Group Companies have made no bank borrowings other than those as shown in the Accounts.
- (B) The Group Companies has no outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, bank or other borrowings, loans or other indebtedness, financial facilities, finance leases or hire purchase commitments or any guarantees or other contingent liabilities other than those as shown in the Accounts.
- (C) No material outstanding indebtedness of any member of the Group Companies has become payable by reason of default by any member of the Group Companies and no event of default has occurred or is pending which with the lapse of time or the fulfillment of any condition or the giving of notice may result in any such indebtedness becoming so payable prior to maturity.

## **2.6 Loan capital and guarantees**

Save as disclosed in the Accounts, the Group Companies have no and has not incurred any loan capital or any liability.

## **2.7 Loans**

The Group Companies have not lent any money to any parties which has not been repaid to it or owns the benefit of any debt (whether present or future) other than debts accrued to it in the ordinary course of its business.

## **2.8 Working capital**

- (A) The Group Companies have sufficient working capital for the purposes of operating their existing businesses.
- (B) Save as disclosed in writing prior to signing of this Agreement or transactions contemplated under this Agreement, the Group Companies have no material outstanding capital commitment and is not engaged in any scheme or project requiring expenditure of capital of a significant sum.

## **2.9 Liabilities**

- (A) Save as disclosed in the Accounts, there are no liabilities (including contingent liabilities) which are outstanding on the part of the Group Companies other than those incurred in the ordinary and proper course of business since the Account Date.
  - (B) The Company, INSCOM HK and INSCOM BVI have not incurred any liabilities (including contingent liabilities) since incorporation.
-

## 2.10 Financing Arrangements

In relation to all financing arrangements (including all mortgages, overdrafts and other loan or financial facilities) to which any Group Companies is a party:-

- (A) there has been no contravention of or non-compliance with any provision of any such document.
- (B) no steps for the enforcement of any encumbrances or the early repayment of the indebtedness have been taken or threatened;
- (C) there has not been any alteration in the terms and conditions of any of the said arrangements or facilities all of which are in full force and effect.
- (D) nothing has been done or omitted to be done whereby the continuance of the said arrangements and facilities in full force and effect might be affected or prejudiced.
- (E) none of the arrangements is dependent on the guarantee of or on any security provided by a third party.
- (F) no consent is required from the lenders of such financing arrangements for the entering into and completion of the transactions contemplated under this Agreement, and
- (G) none of the facilities may be terminated, or mature prior to its stated maturity as a result of completion of the Subscription or any matter contemplated by this Agreement.

## 2.11 Position since the Account Date

Since the Account Date:-

- (A) the Group Companies have conducted the business of the Group Companies in a normal and proper manner.
  - (B) the Group Companies have not entered into any unusual contract or commitment or otherwise departs from its normal course of trading.
  - (C) there has been no material adverse change to the Accounts since Account Date.
  - (D) there has not been any sale or transfer by the Group Companies of any material tangible or intangible assets other than in the ordinary course of business, any mortgage or pledge or the creation of any security interest, lien, or encumbrance on any such asset, or any lease of property, including equipment, other than tax liens with respect to taxes not yet due and statutory rights of customers in inventory and other assets.
  - (E) there has not been any damage, destruction, or loss, whether covered by insurance or not, materially adversely affecting the business of the Group Companies (taken as a whole).
-

- (F) there has not been making of any material loan, advance, indemnity or guaranty by the Group Companies to or for the benefit of any person except the creation of accounts receivables in the ordinary course of business.
- (G) there has not been any material adverse change in the business, financial condition, operations, or assets of the Group Companies (taken as a whole. And
- (H) there has not been an agreement to do any of the foregoing.

### **3. COMMERCIAL**

#### **3.1 Effect of Transactions contemplated under this Agreement**

Neither the execution of this Agreement nor the compliance with the terms of this Agreement does and will:-

- (A) conflict with, or result in the breach of, or constitute a default under, any of the terms, conditions or provisions of any agreement or instrument to which the Group Companies is a party, or any provision of the memorandum or articles of association or other corresponding constitutional documents of the Group Companies or any encumbrances, lease, contract, order, judgement, award, injunction, regulation or other restriction or obligation of any kind or character by which or to which any asset of the Group Companies is bound or subject.
- (B) relieve any person from any obligation to the Group Companies or cause any person to determine any such obligation or any right or benefit enjoyed by the Group Companies, or to exercise any right, whether under an agreement with or otherwise in respect of the Group Companies.
- (C) result in the creation, imposition, crystallization or enforcement of any encumbrance whatsoever on any of the assets of the Group Companies, and
- (D) result in any present or future indebtedness of the Group Companies becoming due and payable or capable of being declared due and payable prior to its stated maturity.

#### **3.2 Trading contracts**

Save as disclosed prior to this Agreement, the Group Companies have duly observed and performed the terms and conditions on its part to be observed and performed under its trading contracts.

#### **3.3 Material contracts**

There are no agreements concerning the Group Companies which provide that they can be terminated as a result of completion of the Subscription or a change in the composition of the board of directors of the Group Companies.

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### **3.4 Agreements restricting business**

- (A) Each member of the Group Companies is not a party to any agency, distributorship, marketing, purchasing, manufacturing or licensing agreement or arrangement, or any restrictive trading or other agreement or arrangement which in any way restricts its freedom to carry on business.
- (B) The Group Companies are not a party to any undertaking or assurances given to any court or governmental agency which is still in force.

### **3.5 Defaults under agreements**

- (A) On or prior to the Closing Date, the Group Companies are not and will not with the lapse of time become:-
  - (1) in default under any agreement or covenant to which it is a party or in respect of any other obligations or restrictions binding upon it; and
  - (2) to the best information and belief of the Existing Shareholders, liable in respect of any breach of representation or warranty given under any agreement to which it is a party.
- (B) On or prior to the Closing Date, no threat or claim of default under any agreement, instrument or arrangement to which any member of the Group Companies is a party has been made and is outstanding against it and there is nothing whereby any such agreement, instrument or arrangement may be prematurely terminated or rescinded by any other party or whereby the terms thereof may be materially worsened as against the relevant member of Group Companies.

### **3.6 Other party's defaults**

No party to any agreement with or under an obligation to the Company is (1) in default under it, being a default which would be material in the context of its financial or trading position and there are no circumstances likely to give rise to such a default; or (2) incapable of performing its obligations or granting any rights thereunder.

### **3.7 No powers of attorney**

The Group Companies have not granted any power of attorney or similar authority which remains in force as at the date of this Agreement.

## **4. TAXATION**

- (A) Each Group Company has complied with all other relevant legal requirements relating to registration or notification for Taxation purposes.
  - (B) Each member of Group Company has:-
    - (i) duly and punctually paid all Taxation which it has become liable to pay and is under no liability to pay any penalty or interest in connection with any claim for Taxation and has not paid any tax which it was and is not properly due to pay.
    - (ii) taken all necessary steps to obtain any repayment of or relief from Taxation available to it.
-

- (C) The returns which ought to have been made by or in respect of any member of Group Companies for any Taxation purposes have been made and all such returns are up-to-date correct and on a proper basis and are not the subject of any dispute with any Taxation or other relevant authority and there are no present circumstances known to the Existing Shareholders which are likely to give rise to any such dispute and provision has been made in the Accounts for all amounts which were or would have been shown by any such return to be payable by the Company.
- (D) The provisions (if any) included in the Accounts are sufficient to cover all Taxation in respect of all periods ending on or before the Account Date for which the Group Companies was then or might at any time thereafter become or have become liable.

**5. INTELLECTUAL PROPERTY**

- (A) No member of the Group has entered into any agreements, arrangement or understanding (whether legally enforceable or not) for the licensing or otherwise permitting the use or exploitation of the IP Rights.
  - (B) None of the IP Works is currently being infringed, misused or used without authorization by any third party and none of it has been so infringed, misused or used without authorization during the last three years nor will it be so infringed, misused or used and no third party has threatened any such infringement, misuse or unauthorized use.
  - (C) To the best belief and knowledge of the Existing Shareholders, there are no circumstances under which the Group's right to use IP Works may be prohibited or terminated.
  - (D) The activities of the Group Companies do not infringe or otherwise involve the misuse or unauthorized use of any industrial or intellectual property rights of third parties. None of the IP Rights has been wrongfully or unlawfully acquired by the Group Companies. No claim under any warranty contained in such documentation has been made or intimated nor are there any reasonable grounds on which any such claim could be made.
-

- (E) The Group has taken all steps open to it to preserve its IP Works including, but not limited to take all reasonable steps to preserve the confidentiality of all know-how, confidential information and trade secrets used in the Business, including ensuring that all such know-how, information and secrets are fully documented and held in a secure location in the possession or control of the Group, are only disclosed to such employees and other persons to whom disclosure is necessary in the normal conduct of the business of the Group and who are aware of, and accept in writing an obligation to maintain, the confidentiality thereof.
- (F) The Group has not in the past been carrying on the business in such a way as to infringe any intellectual property right of any person, does not do so as at the date of this Agreement, and it will not do so prior to Closing.

**6. PROPERTIES**

None of the Group has owned any real property in the PRC or elsewhere.

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## SCHEDULE 5

### Rights of First Refusal

1. The relevant Selling Shareholder shall first give a notice in writing within 7 days after receipt of the offer (the “**Transfer Notice**”) from any third party (“**Prospective Purchaser**”) to CISG informing that he/she/it has received such an offer. The Transfer Notice shall specify:-
    - (a) the number of stocks which the Prospective Purchaser wishes to acquire (the “**Offered Shares**”);
    - (b) the name of the Prospective Purchaser;
    - (c) the price which the Prospective Purchaser has offered for the Offered Shares (if any); and
    - (d) details of any other material terms of the offer made by the Prospective Purchaser (if any) and any other material terms or circumstances known to the relevant Selling Shareholder which affect or may affect the offer.
  2. CISG (“**Purchasing Shareholder**”) may within a period of 15 Business Days after receipt of the Transfer Notice require the relevant Selling Shareholder to sell the Relevant Shares to CISG under the same terms and conditions.
  3. None of the Existing Shareholders shall Transfer or agree to transfer or enter into any arrangement for the transfer of the Offered Shares or any part thereof to the Prospective Purchaser or its nominees unless the provisions set out herein have been duly complied with.
-

## SCHEDULE 6

### Rights and Privileges of Preference Shares

The Preference Shares shall have the following rights:

- (a) Total Issue Price: Subscription Consideration
- (b) Dividends: The registered holders of the Preference Shares shall have the same entitlement to the dividends as that of the registered holders of the Ordinary Shares.
- (c) Liquidation Preference
- (1) In the event of any Liquidation Event:
- (i) the holders of the Preference Shares shall be entitled to receive, prior to any distribution to the holders of the Ordinary Shares or any other class or series of Shares:
- (I) an amount per Preference Share (as adjusted for any share splits, share dividends, combinations, recapitalizations or the like) as calculated as follows:
- = Subscription Consideration /  $[[69,250] + \text{Number of Additional Preference Shares issued (if any)}]$ ;
- (II) all accrued or declared but unpaid dividends on the Preference Shares; and
- (III) interest on both (I) and (II) at an interest rate of [30]% per annum accrued from Closing Date to the date of Liquidation Event
- ((I), (II) and (III) collectively referred to as the “**Preference Amount**”).
- If upon such liquidation, dissolution or winding up of the Company, the assets available to be distributed among the holders of Preference Shares shall be insufficient to permit the payment in full of the Preference Amount, the entire assets of the Company to be distributed shall be distributed ratably among the holders of the Preference Shares; and
- (ii) after the distribution of the aforementioned Preference Amount, any remaining funds or assets of the Company legally available for distribution to shareholders shall be distributed *pro rata* among the holders of the Preference Shares (on an as-converted basis) together with the holders of the Ordinary Shares.
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- (2) For the purpose of this Schedule, “**Liquidation Events**” shall mean liquidation, dissolution or winding up of the Company, either voluntary or involuntary, and be deemed to include any merger, acquisition or sale of voting control of the Company as a result of which its existing shareholders will not retain a majority of the voting power in the new controlling entity of the Group, a sale of all or substantial part of the Company’s assets.

- (d) Voting Rights: The registered holders of the Preference Shares shall have the same voting rights as those of the registered holders of the Ordinary Shares at any general meeting of the Company.
- (e) Redemption: CISG shall have the right to demand the Company to redeem the Preference Shares held by CISG for cash at RMB 400 million (or the USD equivalent to RMB 400 million at such an exchange rate to be quoted by the remitting bank at the date when redemption shall be made by the Company) prior to the occurrence of IPO.
- (f) Profit Entitlement CISG shall be entitled to all of the dividend or other distribution of the profit of the Group prior to the occurrence of IPO and CISG shall have the right to demand the Company to pay to CISG the dividend or other distribution of profit prior to the occurrence of IPO.

DATED THE 29TH DAY OF OCTOBER, 2010

(1) INSCOM HOLDING LIMITED

and

(2) INSCOM GROUP LIMITED

and

(3) INSCOM HK LIMITED

and

(4) APOLLO & MUSE HOLDING LIMITED

and

(5) CLEVER STAR HOLDINGS LIMITED

and

(6) CISG HOLDINGS LTD.

and

(7) WANG STRATEGIC CAPITAL PARTNERS (II) LIMITED

and

(8) HARBOR PACIFIC CAPITAL PARTNERS I, LP

**DEED OF ADHERENCE**  
relating to  
**INSCOM HOLDING LIMITED**

**STEVENSON, WONG & CO.**  
4/F & 5/F, Central Tower  
No. 28 Queen's Road Central  
Hong Kong

Ref.: WNF/ECL/HLO(P)/69782/10(Comm)

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**THIS DEED** is made on the 29<sup>th</sup> day of October 2010.

**BETWEEN:-**

- (1) **INSCOM HOLDING LIMITED**, a company incorporated under the laws of the British Virgin Islands (under company number 1584021) whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (the “**Company**”);
- (2) **INSCOM GROUP LIMITED**, a company incorporated under the laws of the British Virgin Islands (under company number 1584027) whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**INSCOM BVI**”);
- (3) **INSCOM HK LIMITED**, a company incorporated under the laws of the HKSAR (under company number 1457225) whose registered office is situated at 12/F Ruttonjee House, 11 Duddell Street, Central, Hong Kong. (“**INSCOM HK**”);
- (4) **APOLLO & MUSE HOLDING LIMITED**, a company incorporated under the laws of British Virgin Islands (under company number 1584020) whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**Apollo**”);
- (5) **CLEVER STAR HOLDINGS LIMITED**, a company incorporated under the laws of British Virgin Islands (under company number 1593866) whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**CSH**”);
- (6) **CISG HOLDINGS LTD.**, a company incorporated under the laws of the British Virgin Islands (under company number 599853) whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**CISG**”);
- (7) **WANG STRATEGIC CAPITAL PARTNERS (II) LIMITED** , an exempted limited liability company incorporated under the laws of Cayman Islands (under company number 177120) whose registered office is situated at Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands (“**WSCP**”);
- (8) **HARBOR PACIFIC CAPITAL PARTNERS I, LP** , an exempted limited partnership registered in the Cayman Islands (under registration number QH-37645) whose registered office is situated at c/o Mourant Cayman Corporate Services Ltd, Harbour Center, 42 North Church Street, P.O. Box 1348, George Town, Grand Canyon KY1-1108, Cayman Islands (“**HPC**”); and

(INSCOM HK, INSCOM BVI, Apollo, CSH and CISG collectively the “**Continuing Parties**”, WSCP and HPC collectively the “**New Parties**”)

---

**WHEREAS:-**

- (1) By a subscription and shares purchase and shareholders agreement dated 29 July 2010 (the “**1<sup>st</sup> Agreement**”) entered into between, inter alia, the Company and the Continuing Parties, the parties thereto have agreed to regulate the business, affairs and management of the Company and the relationship between the parties thereto upon the terms and conditions therein contained. A copy of the 1<sup>st</sup> Agreement is now attached to this Deed and marked “Exhibit A”.
- (2) Pursuant to a subscription and shares purchase agreement (“**SPA**”) dated on or about the same date as this Deed entered into by the Company, INSCOM BVI, INSCOM HK, Apollo, CSH, WSCP and HPC, (i) WSCP and HPC have agreed to subscribe and the Company has agreed to issue and allot to each of WSCP and HPC 60 Ordinary Shares of US\$1.00 each in the Company and (ii) Apollo has agreed to sell and WSCP and HPC have agreed to each purchase 115 Ordinary Shares of US\$1.00 each in the Company.
- (3) Completion of the subscription and shares purchase pursuant to the SPA (“**Completion**”) shall take place immediately after execution of this Deed by the parties hereto, whereupon the New Parties shall become the beneficial and legal owner and holders of the Subscription Shares and Sale Shares (as defined in the SPA).
- (4) This Deed is made subject to all terms and conditions set out in the 1<sup>st</sup> Agreement.

**NOW THIS DEED WITNESSETH** as follows:-

1. Unless otherwise defined in this Deed, terms and expressions used in this Deed shall have the same meanings ascribed to them in the 1<sup>st</sup> Agreement.
  2. Pursuant to Section 12.2 of the 1<sup>st</sup> Agreement, the Company and the Continuing Parties hereby agree to amend the Closing Date under the 1<sup>st</sup> Agreement to “in any event shall not be later than 1 November 2010”. In other words, all Closing conditions set out in Section 5.1 thereto shall be fulfilled or waived by written agreement of the Subscriber or CISG on or before 1 November 2010 in accordance with the same section.
  3. The New Parties confirm that they have each read a copy of the 1<sup>st</sup> Agreement and hereby covenant with the Company and the Continuing Parties that with effect from Completion, the New Parties shall perform, assume, comply with and be bound by all the terms, covenants, obligations and provisions in the 1<sup>st</sup> Agreement as if the New Parties were original parties to the 1<sup>st</sup> Agreement. Specifically, the New Parties will have the same rights and obligations as CSH under Sections 8.2, 8.3, Articles IX and X of the 1<sup>st</sup> Agreement.
  4. A strategic committee (the “**Strategic Committee**”) shall be set up under the supervision of the board of directors of the Company. Unless otherwise agreed by CISG, the Strategic Committee shall consist of six (6) committee members of whom four (4) shall be appointed by CISG, one (1) shall be appointed by Apollo and one (1) shall be appointed by WSCP and HPC jointly.
-

5. For the purpose of Clause 12.1 of the 1<sup>st</sup> Agreement, the correspondence details of the New Parties are as follows:-

**The New Parties**

If to WSCP:

Address: 31st Floor, China United Center, 28 Marble Road, North Point, HKSAR  
Fax No.: 852-31071233

Attention: Mr. Sing Wang and Ms. Ka Yik Kwok

If to HPC:

Address: 525 University Avenue, Suite 100,  
Palo Alto, California 94301, USA.  
Fax No.: +1-650-322-8092

Attention: Mr. Stuart Kwok and Mr. Kent Ho

6. Save as varied or supplemented by this Deed, the 1<sup>st</sup> Agreement shall remain in full force and effect.
7. This Deed is governed by the laws of Hong Kong Special Administrative Region and any dispute, controversy or claim arising out of or relating to this Deed, or any breach, termination or invalidity thereof, shall be settled in the manner as described in the Article XI of the 1<sup>st</sup> Agreement.
8. With effect from the date of this Deed, this Deed together with the 1<sup>st</sup> Agreement shall be construed as one instrument, but in the event of any conflict between this Deed and the 1<sup>st</sup> Agreement, the provisions of this Deed shall prevail.
9. In the event of any conflict between this Deed and the SPA, the provisions of this Deed shall prevail.
10. This Deed may be executed by the parties hereto in any number of counterparts and on separate counterparts, each of which when so executed shall be deemed to be an original but all of which shall constitute one and the same instrument and is binding on all parties hereto.
-

IN WITNESS whereof the parties hereto have executed this Deed the day and year said above written

**INCOM HK**

<b>SIGNED, SEALED and DELIVERED</b>	)	
by <b>TIAN YUAN</b>	)	/s/ Tian Yuan
for and on behalf of	)	[Seal is affixed]
<b>INSCOM HK LIMITED</b>	)	
in the presence of	)	

/s/ Xiao Fei

**INCOM BVI**

<b>SEALED with the COMMON SEAL of</b>	)	
<b>INSCOM GROUP LIMITED</b>	)	
and signed by	)	/s/ Tian Yuan
<b>TIAN YUAN</b>	)	[Common Seal is affixed]
in the presence of	)	

/s/ Xiao Fei

**CSH**

<b>SEALED with the COMMON SEAL of</b>	)	
<b>CLEVER STAR HOLDINGS LIMITED</b>	)	
and signed by	)	/s/ Feng Zhuojun
<b>FENG ZHUOJUN</b>	)	[Common Seal is affixed]
in the presence of	)	

/s/ Zhu Jiusheng

**CISG**

<b>SEALED with the COMMON SEAL of</b>	)	
<b>CISG HOLDINGS LTD.</b>	)	
and signed by	)	/s/ Hu Yinan
<b>HU YINAN</b>	)	[Common Seal is affixed]
in the presence of	)	

/s/ Zhu Jiusheng

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**Apollo**

SEALED with the COMMON SEAL of )  
APOLLO & MUSE HOLDING LIMITED )  
and signed by ) /s/ Tian Yuan  
TIAN YUAN ) [Common Seal is affixed]  
in the presence of )

/s/ Xiao Fei

**WSCP**

SEALED with the COMMON SEAL of )  
WANG STRATEGIC CAPITAL )  
PARTNERS (II) LIMITED )  
and signed by ) /s/ Wang Sing  
WANG SING )  
in the presence of )

/s/ Rebecca

**HPC**

SEALED with the COMMON SEAL of )  
Harbor Pacific Capital LLC as general partner of )  
HARBOR PACIFIC CAPITAL )  
PARTNERS I, LP )  
and signed by ) /s/ Stuart Kwok  
STUART KWOK )  
in the presence of )

/s/ Bonwoong Koo

**The Company**

SEALED with the COMMON SEAL of )  
INSCOM HOLDING LIMITED )  
and signed by ) /s/ Tian Yuan  
TIAN YUAN ) [Common Seal is affixed]  
in the presence of )

/s/ Xiao Fei

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**Exhibit A**

**Subscription and Shares Purchase and Shareholders Agreement  
Dated 29 July 2010  
("1st Agreement")**

DATED THE 29TH DAY OF OCTOBER 2010

(1) INSCOM HOLDING LIMITED

and

(2) INSCOM GROUP LIMITED

and

(3) INSCOM HK LIMITED

and

(4) APOLLO & MUSE HOLDING LIMITED

and

(5) CLEVER STAR HOLDINGS LIMITED

and

(6) WANG STRATEGIC CAPITAL PARTNERS (II) LIMITED

and

(7) HARBOR PACIFIC CAPITAL PARTNERS I, LP

**SUBSCRIPTION and SHARE PURCHASE  
AGREEMENT**

relating to

**INSCOM HOLDING LIMITED**

**STEVENSON, WONG & CO.**

4/F & 5/F, Central Tower

No. 28 Queen's Road Central

Hong Kong

Ref.: WNF/ECL/HLO(P)/69782/10(Comm)

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**THIS SUBSCRIPTION AND SHARES PURCHASE** is made on the 29th day of October 2010.

**BETWEEN:-**

- (1) **INSCOM HOLDING LIMITED**, a company incorporated under the laws of the British Virgin Islands (under company number 1584021) whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (the “**Company**”);
- (2) **INSCOM GROUP LIMITED**, a company incorporated under the laws of the British Virgin Islands (under company number 1584027) whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**INSCOM BVI**”);
- (3) **INSCOM HK LIMITED**, a company incorporated under the laws of the HKSAR (under company number 1457225) whose registered office is situated at 12/F Ruttonjee House, 11 Duddell Street, Central, Hong Kong. (“**INSCOM HK**”);
- (4) **APOLLO & MUSE HOLDING LIMITED**, a company incorporated under the laws of British Virgin Islands (under company number 1584020) whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**Apollo**”);
- (5) **CLEVER STAR HOLDINGS LIMITED**, a company incorporated under the laws of British Virgin Islands (under company number 1593866) whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**CSH**”);
- (6) **WANG STRATEGIC CAPITAL PARTNERS (II) LIMITED**, an exempted limited liability company incorporated under the laws of Cayman Islands (under company number 177120) whose registered office is situated at Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands (“**WSCP**”); and
- (7) **HARBOR PACIFIC CAPITAL PARTNERS I, LP**, an exempted limited partnership registered in the Cayman Islands (under registration number QH-37645) whose registered office is situated at c/o Mourant Cayman Corporate Services Ltd, Harbour Center, 42 North Church Street, P.O. Box 1348, George Town, Grand Cayman KY1-1108, Cayman Islands (“**HPC**”).

**WHEREAS:-**

- (A) The Company is a private limited company incorporated and subsisting under the laws of the British Virgin Islands and as at the date hereof has an authorized capital of US\$10,000,000 divided into 8,000,000 ordinary shares of US\$1.00 each and 2,000,000 preference shares of US\$1.00 each, of which 10,000 Ordinary Shares have been issued and fully paid. Corporate information of the Company is set out in Schedule 1 to this Agreement.

- (B) As at the date hereof, the Company is the legal and beneficial owner of the entire issued share capital of INSCOM BVI, which in turn owns the entire issued share capital of INSCOM HK. Corporate information of INSCOM BVI and INSCOM HK is set out in Schedules 3A and 3B respectively to this Agreement. INSCOM HK owns the entire equity interests in 英斯康信息技术(深圳)有限公司 (“**Ying Si Kang**”) as at the date hereof, which is a wholly foreign owned enterprise incorporated in PRC. Corporate information of Ying Si Kang is set out in Schedule 3C to this Agreement. Through the structure of variable interests entities (“**VIE**”), Ying Si Kang has exercised effective control and management over the following two PRC companies: -
- (i) 深圳市新保投资管理有限公司 (SZ Xinbao Investment); and
  - (ii) 深圳市保网电子商务有限公司 (SZ InsCom E-Commerce).
- (SZ Xinbao Investment and SZ InsCom E-Commerce are collectively referred to as the “**PRC Subsidiaries**” and individually, a “**PRC Subsidiary**”. The current corporate information of each PRC Subsidiary is set out in Schedule 3D of this Agreement.)
- (C) Pursuant to the Subscription and Shares Purchase and Shareholders Agreement dated 29 July 2010 entered into by the Company, INSCOM BVI, INSCOM HK, Apollo, CSH and CISG Holdings Ltd (“**CISG**”), immediately upon closing of the subscription and shares purchase as defined in such agreement, CISG shall procure its beneficial equity interests in the following PRC companies be transferred to Ying Si Kang or its associated companies in the PRC: -
- (i) 河南泛华安联保险代理有限公司 (“HN Fanhua Anlian Insurance”);
  - (ii) 杭州泛华执信保险代理有限公司 (“HZ Fanhua Zhixin Insurance”);
  - (iii) 天津泛华祥和保险代理有限公司 (“TJ Fanhua Xianghe Insurance”);
  - (iv) 福州泛华国信保险代理有限公司 (“FZ Fanhua Guoxin Insurance”);
  - (v) 长沙联益保险代理有限公司 (“CS Lianyi Insurance”); and
  - (vi) 宁波保联保险代理有限公司 (“NB Baolian Insurance”).
- (D) As at the date hereof, Apollo is legal and beneficial owner of 7,788 Ordinary Shares of the Company constituting 77.88% of the entire issued share capital of the Company. Apollo has agreed to sell and each of WSCP and HPC has agreed to purchase the Sale Shares (as defined below) in accordance with the terms of this Agreement.
- (E) Pursuant to the Subscription and Shares Purchase and Shareholders Agreement dated 29 July 2010 entered into by the Company, INSCOM BVI, INSCOM HK, Apollo, CSH and CISG, (i) CISG has agreed to subscribe and the Company has agreed to issue and allot to CISG 69,250 Preference Shares of US\$1.00, and (ii), Apollo has agreed to sell and CISG has agreed to purchase 6,588 Ordinary Shares of US\$1.00 each, the closing of which is to take place no later than 1 October 2010, which is subsequently amended to 1 November 2010 by a deed of adherence.

- (F) Each of WSCP and HPC has agreed to subscribe and the Company has agreed to issue and allot to each of WSCP and HPC such number of Subscription Shares (as defined below) in accordance with the terms of this Agreement.
- (G) The Parties are desirous of entering into this Agreement to set out the terms and conditions of the Subscription and Shares Purchase.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and of other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereto agree as follows:-

## **ARTICLE I DEFINITIONS**

Section 1.1 Definitions. As used herein and unless otherwise expressly stipulated, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“**Affiliate**” of any Person shall mean any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such Person. The term “**control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“**Agreement**” shall mean this subscription and shares purchase agreement, together with the Schedules hereto, as modified, supplemented or amended from time to time.

“**Articles of Association**” shall mean the Memorandum and Articles of Association of the Company, as modified, supplemented or amended from time to time in accordance with the terms hereof and thereof.

“**Associates**” shall have the same meaning as ascribed thereto under the Listing Rules.

“**Board**” or “**Board of Directors**” shall mean the board of directors of the Company.

“**Business Day**” shall mean any day except a Saturday, Sunday or other day on which commercial banking institutions in any one of China, Hong Kong or New York City is authorized or required to close.

“**China**” or “**PRC**” shall mean the People’s Republic of China.

“**Closing**” shall mean completion of the Subscription and Shares Purchase on the Closing Date. The corporate structure immediate after Closing is set out in Schedule 2 of this Agreement.

“**Closing Date**” shall mean the date when all Closing conditions set out in Section 5.1 are fulfilled or such other date as the Company and WSCP and HPC shall agree in writing upon which Subscription and Shares Purchase shall be completed in accordance with Section 5.2 and in any event shall not be later than 29 October 2010.

“**Company Shareholder(s)**” shall mean the Existing Shareholders and any other shareholders of the Company for so long as it/he/she is a shareholder registered in the Register of Members of the Company.

“**Control**” shall have the meaning provided in the definition of “**Affiliate**” in this Section 1.1.

“**Directors**” shall mean members of the board of directors of the Company.

“**Encumbrances**” shall mean any mortgage, charge, pledge, lien, equities, hypothecation or other encumbrance, priority of security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-lease back arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same.

“**Entire Issued Share Capital**” shall mean all issued shares of the Company including both Ordinary Shares and Preference Shares.

“**Equitable Share Mortgage**” shall mean the share mortgage in connection with the 291 ordinary shares owned by Apollo in the Company to be executed by Apollo in favour of WSCP and HPC as security under an agreement to be executed by Mr. Tian Yuan, a shareholder of Apollo, in connection with or ancillary to the Put Option Agreement.

“**Existing Shareholders**” shall mean Apollo, and CSH.

“**Governmental Authority**” shall mean the government of China or any other country or any provincial, state or political subdivision thereof and any administration, agency, court, commission or other authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any stock or commodities exchange or other quasi-governmental entity established to perform such functions.

“**Group**” shall mean the Company, INSCOM BVI, INSCOM HK, Ying Si Kang, PRC Subsidiaries (as defined in the preamble of this Agreement) and their respective Subsidiaries, Affiliates, Associates, and any other company which becomes the holding company of the Company or which owns or carries on all or substantially all of the business, assets and undertaking of the Company and the term “**Group Company(ies)**” shall be construed as any member(s) of the Group.

“**HK\$**” shall mean dollars in the lawful currency of HKSAR.

“**HKSAR**” shall mean Hong Kong Special Administrative Region of China.

“**Listing Rules**” shall mean the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and that the term “**Other Applicable Securities Rules**” shall mean such applicable rules governing listing of securities of National Association of Securities Dealers Automated Quotation System or other internationally recognized stock exchange or securities exchange.

**“Ordinary Shares”** shall mean the ordinary shares of US\$1.00 each of the Company as provided in the Articles of Association.

**“Parties”** shall mean the parties to this Agreement i.e. the Company, INCOM HK, INSCOM BVI, Apollo, CSH, WSCP and HPC and their respective successors and permitted transferees in accordance with the terms of this Agreement.

**“Person”** shall mean any individual, corporation, partnership, joint venture, association, trust, limited liability company or any other entity or organization, including a governmental or political subdivision or an agency, unit or instrumentality thereof.

**“Preference Shares”** shall mean the preference shares of US\$1.00 each in the Company.

**“Put Option Agreement”** shall mean the agreement prepared in connection with or ancillary to the Subscription and Share Purchase by WSCP and HPC, dated on or about the date of this Agreement and entered into among Apollo, WSCP, HPC and Mr. Hu Yinan. where Hu Yinan agreed to grant an option to each of WSCP, HPC and Apollo to require Mr. Hu Yinan to buy all of the shares held by each of WSCP, HPC and Apollo in the Company.

**“Regulatory Approvals”** shall mean any license, approval, authorization or consent of, or filing, registration or qualification with, or notice to, any Governmental Authority which is required to be made or obtained by the Company and/or its Subsidiaries in connection with the conduct of their businesses as contemplated by this Agreement and the Articles of Association.

**“RMB”** shall mean Renminbi, the lawful currency of China.

**“Sale Shares”** shall mean an aggregate of 230 Ordinary Shares legally and beneficially owned by Apollo, which shall be sold by Apollo to WSCP and HPC in equal proportions and in accordance with the terms of this Agreement.

**“Shares”** shall mean Ordinary Shares and Preference Shares.

**“Share Purchase”** shall mean the purchase of Sale Shares by WSCP and HPC in equal proportions as provided in Article III of this Agreement.

**“Share Purchase Consideration”** shall have the meaning provided in Section 3.2.

**“Subscription”** shall mean the subscription of Subscription Shares by WSCP and HPC as provided in Article IV of this Agreement.

**“Subscription Consideration”** shall have the meaning provided in Section 4.2.

**“Subscription Shares”** shall mean an aggregate of 120 Ordinary Shares, which shall be subscribed for by WSCP and HPC in equal proportions and in accordance with the terms of this Agreement.

“**Subsidiary**” of any Person shall mean any other Person of which the first Person, directly or indirectly: (i) has the power to appoint or remove a majority of the board of directors or, if such other Person does not have a board of directors, other individuals performing similar functions; or (ii) controls 50% or more of the issued shares or securities of such other Person having power to vote; “**Subsidiaries**” shall be construed accordingly.

“**Transfer**” shall mean any sale, assignment, conveyance, pledge, mortgage or other disposition.

“**USD**” or “**US\$**” shall mean dollars in the lawful currency of the United States of America.

“**US GAAP**” shall mean Generally Accepted Accounting Principles as may from time to time be adopted by the Financial Accounting Standards Board.

“**Warranties**” shall mean the representations and warranties given in the terms as set out in Article VI of this Agreement.

Section 1.2 Principles of Construction. All references to articles, sections and exhibits are to articles, sections and exhibits in or to this Agreement unless otherwise specified. The words “**hereof**”, “**herein**”, and “**hereunder**” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

## **ARTICLE II THE COMPANY; COOPERATION**

Section 2.1 Cooperation. Each of the Parties shall cooperate and ensure due performance and observance of all the terms and conditions of this Agreement (in so far as that Party is responsible for the compliance of such terms and conditions as contemplated under this Agreement).

## **ARTICLE III SHARE PURCHASE**

Section 3.1 Purchase of Sale Shares. Subject to the satisfaction by WSCP and HPC of all the conditions set forth in Section 5.1, Apollo, as the legal and beneficial owner, shall sell and each of WSCP and HPC, relying on the Warranties, shall purchase the Sale Shares in equal proportions on the Closing Date or such later date by mutual agreement between Apollo and each of WSCP and HPC free from Encumbrances and with all rights now or hereafter becoming attached to the Sale Shares (including, the right to receive all dividends and distributions declared, made or paid on the Sale Shares or in respect of them on or after the date of this Agreement).

Section 3.2 Consideration for the Share Purchase. The consideration for the purchase of the Sale Shares shall be in the sum of RMB23,000,000 (or the USD equivalent of RMB23,000,000 at such exchange rate to be quoted by the remitting bank at the date when remittance is made by WSCP and HPC) which shall be paid by WSCP and HPC to Apollo in equal proportions (i.e. RMB11,500,000 each) in clear and available fund (or such other means of payment as agreed between Apollo and both of WSCP and HPC) within 10 Business Days from the Closing Date.

#### ARTICLE IV THE SUBSCRIPTION

Section 4.1 The Subscription. Subject to the satisfaction of both WSCP and HPC of all the conditions set forth in Section 5.1, WSCP and HPC agree to subscribe for and the Company agrees to issue to WSCP and HPC or their respective nominee(s) the Subscription Shares in equal proportions free from all Encumbrances on the Closing Date or such later date as when such conditions are satisfied or waived.

Section 4.2 Consideration for the Subscription. In consideration of the Company's allotment of the Subscription Shares to WSCP and HPC, WSCP and HPC shall each pay RMB 6,000,000 (or the USD equivalent of RMB 6,000,000 at such an exchange rate to be quoted by the remitting bank at the date immediately before the remittance shall be made by each of WSCP and HPC) to the Company upon Closing. WSCP and HPC had in June 2010 already paid the USD equivalent of RMB 2,500,000 as part payment payable by WSCP and HPC for allotment of the Subscription Shares and pursuant to the instruction of the Company such amount was paid to INSCOM HK on that date, pending allotment of the Subscription Shares. Further, WSCP and HPC had on 22 October, 2010 paid an additional amount of the USD equivalent of RMB 9,500,000 to the Company as balance amount payable by WSCP and HPC for allotment of the Subscription Shares, pending allotment of the Subscription Shares and subject to the terms of a letter from WSCP and HPC to the other Parties to this Agreement, CISG and Mr. Tian Yuan, the contents of which are acknowledged and agreed by the other Parties to this Agreement, CISG and Mr. Tian Yuan (the "**Side Letter**"). The Parties agree that such amount already paid to the Company shall be applied upon Closing as consideration for the allotment of the Subscription Shares.

#### ARTICLE V CONDITIONS TO CLOSING; CLOSING

Section 5.1 Conditions to Closing of the Subscription and Share Purchase. The obligation of WSCP and HPC to effect the Closing of the Subscription and Share Purchase under this Agreement is subject to the fulfillment, prior to or at the Closing, of each of the following conditions (any or all of which, to the extent permitted by law, may be waived by written agreement of WSCP and HPC):

- (a) Representations and Warranties. The representations and warranties of each of the Parties contained in Section 6.1 of this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though made again on and as of such date.
- (b) Performance of Obligations. Each of the other Parties shall have performed and complied in all material respects with all obligations and covenants required to be performed or complied with by it on or prior to the Closing Date.

- (c) No Government Injunction/Consents from Governmental Authority. There is not any pending or threatened action, proceeding or investigation that seeks any governmental injunction or restraining order issued by a court of competent jurisdiction against the Company and/or any member of the Group. All consents, permits from relevant Governmental Authority as well as all third party consents which are legally required for completion of the Subscription and Shares Purchase having been duly obtained.
- (d) No Material Adverse Change. There shall not have occurred any material adverse change in the financial markets, governmental regulations and business environment in China. WSCP and HPC being satisfied that consummation of any of the transactions contemplated by this Agreement would not produce a material adverse effect on the Group or the business of the Group.
- (e) Deed of Adherence. Parties and CISG shall enter into a deed of adherence pursuant to which WSCP and HPC shall agree to be bound by all the restrictions of and to discharge all duties and obligation as set out in the subscription and shares purchase and shareholders agreement dated 29 July 2010 as if they were original parties thereto. Specifically, WSCP and HPC shall have the same rights and obligations as CSH under Sections 8.2, 8.3, Articles IX and X of the subscription and shares purchase and shareholders agreement dated 29 July 2010. Such deed of adherence shall be in such form as the other parties shall reasonably require.
- (f) Waiver of Rights of First Refusal. Apollo shall, in respect of the sale of Shares by WSCP, HPC and Apollo as a result of exercising of the put option pursuant to the terms of the Put Option Agreement, procure, in writing, the waiver of any restrictions on the sale of Shares held in the name of Apollo, WSCP and HPC which exist in relation to CISG's rights, including right of first refusal, arising out of or in connection with the subscription and shares purchase and shareholders agreement dated 29 July 2010 or otherwise.
- (g) Put Option Agreement and documents ancillary to the Put Option Agreement. The Put Option Agreement and any ancillary document to the Put Option Agreement including without limitation, the Equitable Share Mortgage and the agreement amongst Mr. Tian Yuan, WSCP and HPC, shall be duly executed by all parties thereto.
- (h) Consent and approval for execution of the Equitable Share Mortgage. Apollo shall, (i) pursuant to Section 8.1 of the subscription and shares purchase and shareholders agreement dated 29 July 2010, obtain the written consent and approval from CISG for the execution and performance by Apollo of the Equitable Share Mortgage; and, (ii) pursuant to Section 6.1(e) of this Agreement, obtain approval from the Board of Directors authorizing the execution and performance by Apollo of the Equitable Share Mortgage.
- (i) Authority for Apollo to execute the Put Option Agreement, the Equitable Share Mortgage and ancillary documents. Apollo shall obtain (i) approval from the board of directors authorizing the execution and performance by Apollo of all documents contemplated hereunder, in connection with or ancillary to this Agreement and/or the Share Purchase and the Subscription including, without limitation, the Put Option Agreement and the Equitable Share Mortgage; (ii) approval from the shareholders of the Apollo authorizing and approving the execution and performance by Apollo of all documents contemplated hereunder, in connection with or ancillary to this Agreement and/or the Share Purchase and the Subscription including, without limitation, the Put Option Agreement and the Equitable Share Mortgage.

In the event that the Conditions are not fulfilled on or before 29 October 2010 (or such later date as may be agreed between the Parties), this Agreement and all rights and obligations hereunder will cease and terminate and none of the Parties hereto will have any claim against the other for costs, damages, compensation or otherwise; provided however that the Company shall forthwith repay the USD equivalent of RMB 12,000,000, being the sum advanced by WSCP and HPC to the Company as referred in Clause 4.2 above, upon receipt of written notice from WSCP and HPC demanding payment.

Section 5.2 Closing of the Subscription and Share Purchase.

- (a) Company's Obligations. Subject to satisfaction of all the conditions set out in Section 5.1, Closing shall take place on the Closing Date. At Closing and in so far as the Subscription is concerned, the Company shall procure the Company to deliver to each of WSCP and HPC:-
- (i) duly executed sealed share certificate(s) issued in the name of each of WSCP and HPC or its respective nominee(s) in respect of the Subscription Shares in favor of WSCP and HPC and/ or its respective nominee(s);
  - (ii) certified true copies of the board resolutions as referred to in Section 5.2(c); and
  - (iii) such other documents (including any power of attorney under which any document required to be delivered under this Section shall have been executed and any waivers or consents) as WSCP and HPC may require to enable WSCP and HPC and/or its respective nominee(s) to be registered as holders of the Subscription Shares.
- (b) Apollo's Obligations. Subject to satisfaction of all the conditions set out in Section 5.1, Closing shall take place on the Closing Date. At Closing and in so far as the Shares Purchase is concerned, Apollo shall cause to deliver to each of WSCP and HPC:
- (i) originals of duly executed Put Option Agreement, the Equitable Share Mortgage and an agreement to be executed by Mr. Tian Yuan;
  - (ii) a certified copy of the duly passed resolutions of the board of directors of the Apollo authorizing and approving the execution and performance by Apollo of the Put Option Agreement and the Equitable Share Mortgage;

- (iii) a certified copy of the duly passed resolutions of the shareholders of the Apollo authorizing and approving the execution and performance by Apollo of the Put Option Agreement and the Equitable Share Mortgage;
  - (iv) written consent and approval of CISG for the execution and performance by Apollo of the Put Option Agreement and Equitable Share Mortgage;
  - (v) originals of the waiver duly signed by CISG referred to in Section 5.1 (f);
  - (vi) original share certificate(s) in respect of the Sale Shares;
  - (vii) the duly completed and executed instrument(s) of transfer and sold notes by Apollo in favor of each of WSCP and HPC or its respective nominee(s) in respect of the Sale Shares ;
  - (viii) a copy of the Company's register of members, certified by a director of the Company as true and complete as of the Closing Date, updated to show each of WSCP and HPC or its respective nominee(s) as the holder of the Sale Shares of the Company; and
  - (ix) a certified copy of the written resolutions of the directors of Apollo authorizing the Share Purchase.
- (c) Board Resolutions of the Company. On or prior to Closing, the Company shall pass and the Existing Shareholders shall cause the Company to pass board resolutions to the effect that:
- (i) the execution and performance by Apollo under the Equitable Share Mortgage is authorized and approved
  - (ii) the Subscription Shares be allotted and issued to each of WSCP and HPC on the Closing Date, for cash at the Subscription Consideration;
  - (iii) the transfer of the Sale Shares shall be approved for registration and the relative share certificates issued to each of WSCP and HPC or its respective nominee(s);
  - (iv) each of WSCP and HPC or its respective nominee(s) be entered into the register of members of the Company as holders of the Subscription Shares and the Sale Shares;

**ARTICLE VI**  
**REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS**

Section 6.1 Warranties of All Parties. Each Party hereby represents and warrants to the other Parties that on the date hereof and as of the Closing Date:-

- (a) Corporate Status, Power and Authority. Such Party has full power and authority (corporate or otherwise) to enter into and perform its/his obligations under this Agreement.
- (b) Authorization and Enforceability. The execution and delivery of this Agreement and the performance of the obligations hereunder has been duly authorised (corporate or otherwise) by such Party and this Agreement constitutes valid and binding obligation of such Party, enforceable against such Party in accordance with its terms.
- (c) Regulatory Approvals. No consent, waiver, approval or authorization of any Governmental Authority or any filing, registration or qualification with or notice to, any Governmental Authority is required on the part of such Party in connection with such Party's execution or delivery of this Agreement or the performance of any of its obligations hereunder.
- (d) Litigation. To the best knowledge of such Party after having made due inquiry, there are no judicial or administrative actions, proceedings or investigations pending or threatened against such Party that questions the validity, binding nature and enforceability of this Agreement or the ability of such Party to perform the obligations under this Agreement.
- (e) Encumbrances. Unless with the unanimous consent of the board of directors, each of the Company Shareholders warrants and undertakes that they shall not mortgage, charges, pledge, lien or have other form of security or encumbrance on, over or affecting any of their equity interest in the Company.

Section 6.2 General Warranties by the Company, and the Existing Shareholders

- (a) In consideration of WSCP and HPC entering into this Agreement, each of the Company, the Existing Shareholders hereby:-
  - (i) warrants, represents and undertake to WSCP and HPC that on the date hereof and as of the Closing Date, each statement set out in this Article is true, accurate and not misleading;
  - (ii) warrants, represents and undertakes to WSCP and HPC that the entry into and performance of this Agreement by the Parties (other than WSCP and HPC) will not be contrary to any applicable law;
- (b) The Warranties shall be separate and independent and save as expressly provided shall not be limited by reference to any other section or anything in this Agreement or the Schedules.
- (c) The Warranties shall be deemed to be repeated as at the Closing Date as if all references therein to the date of this Agreement were references to the Closing Date.

Section 6.3 Legitimate Fund. Each of WSCP and HPC warrants and undertakes that the consideration for the Subscription and Share Purchase shall be from legal and legitimate fund.

## **ARTICLE VII DISPUTE RESOLUTION**

Section 7.1 Arbitration. Any dispute, controversy or claim arising out of or relating to this Agreement shall be settled by arbitration administered by the Hong Kong International Arbitration Centre in accordance with the UNCITRAL Arbitration Rules as at present in force and as may be amended by the provisions of this Section. The arbitration shall be the sole and exclusive forum for resolution of such dispute, controversy or claim, and the award rendered shall be final and binding. Judgment on the award rendered may be entered in any court having jurisdiction thereof.

Section 7.2 Procedures.

- (a) The number of arbitrators shall be 3, one of whom shall be appointed by the Party asserting a claim against the other Party(ies), one of whom shall be appointed by the Party(ies), as the case may be, against whom a claim has been asserted, and the third of whom shall be selected by mutual agreement, if possible, within 30 days of the selection of the second arbitrator and thereafter by the administering authority. In the event the Party against whom a claim has been asserted fails to appoint the second arbitrator within 15 days after the first arbitrator is appointed by the Party asserting a claim, then the administering authority shall select the second and third arbitrators after expiration of the said 15 days.
- (b) The arbitration shall be conducted in English and any foreign language documents presented at such arbitration shall be accompanied by an English translation thereof. The arbitration shall be held in HKSAR.
- (c) Any award of the arbitrators (i) shall be in writing, (ii) shall state the reasons upon which such award is based and (iii) may include an award of costs, including reasonable attorney's fees and disbursements.
- (d) Any Party may make an application to the arbitrators seeking injunctive relief to maintain the status quo until such time as the arbitration award is rendered or the dispute, controversy or claim is otherwise resolved. Any Party may apply to any court having jurisdiction hereof and seek injunctive relief in order to maintain the status quo until such time as the arbitration award is rendered or the dispute, controversy or claim is otherwise resolved.

## **ARTICLE VIII MISCELLANEOUS**

Section 8.1 Notices. All notices, requests, communications (and including service of legal process out of the court of HKSAR) to any Party hereunder shall be in writing (including facsimile or similar writing and overnight express mail or courier delivery) and shall be given to the respective agents at the address and facsimile number set forth in this Agreement hereto or to such other address and facsimile number as such Party may hereafter specify for the purpose by notice to the other Parties in the manner provided in this Section.

If to **INSCOM HK:**

Address: 中国深圳市福田区商报路奥林匹克大厦 7 层A区  
Fax No.: 0755-83521432  
Attention: Mr. Tian Yuan (田源)

If to **INSCOM BVI:**

Address: 中国深圳市福田区商报路奥林匹克大厦 7 层A区  
Fax No.: 0755-83521432  
Attention: Mr. Tian Yuan (田源)

If to the **Company:**

Address: 中国深圳市福田区商报路奥林匹克大厦 7 层A区  
Fax No.: 0755-83521432  
Attention: Mr. Tian Yuan (田源)

If to **Apollo:**

Address: 中国深圳市福田区商报路奥林匹克大厦 7 层A区  
Fax No.: 0755-83521432  
Attention: Mr. Tian Yuan (田源)

If to **CSH:**

Address: 中国广州市沿江中路 299 号银海大厦 22 层  
Fax No.: 020-61262893  
Attention: Ms. Feng Zhuo Jun (冯卓君)

If to **WSCP:**

Address: 31st Floor, China United Center, 28 Marble Road, North Point, HKSAR  
Fax No.: 852-31071233  
Attention: Mr. Sing Wang and Ms. Ka Yik Kwok

If to **HPC:**

Address: 525 University Avenue, Suite 100,  
Palo Alto, California 94301, USA.  
Fax No.: +1-650-322-8092  
Attention: Mr. Stuart Kwok and Mr. Kent Ho

All such notices, requests and other communications shall be deemed received (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, and (ii) if given by overnight express mail or courier delivery or any other means permitted by this Section, when received; provided, that if the date of receipt hereunder is not a Business Day, the notice, request or communication shall be deemed not to have been received until the next succeeding Business Day in the place of receipt.

Section 8.2 Amendments and Waivers. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and is executed by each of the Parties hereto. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 8.3 If the Subscription and Share Purchase and Shareholders Agreement dated 29 July 2010 entered into by the Company, INSCOM BVI, INSCOM HK, Apollo, CSH and CISG is terminated for any reason, WSCP and HPC are entitled to terminate this agreement and restore to their original position before entering into this agreement. That is, all the payment(s) (along with any interest(s) made on such sum) made by WSCP and HPC to any Party(ies) under this Agreement shall be returned to WSCP and HPC as soon as reasonably practicable. All the Shares that have been transferred to any Party(ies) under this Agreement shall be transferred to the original legal and beneficial holder(s) as soon as reasonably practicable.

Section 8.4 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the Parties; provided, however, that none of the Parties may assign or Transfer any of its rights or obligations hereunder except in accordance with the provisions stipulated in this Agreement.

Section 8.5 Conflict with Articles of Association. In the event of any conflict between the Articles of Association and this Agreement, the provisions of this Agreement shall prevail.

Section 8.6 Expenses. Each Party shall bear its own costs and expenses in connection with the transactions contemplated under this Agreement.

Section 8.7 Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and any such term or provision to the extent determined to be invalid, illegal or unenforceable shall be replaced by a valid, legal and enforceable provision that comes as close as possible to carrying out the intent and effect of the defective term or provision.

Section 8.8 Further Assurances. The Parties will execute and deliver such further instruments and do such further acts and things as may be required to carry out the intent and purposes of this Agreement into full effect.

Section 8.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the HKSAR.

Section 8.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The English language text of this Agreement shall prevail over any translation thereof.

Section 8.11 Force Majeure. The failure or delay of any of the Parties to perform any obligation under this Agreement solely by reason of acts of God, acts of government, riots, wars, terrorism, or other causes beyond its reasonable control ("**Force Majeure**") shall not be deemed to be a breach of this Agreement; provided, however, that the Party so prevented from complying herewith shall not have procured such Force Majeure, shall have used reasonable diligence to avoid such Force Majeure or ameliorate its effects, and shall continue to take all actions reasonably within its power to comply as fully as possible with the terms of this Agreement. Except where the nature of the event shall prevent it from doing so, the Party suffering such Force Majeure shall notify the other Parties in writing promptly after the occurrence of such Force Majeure and shall in every circumstance, to extent reasonable and lawful under the circumstances, use its best efforts to remove or remedy such event.

Section 8.12 Headings Descriptive. The headings of the several articles and sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

Section 8.13 Integration. This Agreement (including the Exhibits and Schedules hereto, which are incorporated herein and made an integral part hereof) hereof constitute the entire and only agreement between the Parties with respect to the subject matter hereof and supersede all prior agreements commitments or understandings, whether written or verbal, that the Parties hereto or thereto may have had with respect to the subject matter thereof. Notwithstanding the above, the Parties agree that the Side Letter referred in Section 4.2 above contains effective agreements with respect to the transaction contemplated herein and shall, together with this Agreement constitute all of the agreements with respect to the transactions contemplated herein.

IN WITNESS whereof this Agreement has been executed on the date and year said above written.

**INSCOM HK**

SIGNED BY: Tian Yuan )  
a director, for and on behalf of ) /s/ Tian Yuan  
**INSCOM HK LIMITED** )  
in the presence of )

/s/ Xiao Fei

**INSCOM BVI**

SIGNED BY: Tian Yuan )  
a director, for and on behalf of ) /s/ Tian Yuan  
**INSCOM GROUP LIMITED** )  
in the presence of )

/s/ Xiao Fei

**The Company**

SIGNED BY: Tian Yuan )  
a director, for and on behalf of ) /s/ Tian Yuan  
**INSCOM HOLDING LIMITED** )  
in the presence of )

/s/ Xiao Fei

**Apollo**

SIGNED BY: Tian Yuan )  
for and on behalf of ) /s/ Tian Yuan  
**APOLLO & MUSE HOLDING Limited** )  
in the presence of )

/s/ Xiao Fei

**CSH**

SIGNED BY: Feng Zhuojun )  
a director, for and on behalf of ) /s/ Feng Zhuojun  
**CLEVER STAR HOLDINGS LIMITED** )  
in the presence of )

/s/ Zhu Jiusheng

**WSCP**

SIGNED BY: Wang Sing )  
a director, for and on behalf of ) /s/ Wang Sing  
**WANG STRATEGIC CAPITAL** )  
**PARTNERS (II) LIMITED** in the presence of )

/s/ Rebecca

**HPC**

SIGNED BY: Stuart Kwok )  
a director, for and on behalf of ) /s/ Stuart Kwok  
Harbor Pacific Capital LLC )  
as a general partner of )  
**HARBOR PACIFIC CAPITAL** )  
**PARTNERS I, LP** in the presence of )

/s/ Bonwoong Koo

**SCHEDULE 1**  
**Corporate Information of the Company**

(1) Name of the Company : InsCom Holding Limited

(2) Company No. : 1584021

(3) Date of Incorporation : 7 May 2010

(4) Place of Incorporation : British Virgin Islands

(5) Registered Address : P.O. Box 957, Offshore Incorporations  
Centre, Road Town, Tortola, British  
Virgin Islands

(6) Directors : Yuan Tian

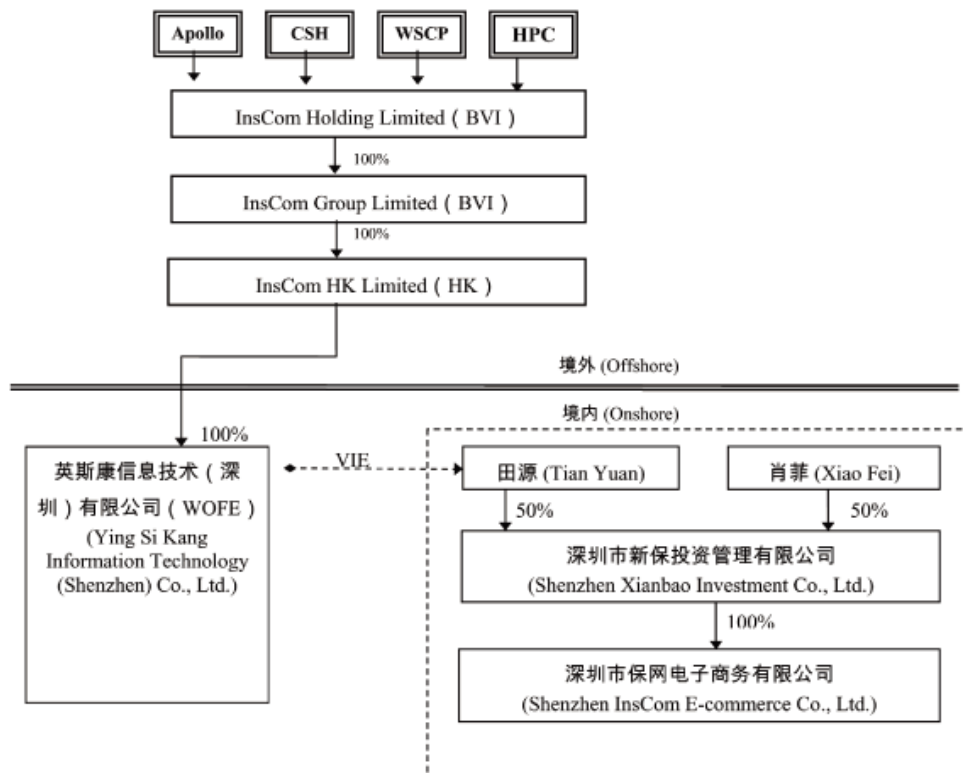
(7) Authorized Share Capital : US\$10,000,000 divided into 8,000,000  
ordinary shares of US\$1.00 each and  
2,000,000 preference shares of US\$1.00 each

(8) Issued Share Capital : US\$10,000

**(9) Shareholders**

<b><u>Name of Shareholder(s)</u></b>	<b><u>No. of Shares</u></b>	<b><u>Percentage holdings</u></b>
Apollo & Muse Holding Limited	7,788 ordinary	77.88%
Clever Star Holdings Limited	2,212 ordinary	22.12%

**SCHEDULE 2**  
**Corporate Structure of the Company immediately after Closing**



**SCHEDULE 3A**  
**Corporate Information of INSCOM BVI**  
**(as at the date of the Agreement)**

(1) Name of the Company : InsCom Group Limited

(2) Company No. : 1584027

(3) Date of Incorporation : 7 May 2010

(4) Place of Incorporation : British Virgin Islands

(5) Registered Address : P.O. Box 957, Offshore Incorporations  
Centre, Road Town, Tortola, British  
Virgin Islands

(6) Directors : Yuan Tian

(7) Authorized Share Capital : 50,000 shares of single class each  
with a par value US\$1.00

(8) Issued Share Capital : US\$1.00

**(9) Shareholders**

<u>Name of Shareholder(s)</u>	<u>No. of Shares</u>	<u>Percentage holdings</u>
InsCom Holding Limited	1	100%

**SCHEDULE 3B**  
**Corporate Information of INSCOM HK**  
**(as at the date of the Agreement)**

(1) Name of the Company : InsCom HK Limited

(2) Company No. : 1457225

(3) Date of Incorporation : 17 May 2010

(4) Place of Incorporation : Hong Kong

(5) Registered Address : 12/F Ruttonjee House, 11 Duddell Street,  
Central, Hong Kong

(6) Directors : Yuan Tian

(7) Issued Share Capital : HK\$1.00

**(8) Shareholders**

<u>Name of Shareholder(s)</u>	<u>No. of Shares</u>	<u>Percentage holdings</u>
InsCom Group Limited	1	100%

**SCHEDULE 3C**  
**Corporate Information of Ying Si Kang**  
**(as at the date of the Agreement)**

(1) Name of the Company : Ying Si Kang Information Technology  
(Shenzhen) Co., Ltd

(2) License No. : 440301503378995

(3) Date of Incorporation : 15 July 2010

(4) Place of Incorporation : PRC

(5) Registered Address : 2108-2110-35 Tower A, Jiahe Huaqiang  
Buiding, Shennan Road, Futian  
District, Shenzhen

(6) Legal Representative : Yuan Tian

(7) Registered Capital : US\$1,200,000.00

**(8) Shareholders**

<u>Name of Shareholder(s)</u>	<u>Percentage holdings</u>
InsCom HK Limited	100%

**SCHEDULE 3D**  
**Corporate Information of the PRC Subsidiaries**  
**(as at the date of the Agreement)**

(1) Name of the Company : Shenzhen Xinbao Investment Co., Ltd

(2) License No. : 440301104741339

(3) Date of Incorporation : 12 June 2010

(4) Place of Incorporation : PRC

(5) Registered Address : 2108-2110-28 Tower A, Jiahe Huaqiang  
Buiding, Shennan Road, Futian  
District, Shenzhen

(6) Legal Representative : Yuan Tian

(7) Registered Capital : RMB30,000.00

(8) Shareholders

<u>Name of Shareholder(s)</u>	<u>Percentage holdings</u>
Yuan Tian	50%
Fei Xiao	50%

(1) Name of the Company : Shenzhen InsCom  
E-Commerce Co., Ltd

(2) License No. : 440301103498934

(3) Date of Incorporation : 2 June 2004

(4) Place of Incorporation : PRC

(5) Registered Address : Unit A, 7<sup>th</sup>  
Floor, Olympics Building,  
Shangbao Road, Futian  
District, Shenzhen

(6) Legal Representative : Yuan Tian

(7) Registered Capital : RMB3,000,000.00

**(8) Shareholders**

<u>Name of Shareholder(s)</u>	<u>Percentage holdings</u>
Shenzhen Xinbao Investment Co., Ltd	100%

**Put Option Agreement**

among

Hu Yinan

and

APOLLO & MUSE HOLDING LIMITED

and

WANG STRATEGIC CAPITAL PARTNERS (II) LIMITED

and

HARBOR PACIFIC CAPITAL PARTNERS I, LP

**29th OCTOBER 2010**

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This Put Option Agreement (the “**Agreement**”) is entered into on 29<sup>th</sup> October 2010, by and among:

- (A) **HU Yinan** (PRC I.D. number: 510103196508283411) of 中国广州市越秀区沿江中路 299 号银海大厦 22 层 (the “**Chairman of CNinsure**”); and
- (B) **Apollo & Muse Holding Limited**, a company incorporated and validly existing under the laws of the British Virgin Islands with limited liability (under company number 1584020) and whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (“**Apollo**”); and
- (C) **Wang Strategic Capital Partners (II) Limited**, an exempted limited liability company incorporated and validly existing under the laws of the Cayman Islands (under company number 177120) whose registered office is situated at Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, the Cayman Islands (“**WSCP**”); and
- (D) **Harbor Pacific Capital Partners I, LP**, an exempted limited partnership registered in and validly existing under the laws of the Cayman Islands (under registration number QH-37645) whose registered office is situated at c/o Maurant Cayman Corporate Services Ltd, Harbour Center, 42 North Church Street, P.O. Box 1348, George Town, Grand Cayman KY1-1108, Cayman Islands (“**HPC**”),

collectively “the **Parties**” and each a “**Party**”.

**Whereas**

- (1) InsCom Holding Limited (the “**Company**”), InsCom HK Limited, InsCom Group Limited, Apollo, Clever Star Holdings Limited (“**CSH**”) and CISG Holdings Ltd (“**CISG**”) have entered into a subscription and share purchase and shareholders agreement dated 29 July 2010 (the “**1<sup>st</sup> Agreement**”) pursuant to which CISG shall procure the injection of certain assets of CNinsure Inc. (“**CNinsure**”) to facilitate the Restructuring of 深圳市保网电子商务有限公司 (“**INS**”) and 深圳市新保投资管理有限公司 (“**New INS**”) immediately upon closing of the subscription and share purchase and to regulate their relationship as shareholders of the Company.
- (2) The Company, InsCom HK Limited, InsCom Group Limited, Apollo, CSH, WSCP and HPC have entered into a subscription and share purchase agreement on \_\_\_\_\_ October, 2010 (the “**2<sup>nd</sup> Agreement**”) and a deed of adherence dated \_\_\_\_\_ October, 2010 (“**Deed of Adherence**”) pursuant to which, among other things, each of WSCP and HPC covenants with the Company that they shall perform, assume, comply with and be bound by the terms, covenants, obligations and provisions in the “1<sup>st</sup> Agreement to regulate their relationship as shareholders of the Company. Specifically, WSCP and HPC will have the same rights and obligations as CSH under Sections 8.2, 8.3, Articles IX and X of the 1<sup>st</sup> Agreement.
- (3) Subject to the condition that the 1<sup>st</sup> Under the condition that the 1<sup>st</sup> \_\_\_\_\_ Agreement is closed in accordance with the terms and conditions contained therein, Apollo, WSCP and HPC (collectively, the “**Grantees**”) have the right to request Chairman of CNinsure to grant an option to each of the Grantees to require Chairman of CNinsure to buy all of the shares held by the Grantees in the Company, and Chairman of CNinsure agrees to grant each of the Grantees an option to sell to the Chairman of CNinsure all of the shares held by the Grantees in the Company, pursuant to the terms of this Agreement.

- (4) On or about the same date of this Agreement, Mr. Tian Yuan (田源) entered into an agreement with WSCP and HPC undertaking to pay the difference in value between (i) the consideration WSCP and HPC are entitled to receive if the Put Option herein is exercised and (ii) the value of the Option Shares assuming value of the Company is 10 times the price to earnings, in the event the Put Option is exercisable under this Agreement. Mr. Tian Yuan also undertakes in such agreement to procure Apollo to mortgage all of its Shares in the Company in favor of WSCP and HPC to secure Mr. Tian Yuan's payment of such difference in value and performance of other obligations as stated in that agreement. On or about the same date of this Agreement, Apollo entered into a share mortgage in favor of WSCP and HPC mortgaging all of its Shares in the Company in favor of WSCP and HPC (the "**Share Mortgage**").

**IT IS HEREBY AGREED AS FOLLOWS:-**

**1 DEFINITIONS AND INTERPRETATION**

**1.1** In this Agreement, unless otherwise expressed or required by context:

**"Affiliate"** means in relation to any Person (for such purposes, the **"First Person"**), means any other Person who, directly or indirectly, (i) is Controlled by such First Person, (ii) Controls such First Person, or (iii) is under common Control with such First Person, and **"Affiliates"** shall be construed accordingly;

**"CNinsure"** means CNinsure Inc, a company incorporated in the Cayman Islands, whose shares are listed on the NASDAQ under the symbol CISG.

**"Company"** means InsCom Holding Limited, a limited liability company established under the laws of the British Virgin Islands;

**"Completion"** shall mean completion of the sale and purchase of the Option Shares;

**"Completion of Restructuring"** shall mean the completion of the Restructuring of 深圳市保网电子商务有限公司 ("**INS**") and 深圳市新保投资管理有限公司 ("**New INS**") pursuant to the terms of the Restructuring Documents;

**"Consideration"** shall have the meaning ascribed to it in Clause 2.6;

**"Control"** means the power of a Person to secure that the affairs of another are conducted directly or indirectly in accordance with the wishes of that Person whether by means of: in the case of a company, being the beneficial owner of more than 50 percent of the issued share capital or of the voting rights in that company, or having the right to appoint or remove a majority of the directors or otherwise control the votes at board meetings of that company by virtue of any powers conferred by the articles of association, shareholders' agreement or any other document regulating the affairs of that company; in the case of a partnership, being the beneficial owner of more than 50 percent of the capital of that partnership, or having the right to control the composition of or the votes to the majority of the management of that partnership by virtue of any powers conferred by the partnership agreement or any other document regulating the affairs of that partnership; and **"Controls"** and **"Controlled"** shall be construed accordingly;

**"Eligible Exchange"** means the Main Board of The Stock Exchange of Hong Kong Limited or any other internationally recognised investment exchange of the same or higher international standing as may be approved by the Investors;

**"Existing Shareholders"** means Apollo, WSCP and HPC, and **"Existing Shareholder"** shall mean any one of them;

“**HK\$**” means the lawful currency of Hong Kong;

“**Hong Kong**” means Hong Kong Special Administrative Region of China;

“**Net Profit**” means the total earnings after income taxes, depreciation, amortization, interest and other expenses as determined by the Company in accordance with US GAAP.

“**Option Exercise Period**” shall have the meaning ascribed to it in Clause 2.2;

“**Option Price**” shall have the meaning ascribed to it in Clause 2.8;

“**Option Shares**” shall have the meaning ascribed to it in Clause 2.1;

“**Performance Benchmark**” means the net profit benchmark as set out in Article VI of the 1<sup>st</sup> Agreement, that is RMB 170,200,000;

“**Person**” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated association or organisation or a governmental entity (or any department, agency, or political subdivision thereof);

“**Put Option**” shall have the meaning ascribed to it in Clause 2.1;

“**Put Option Notice**” shall have the meaning ascribed to it in Clause 2.4;

“**Qualified IPO**” means an initial public offering and listing of and permission to deal in the Shares on the Eligible Exchange, in respect of which the market capitalization (that is, the number of issued shares multiplied by the current share price) shall not be less than US\$200,000,000];

“**Restructuring**” means the injection of certain assets and Affiliates of CNinsure into INS and New INS and their Affiliates;

“**Restructuring Documents**” means the set of definitive and legally binding agreements to be entered into among the relevant parties setting out the terms and conditions of the Restructuring;

“**RMB**” means Renminbi, the lawful currency of the People’s Republic of China;

“**Shares**” means the ordinary share of par value US\$1.00 each in the share capital of the Company or any of its holding company;

“**Share Mortgage**” shall have the meaning ascribed to it in Recital (4);

“**USD**” or “**US\$**” means United States Dollars, the lawful currency of the United States of America; and

“**US GAAP**” means generally accepted accounting principles in the United States of America.

- 1.2 The headings to the clauses of this Agreement are for ease of reference only and shall not affect the interpretation of this Agreement.
- 1.3 References herein to “Clauses” and “Schedules” are references to clauses and schedules of or to this Agreement.
- 1.4 In this Agreement the singular includes the plural and vice versa, words importing gender or the neuter include both genders and the neuter and references to persons include bodies corporate or unincorporate.
- 1.5 Unless the contrary intention appears, a reference in this Agreement to any amount that is to be converted from RMB to USD shall be converted by reference to the middle rate for the conversion of RMB to USD as published on the website of the People’s Bank of China one day prior to the day upon which such conversion is to be made.

## 2 PUT OPTION

- 2.1 If a Qualified IPO has not occurred on or prior to the third anniversary date of the date of Closing (as defined under the 1<sup>st</sup> Agreement) pursuant to the 1<sup>st</sup> Agreement, each of the Existing Shareholders shall, subject to Clause 2.2 below, have the right (but not the obligation) and the option to put (the “**Put Option**”) to Chairman of CNinsure and require Chairman of CNinsure to purchase or to cause any of his Affiliates or to procure any third party to purchase from that Existing Shareholder all of the Shares (“**Option Shares**”) held by that Existing Shareholder at a purchase price per Share equal to the Option Price pursuant to the provisions of this Agreement. Notwithstanding anything contained herein, Chairman of CNinsure’s maximum aggregate liability in respect of the Consideration under the Put Option to purchase all of the Shares held by Apollo, WSCP and HPC is RMB155,760,000. In consideration of the grant of the Put Option, each of the Existing Shareholders shall pay to Chairman of CNinsure, on exchange of this Agreement, HK\$1.00, receipt of which is acknowledged.
- 2.2 Each of the Existing Shareholders shall have the right to exercise the Put Option at any time between the period commencing on the third anniversary date and expiring on the fifth anniversary date, of the date of Closing (as defined under the 1<sup>st</sup> Agreement) pursuant to the 1<sup>st</sup> Agreement (“**Option Exercise Period**”), provided that Apollo may only exercise its right to the Put Option if and only if both WSCP and HPC have exercised their right to the Put Option and that each of WSCP and HPC has received the full amount of the Consideration as defined in Clause 2.6 below.
- 2.3 Notwithstanding anything contained herein, WSCP and HPC may only exercise their respective right to the Put Option by jointly issuing the Put Option Notice (as defined below).
- 2.4 To exercise the Put Option, the Existing Shareholder must execute and deliver a written notice to Chairman of CNinsure, the form of which is set out in Schedule 1 (“**Put Option Notice**”). The Put Option may be exercised at any time during the Option Exercise Period, and if not exercised, the Put Option will expire automatically at the end of the Option Exercise Period.
- 2.5 In the event that any Existing Shareholder shall deliver a Put Option Notice to Chairman of CNinsure in accordance with Clause 2.4, then the same shall amount to a binding agreement for that Existing Shareholder to sell the Shares as registered and beneficial owner and for Chairman of CNinsure to purchase, to cause his Affiliates to purchase or to procure a third party to purchase all of the Shares of that Existing Shareholder at the Option Price determined in accordance with Clause 2.8 below, on and with effect from Completion, free from all charges, liens, equities, encumbrances, claims or restrictions whatsoever and together with all rights attaching or accruing to the Option Shares and all dividends and distributions declared, made or paid on the Option Shares on or after Completion.

- 2.6 The consideration payable to each of the Existing Shareholder who has exercised the Put Option shall equal the Option Price multiplied by the then number of Shares held by that Existing Shareholder (“**Consideration**”). The Consideration payable by Chairman of CNinsure for the purchase of the Shares held by the Existing Shareholder who has delivered a Put Option Notice shall be paid, at the option of that Existing Shareholder in full in US\$ in cash or other ways as agreed by the Parties. The maximum Consideration payable by Chairman of CNinsure for the purchase of the Shares held by WSCP and HPC, on one hand, and Apollo, on the other hand, shall be RMB41,300,000 and RMB114,460,000, respectively. The Consideration payable by Chairman of CNinsure for the purchase of the Shares held by Apollo shall only be made upon fulfillment of not less than 70% of the Performance Benchmark for the year 2013 by the Company. Each party to this Agreement shall bear its own costs, charges and expenses incurred in the preparation and Completion of this Agreement and the stamp duty payable on the transfer of the Option Shares.
- 2.7 The Parties agree to complete the transactions contemplated by the Put Option within 30 days from the date of the Put Option Notice and whereupon :
- (a) Chairman of CNinsure, his Affiliates and/or the third party purchaser (whichever the case maybe) shall deliver to the relevant Existing Shareholder a bank draft(s) or cash in the amount of the Consideration payable to that Existing Shareholder and/or other forms of payment as may be agreed by the Parties;
  - (b) the relevant Existing Shareholder shall deliver a certified copy of the resolution(s) of the board of directors of that Existing Shareholder approving and authorizing the sale of the Shares held by that Existing Shareholder;
  - (c) if applicable, Chairman of CNinsure’s Affiliates and/or the third party purchaser (whichever the case maybe) shall deliver a certified copy of the resolution(s) of the board of directors of Chairman of CNinsure’s Affiliates and/or the third party purchaser (whichever the case maybe) approving and authorizing the purchase of the Shares held by the relevant Existing Shareholder; and
  - (d) instrument(s) of transfer duly executed by all relevant parties.
- 2.8 For the purpose of this Clause 2, “**Option Price**” means, a price that is equivalent to the original purchase and/or issuance price of such Share plus an interest over such amount calculated at the rate of 6 percent per annum calculated on a simple interest basis for the period from the acquisition of such Share by the Existing Shareholder to the date of payment of the Consideration.
- 2.9 Any of the rights, powers, discretions and consents of WSCP and HPC under this Agreement may be exercised either by its general partner or by the management company authorised from time to time to act on its behalf or by some other Person or Persons nominated by WSCP or HPC, whichever the case maybe, for the time being and such manager or such Person or Persons may enforce such rights directly as if it were a Party to this Agreement.
- 2.10 Chairman of CNinsure acknowledges that Apollo has on or about the date of this Agreement entered into a Share Mortgage mortgaging or charging all of its Shares in the Company in favor of WSCP and HPC. In the event that WSCP and HPC exercise their rights under the Share Mortgage to enforce against the Shares held by Apollo in the Company, Apollo hereby irrevocably appoints the WSCP and HPC and the persons deriving title under them (including, but without any limitation, any receiver) jointly and also severally (with full power of substitution and delegation) to be its attorney-in-fact (i) so as to enable WSCP and HPC to carry out in the name of Apollo all rights and discretions to which Apollo are entitled under this Agreement (including the execution and delivery of any documents and notices that are required under this Agreement to be given and to date, deliver,

give full effect to or otherwise complete documents and notices (which are required under this Agreement to be given) which Apollo has executed but undated); and (ii) generally for it and in its name and on its behalf do all acts and things which may be required for the full exercise of all or any of the rights, powers and discretions conferred or which may be deemed to conferred upon Apollo under this Agreement. The power hereby conferred in this Clause 2.10 shall be a general power of attorney and Apollo hereby ratifies and confirms and agrees to ratify and confirm any instrument, act or thing which any attorney appointed pursuant to this Clause may execute or do. In relation to the power referred to herein, the exercise by WSCP and HPC of such power shall be conclusive evidence of its right to exercise the same. Chairman of CNinsure acknowledges and agrees to the granting of the power by Apollo to WSCP and HPC pursuant to this Clause and the delivery of a Put Option Notice on behalf of Apollo by WSCP and HPC shall be conclusive evidence that WSCP's and HPC's power of enforcement has become exercisable in the manner provided in the Share Charge.

3 ENTIRE AGREEMENT

This Agreement constitutes the entire agreement and understanding between the Parties in connection with the subject-matter of this Agreement and supersedes all previous proposals, representations, warranties, memoranda, understanding, letter of intent, agreements or undertakings relating thereto whether oral, written or otherwise and none of the Parties has relied on any such proposals, representations, warranties, memoranda, understanding, letter of intent, agreements or undertakings.

4 CONFIDENTIALITY

4.1 Subject to Clauses 4.2, each of the Parties shall treat as strictly confidential and not disclose, use or release to any person any information received or obtained as a result of entering into this Agreement (or any agreement entered into pursuant to this Agreement) before or after Completion which relates to:

- (a) the existence and the provisions of this Agreement; or
- (b) the negotiations relating to this Agreement.

4.2 Clause 4.1 shall not prohibit disclosure or use of any information if and to the extent:

- (a) the disclosure or use is required by law, any regulatory body or any recognised stock exchange;
- (b) the disclosure or use is required to vest the full benefit of this Agreement in any of the Parties;
- (c) the disclosure or use is required for the purpose of any judicial proceedings arising out of this Agreement or any other agreement entered into under or pursuant to this Agreement or the disclosure is made to a tax authority in connection with tax-related affairs of the disclosing party;
- (d) the disclosure is made to professional advisers or actual or potential financiers of any Party on terms that such professional advisers or financiers undertake to comply with the provisions of Clause 4.1 in respect of such information as if they were a Party to this Agreement;

- (e) the information is or becomes publicly available (other than by breach of this Agreement); or
- (f) the other Parties have given prior written approval (not to be delayed or withheld unreasonably) to the disclosure or use, provided that prior to disclosure or use of any information pursuant to Clause 4.2(a), 4.2(b) or 4.2(c) except in the case of disclosure to a tax authority, the Party concerned shall promptly notify the other Parties of such requirement with a view to providing other Parties with the opportunity to contest such disclosure or use or otherwise to agree the timing and content of such disclosure or use.

5 NOTICE AND OTHER COMMUNICATION

5.1 Any notice or other communication to be given under this Agreement shall be in writing and may be given by hand, by post, facsimile or electronic mail to the following address/number of the Party to be served or to such other address/number as shall be notified by such Party to the other in writing :-

**HU Yinan**

Address 广州市越秀区沿江中路 299 号银海大厦 22 层

Facsimile No. : [020-61262893]

Email Address : huyn@cninsure.net

## Apollo

Address : 中国深圳福田区商报路奥林匹克大厦 7 层 A 区

Attention : Mr. Tian Yuan (田源)

Facsimile No. : 0755-83521432

Email Address : waynetian@instech.com.cn

## WSCP

Address : 31/F, China United Center, 28 Marble Road, North Point, Hong Kong

Attention : Mr. Sing Wang and Ms. Ka Yik Kwok

Facsimile No. : (852)31071233

Email Address : [kyliekwok@amerinvest.com.hk](mailto:kyliekwok@amerinvest.com.hk)  
[sing@amerinvest.com.hk](mailto:sing@amerinvest.com.hk)

## HPC

Address : 525 University Avenue, Suite 100,  
Palo Alto, California 94301, USA.

Attention : Mr. Stuart Kwok and Mr. Kent Ho

Facsimile No. : +1-650-322-8092

Email Address : [stuart@harbortpac.com](mailto:stuart@harbortpac.com)  
[kent@harbortpac.com](mailto:kent@harbortpac.com)

5.2 Any such notice or communication shall be sent to the Party to whom it is addressed and must contain sufficient reference and/or particulars to render it readily identifiable with the subject-matter of this Agreement. If so given by hand, facsimile or electronic mail, such notice or communication shall be deemed received on the date of dispatch provided (where appropriate) the relevant answerback or remote terminal identification is received and if so sent by post shall be deemed received 2 Business Days after the date of dispatch or, if sent to an address outside of Hong Kong and sent by first class air-mail, shall be deemed received 7 Business Days after the date of dispatch.

## 6 GENERAL

6.1 No waiver of any provision of this Agreement shall be effective unless set forth in a written instrument signed by the Party waiving such provision. No failure or delay by a Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Without limiting the foregoing, no waiver by a Party of any breach by any other Party of any provision hereof shall be deemed to be a waiver of any subsequent breach of that or any other provision hereof. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

6.2 The waiver, express or implied, by any Party of any right under this Agreement or any failure to perform or breach by another Party shall not constitute or be deemed a waiver of any other right under this Agreement.

6.3 No amendment, change or addition hereto shall be effective or binding on any Party unless reduced to writing and executed by all the Parties for the time being.

6.4 No Party to this Agreement may assign or transfer any of its rights or delegate any of its obligations under this Agreement without the express prior written consent of the other Parties. Any purported transfer in contravention of this Clause 6.4 shall be null and void ab initio.

6.5 This Agreement may be executed in several counterparts (whether original or facsimile counterparts) and, upon due execution of all such counterparts by one or more Parties, each counterpart shall be deemed to be an original hereof, and all such counterparts shall together constitute one and the same instrument.

- 6.6 If any provision of this Agreement is or at any time becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby.
- 6.7 This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. No party shall take any steps to assign, transfer, charge or otherwise deal with all or any of its rights and/or obligations under or pursuant to this Agreement without the prior written consent of the other parties. In the absence of the prior written consent of the parties, this Agreement shall not be capable of assignment.
- 6.8 Each Party shall give such further assurance, provide such further information, take such further actions and execute and deliver such further documents and instruments as are, in each case, within its power to give, provide and take so as to give full effect to the provisions of this Agreement.

## 7 APPLICABLE LAW AND JURISDICTION

- 7.1 This Agreement is governed by and is to be construed in accordance with the laws of Hong Kong.
- 7.2 Each of the Parties irrevocably submits to the non-exclusive jurisdiction of the courts of the arbitration seat to support and assist the arbitration process pursuant to Clause 8, including if necessary the grant of interlocutory relief pending the outcome of that process.

## 8 ARBITRATION

- 8.1 The Parties shall use their reasonable endeavours to settle any dispute, controversy or claim in connection with this Agreement through friendly consultations.
- 8.2 The Parties irrevocably agree that any dispute arising out of or in connection with this Agreement shall be finally resolved by arbitration pursuant to UNCITRAL arbitration rules as in force at the date of this Agreement and as amended by this Clause 8. Any Party ("**Plaintiff Party**") may refer any such dispute to arbitration to be conducted in accordance with this Clause 8 if such dispute fails to be resolved pursuant to Clause 8.1 within 10 Business Days after a notice of dispute has been served in writing by a Party on the relevant Party or Parties ("**Defendant Party**").
- 8.3 Any arbitration commenced pursuant to Clause 8 shall have its seat in Hong Kong to be held in Hong Kong International Arbitration Centre conducted in English by a tribunal consisting of three arbitrators to be appointed in accordance with Clause 8.4 and be administered by the Hong Kong International Arbitration Centre.
- 8.4 Unless the Parties agree otherwise:
- (a) the Plaintiff Party shall appoint one arbitrator; and the Defendant Party shall appoint one arbitrator;
  - (b) the third arbitrator, who shall act as chairman of the tribunal, shall be chosen by the two arbitrators appointed by or on behalf of the Plaintiff Party and the Defendant Party. If he is not chosen by the two arbitrators within 10 Business Days of the date of appointment of the later of the two party-appointed arbitrators to be appointed, he shall be appointed by the Hong Kong International Arbitration Centre; and
  - (c) arbitral proceedings shall be conducted in English.
  - (d) Any arbitral award shall be final and binding upon the Parties and shall be enforceable in any court of competent jurisdiction in accordance with its terms.

**EXECUTION PAGE**

**IN WITNESS** whereof the Parties hereto have executed this Agreement as a deed on the date and year first above written.

<b>SIGNED, SEALED and DELIVERED</b>	)	
by <b>Yinan Hu</b>	)	/s/ Yinan Hu
in the presence of	)	[Seal is affixed]

/s/ Zhu Jiusheng

<b>SEALED with the COMMON SEAL of</b>	)	
<b>Apollo &amp; Muse Holding Limited</b>	)	
and signed by	)	/s/ Tian Yuan
<b>Yuan Tian</b>	)	[Common Seal is affixed]
in the presence of	)	

/s/ Xiao Fei

<b>SEALED with the COMMON SEAL of</b>	)	
<b>Wang Strategic Capital Partners (II)</b>	)	
<b>Limited</b>	)	
and signed by	)	/s/ Sing Wang
<b>Sing Wang</b>	)	
in the presence of	)	

/s/ Rebecca

<b>SEALED with the COMMON SEAL of</b>	)	
<b>Harbor Pacific Capital LLC</b>	)	
as general partner of	)	
<b>Harbor Pacific Capital Partners I, LP</b>	)	
and signed by	)	/s/ Stuart Kwok
<b>Stuart Kwok</b>	)	
in the presence of	)	

/s/ Bonwoong Koo

**SCHEDULE 1**

**Put Option Notice**

To : **HU Yinan** (PRC I.D. number: 510103196508283411)

中国广州市越秀区沿江中路 299 号银海大厦 22 层

Take notice that [insert full name of the Existing Shareholder that is exercising the Put Option], pursuant to its rights under a put option agreement dated [insert date of the Put Option Agreement] and made among us and [insert full name of the other Existing Shareholders], hereby exercises the Put Option contained in that agreement.

The Consideration shall be satisfied by payment in full in US\$ in cash, or other forms of payment as may be agreed between us, on closing.

Dated : [insert date]

(In the case where Wang Strategic Capital Partners (II) Ltd and Harbor Pacific Capital Partners I,LP exercise their Put Option):

Signed for and on behalf of

**Wang Strategic Capital Partners (II) Limited**

Signed for and on behalf of

**Harbor Pacific Capital LLC, as general partner of Harbor Pacific Capital Partners I,LP**

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**Authorised Signatory**

---

**Authorised Signatory**

(In the case where Apollo & Muse Holding Limited exercise the Put Option):

Signed for and on behalf of

**Apollo & Muse Holding Limited**

---

**Authorised Signatory**

**LOAN AGREEMENT**

THIS LOAN AGREEMENT (“**this Agreement**”) is entered into by the following two parties in Shenzhen as of December 3, 2010:

Party A: Ying Si Kang Information Technology (Shenzhen) Co., Ltd.

Address: Rom 2108-2110-35, Jiahe Huaqiang Building, Shennan Road, Futian District, Shenzhen

Party B: Chunlin Wang

ID Card No.: 430625196905225317

**WHEREAS:**

1. Party A is a wholly foreign-owned enterprise duly incorporated under the laws of the People’s Republic of China (the “**PRC**”);
2. Party B is a Chinese citizen and holds 95% equity interest of Shenzhen Xinbao Investment Management Co., Ltd. (“**Shenzhen Xinbao**”);
3. Party B desires to borrow a loan from Party A by pledging its equity interest in Shenzhen Xinbao, and Party A agrees to extend a loan of Twenty-Eight Thousand Five Hundred Renminbi (RMB28,500) to Party B.

**NOW THEREFORE**, after friendly negotiations, both parties hereby agree as follows for mutual observance:

1. In accordance with the terms and conditions of this Agreement, Party A agrees to grant an interest-free loan of Twenty-Eight Thousand Five Hundred Renminbi (RMB28,500) to Party B, and Party B agrees to accept such loan.
  2. The term of the loan under this Agreement shall start from the date when the loan is withdrawn until ten (10) years after signing this Agreement, and may be extended subject to the mutual agreement between both parties. During the loan term or any extension thereof, Party A shall have the right, by giving written notice to Party B, to decide that the loan under this Agreement is due immediately and request Party B to repay the loan in the manner as specified herein if Party B has any of the following circumstances:
    - 2.1 Party B resigns from or is dismissed by Party A or any of its affiliates;
    - 2.2 Party B dies or loses its civil capacity or its capacity for civil conduct is restricted;
    - 2.3 Party B commits a crime or is involved in a crime;
-

- 2.4 Any other third party claims more than One Hundred Thousand Renminbi (RMB100,000) against Party B; or
- 2.5 Party A has given to Party B a written notice regarding the purchase of Party B's equity interest in Shenzhen Xinbao according to the provisions of the "Exclusive Purchase Option Agreement" as set forth in Article 3 hereof to exercise its call option.
3. Both parties hereby agree and acknowledge that, subject to the permission of and to the extent permitted by the PRC laws, Party A shall be entitled but not obliged to, at any time, purchase, or designate other person (including natural person, legal person or any other entity), to purchase all or part of the equity interest held by Party B in Shenzhen Xinbao (the "**Call Option**"), provided, however, that Party A gives a written notice about equity purchase to Party B. Once such written notice about exercising the Call Option is given by Party A, Party B shall, according to Party A's intention and instructions, transfer its equity interest in Shenzhen Xinbao to Party A or other person designated by Party A at its original investment price (the "**Original Investment Price**") or if otherwise specified by laws, at an other price agreed upon by Party A. Both parties hereby agree and acknowledge that when Party A exercises the Call Option, if the lowest equity price permitted by the applicable laws and regulations then in effect is higher than the Original Investment Price, the purchase price for Party A or its designee shall be the lowest price permitted by laws. Both parties agree to execute the "Exclusive Purchase Option Agreement" with respect thereto.
4. Both parties hereby agree and acknowledge that Party B shall repay the loan in the manner as given below only: when the loan is due, Party B (or any of its successors, heirs or assignees) shall, at Party A's written request, transfer its equity interest in Shenzhen Xinbao to Party A or its designee subject to the permission of the PRC laws, and shall use the proceeds from such equity transfer to repay the loan under this Agreement.
5. Both parties hereby agree and acknowledge that except as otherwise provided for herein, the loan under this Agreement is interest-free. But when the loan is due and Party B needs to transfer its equity interest hereunder to Party A or its designee, if the actual equity transfer price is higher than Party B's loan principal due to legal requirements or other reasons, the excess shall be deemed as loan interest or fund utilization costs to the extent permitted by laws, and shall be paid to Party A together with loan principal.
6. Both parties hereby agree and acknowledge that Party B's obligations under this Agreement are deemed to be fully performed only if all the following conditions are met:
- 6.1 Party B has transferred all its equity interest in Shenzhen Xinbao to Party A and/or its designee; and
- 6.2 Party B has paid to Party A as loan repayment all proceeds from equity transfer or the maximum amount permitted by laws (including principal and the highest loan interest permitted by applicable laws then in force).

7. To secure the performance of the debts under this Agreement, Party B agrees to pledge all its equity interest in Shenzhen Xinbao to Party A (the “**Equity Pledge**”). Both parties agree to execute an “Equity Pledge Agreement” with respect thereto.
8. As of the execution date of this Agreement, Party A hereby represents and warrants to Party B that:
  - 8.1 Party A is a wholly foreign-owned enterprise incorporated and validly existing under the PRC laws;
  - 8.2 Party A has the authority to execute and perform this Agreement. The execution and performance by Party A of this Agreement comply with its business scope, articles of association or other organizational documents, and Party A has obtained all necessary and appropriate approvals and authorizations with respect to the execution and performance of this Agreement;
  - 8.3 The execution and performance of this Agreement by Party A do not violate any laws, regulations, government approvals, authorizations, notices or other government documents binding upon or influencing it, any agreement signed by it with any third party or any undertaking made by it to any third party; and
  - 8.4 Once executed, this Agreement constitutes a legal, valid and binding obligation of Party A, enforceable against Party A in accordance with its provisions.
9. From the execution date of this Agreement until the termination hereof, Party B hereby represents and warrants to Party A that:
  - 9.1 Shenzhen Xinbao is a limited liability company incorporated and validly existing under the PRC laws, whose registered capital has been paid up and which has obtained capital verification report issued by a qualified accounting firm. Shenzhen Xinbao has completed all government approvals, authorizations, licenses, registrations, filing, etc necessary to carry out the business activities within its business scope and to possess its assets;
  - 9.2 Party B legally owns 95% equity interest of Shenzhen Xinbao;
  - 9.3 Party B has the authority to execute and perform this Agreement. The execution and performance by Party B of this Agreement comply with the articles of association or other organizational documents of Shenzhen Xinbao, and Party B has obtained all necessary and appropriate approvals and authorizations with respect to the execution and performance of this Agreement;
  - 9.4 The execution and performance of this Agreement by Party B do not violate any laws, regulations, government approvals, authorizations, notices or other government documents binding upon or influencing it, any agreement signed by it with any third party or any undertaking made by it to any third party;

- 9.5 Once executed, this Agreement constitutes a legal, valid and binding obligation of Party B, enforceable against Party B in accordance with its provisions;
- 9.6 Except for the provisions stipulated in the “Equity Pledge Agreement” and “Exclusive Purchase Option Agreements”, Party B has not mortgaged, pledged or otherwise encumbered its equity interest in Shenzhen Xinbao, given an offer about the transfer of such equity interest to any third party, made any commitment about the offer of any third party to purchase its equity interest, or executed any agreement with any third party to transfer its equity interest in Shenzhen Xinbao;
- 9.7 There are no existing or potential disputes, litigations, arbitrations, administrative proceedings or other legal proceedings in connection with Party B’s equity interest in Shenzhen Xinbao.
10. Party B covenants that it shall, during the term of this Agreement:
- 10.1 Without Party A’s prior written consent, not sell, transfer, mortgage or otherwise dispose of or cause any other security interest to be created on its equity interest or other interests in Shenzhen Xinbao, except for the equity pledge and other rights created for the benefit of Party A;
- 10.2 Without Party A’s prior written consent, not vote for or support or execute at the shareholders’ meetings of Shenzhen Xinbao any shareholders’ resolution approving the sale, transfer, mortgage or otherwise disposal of, or causing any other security interest to be created on, its legal or beneficial interest in the equity interest of Shenzhen Xinbao, except to Party A and its designee;
- 10.3 Without Party A’s prior written consent, not vote for or support or execute at the shareholders’ meetings of Shenzhen Xinbao any resolution approving Shenzhen Xinbao to be merged or consolidated with, acquire or invest in, any person;
- 10.4 Promptly inform Party A of any existing or potential litigation, arbitration or administrative proceedings relating to Party B’s equity interest in Shenzhen Xinbao;
- 10.5 Execute all necessary or appropriate documents, take all necessary or appropriate actions and bring all necessary or appropriate lawsuits or make all necessary and appropriate defenses against all claims in order to maintain the ownership over its equity interest in Shenzhen Xinbao;
- 10.6 Not do any act and/or omission that may materially affect the assets, business and liabilities of Shenzhen Xinbao without Party A’s prior written consent;
- 10.7 At Party A’s request, appoint any person nominated by Party A as the director of Shenzhen Xinbao;

- 10.8 When Party A exercises its Call Option described herein, transfer all of Party B's equity interest in Shenzhen Xinbao promptly and unconditionally to Party A and/or its designee subject to the permission of and to the extent permitted by the PRC laws;
- 10.9 Not request Shenzhen Xinbao to distribute dividends or profits to it;
- 10.10 In case its equity interest in Shenzhen Xinbao is transferred to Party A or its designee, Party B will, subject to compliance with legal requirements, pay all equity transfer proceeds to Party A as the loan principal and as the loan interests or fund utilization costs permitted by laws;
- 10.11 Comply strictly with the provisions of this Agreement, fully perform its obligations under this Agreement and not do any act/omission that affects or impairs the validity and enforceability of this Agreement.
- 11. Party B undertakes that within the term of this Agreement, it will, in the capacity of the shareholder of Shenzhen Xinbao, cause Shenzhen Xinbao:
  - 11.1 Not to supplement, amend or modify its articles of association in any way, or to increase or decrease its registered capital, or to change its capital structure in any way without Party A's prior written consent;
  - 11.2 To maintain its existence, and to operate its business and deal with matters prudently and effectively, subject to good financial and business rules and practices;
  - 11.3 Not to sell, transfer, mortgage or otherwise dispose of, or cause any other security interest to be created on, the legal or beneficial interests in any of its assets, business or income at any time after the signing of this Agreement without Party A's prior written consent;
  - 11.4 Not to create, succeed to, guarantee or permit any liability, without Party A's prior written consent, except (i) the liability arising from the normal course of business, but not arising from the loan; and (ii) the liability disclosed to Party A and approved by Party A in writing;
  - 11.5 To operate persistently all the business in the normal course of business to maintain the value of its assets;
  - 11.6 Not to execute any material contracts (a contract will be deemed material if its value exceeds On Hundred Thousand Renminbi (RMB100,000)), without Party A's prior written consent, other than those executed during the normal course of business;

- 11.7 To provide information concerning all of its operations and financial performance at Party A's request;
  - 11.8 Not to be merged or consolidated with, acquire or invest in, any other person without Party A's prior written consent;
  - 11.9 Not to distribute dividends to each shareholder in any way without Party A's prior written consent. However, Shenzhen Xinbao shall promptly distribute all its distributable profits to Party A's shareholders upon Party A's request;
  - 11.10 To inform promptly Party A of any existing or potential litigation, arbitration or administrative proceedings concerning its assets, business or income;
  - 11.11 To execute all necessary or appropriate documents, to take all necessary or appropriate actions and to bring all necessary or appropriate lawsuits or to make all necessary and appropriate defenses against all claims in order to maintain the ownership over all its assets;
  - 11.12 To comply strictly with the Service Agreement and other agreements executed by it with Party A's affiliates, to perform its obligations under the Service Agreements and other agreements, and not to do any act/omission that affects the validity and enforceability of such agreements.
  - 12. This Agreement shall be binding on and inure to the benefit of both parties hereto and their respective successors, heirs and permitted assignees. Without the prior written approval of Party A, Party B shall not transfer, pledge or otherwise assign any of its rights, benefits or obligations under this Agreement.
  - 13. Party B hereby agrees that Party A may assign its rights and obligations under this Agreement to any other third parties when necessary. Party A shall only be required to notify Party B in writing when such transfer occurs and no further consent from Party B shall be needed in respect of the transfer.
  - 14. The formation, validity, interpretation, performance, amendment and termination of and resolution of disputes in connection with this Agreement shall be governed by the PRC laws.
  - 15. Arbitration
    - 15.1 Any dispute, controversy or claim arising from the interpretation and performance in connection with this Agreement (including any question regarding its existence, validity or termination) shall be settled by both parties through friendly consultations. In case no settlement can be reached within thirty (30) days after one party makes a request for settlement, either party may submit such dispute to the China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with its arbitration rules then in effect at the time of applying for arbitration. The arbitration award shall be final and binding upon both parties;
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15.2 The seat of arbitration shall be Shenzhen;

15.3 The language of arbitration proceedings shall be Chinese.

16. This Agreement shall be formed on its signing date. Both parties agree and acknowledge that the terms and conditions of this Agreement shall be effective as of the date on which the loan is released until both parties have performed their obligations under this Agreement.
17. Party B shall not terminate or revoke this Agreement unless (a) Party A commits a gross negligence, fraud or other material illegal acts; or (b) Party A goes bankrupt.
18. This Agreement shall not be amended or modified except with the written consent of both parties. In case of anything not covered herein, both parties may make supplements hereto by signing a written agreement. Any amendment, modification, supplement or annex to this Agreement shall form an integral part of this Agreement.
19. This Agreement constitutes the entire agreement between both parties with respect to the transactions contemplated herein and supersedes all prior oral discussions or written agreements reached by both parties with respect to the transactions mentioned above.
20. This Agreement is severable. If any provision of this Agreement is held to be invalid or unenforceable, such provision shall not affect the validity and enforceability of the remainder of this Agreement.
21. Each party hereto shall keep in strict confidence the information concerning the other party's business, operation, financial performance or other confidential data obtained under this Agreement or during the performance of this Agreement.
22. Any obligation arising out of this Agreement or that is due before the expiration or early termination of this Agreement shall survive such expiration or early termination. Articles 14, 15 and 21 hereof shall survive the termination of this Agreement.
23. This Agreement is executed in two originals, with each of Party A and Party B holding one original. All originals have the same legal effect.

[No text below]

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**IN WITNESS WHEREOF**, Party A's legal representative or authorized representative and Party B have executed this Agreement as of the date as first above written.

Party A: Ying Si Kang Information Technology (Shenzhen) Co., Ltd.

Legal Representative/Authorized Representative: /s/ Yuan Tian

Chop: *[Chop affixed]*

Party B: Chunlin Wang

Signature: /s/ Chunlin Wang

**EQUITY PLEDGE AGREEMENT**

THIS EQUITY PLEDGE AGREEMENT (hereinafter “**this Agreement**”) is entered into in Shenzhen as of December 3, 2010 by the following parties:

Party A: Ying Si Kang Information Technology (Shenzhen) Co., Ltd.  
Address: Rom 2108-2110-35, Jiahe Huaqiang Building, Shennan Road, Futian District, Shenzhen

Party B: Chunlin Wang  
ID card No.: 430625196905225317

Third Party: Shenzhen Xinbao Investment Management Co., Ltd.  
Address: Rom 2108-2110-22, Jiahe Huaqiang Building, Shennan Road, Futian District, Shenzhen

**WHEREAS:**

1. Party A is a wholly foreign-owned enterprise incorporated in the People’s Republic of China (hereinafter the “**PRC**”).
2. Party B is a citizen of the PRC and holds 95% equity interest in Shenzhen Xinbao Investment Management Co., Ltd. (hereinafter “**Shenzhen Xinbao**”), a limited liability company incorporated in Shenzhen, China.
3. Party A and Party B signed the Loan Agreement on December 3, 2010, pursuant to which, Party A will provide an interest-free loan in the total amount of Twenty-Eight Thousand Five Hundred Renminbi (RMB28,500) to Party B (hereinafter the “**Loan**”) to Party B, and Party B will pledge all of his equity interest in Shenzhen Xinbao to Party A as a guarantee for the Loan.

NOW THEREFORE, Party A (hereinafter the “**Pledgee**”) and Party B (hereinafter the “**Pledgor**”) hereby enter into this Agreement after friendly negotiation.

**1. Definitions**

Unless otherwise provided in this Agreement, the following terms shall have the following meanings:

- 1.1 “Right of Pledge”: refers to all the contents as set forth in Article 2 hereunder.
  - 1.2 “Equity Interest”: refers to all the equity interest legally held by the Pledgor in Shenzhen Xinbao.
  - 1.3 “Event of Default”: refers to any circumstances set forth in Article 7.1 hereof.
  - 1.4 “Notice of Default”: refers to the notice of default issued by the Pledgee in accordance with this Agreement, declaring the occurrence of an Event of Default.
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## **2. Right of Pledge**

The Pledgor pledges all of his Equity Interest in Shenzhen Xinbao to the Pledgee as a guarantee for all of his liabilities under the Loan Agreement. The “Right of Pledge” refers to the right owned by the Pledgee to be first compensated from the money converted from, or the proceeds from the auction or sale of, the Equity Interest pledged by the Pledgor to the Pledgee.

## **3. Registration of Pledge**

- 3.1 Within one (1) week after the signing of this Agreement, the Pledgor shall cause Shenzhen Xinbao to record the Pledgee’s Right of Pledge over his Equity Interest in the register of shareholders and deliver the copy of the register of shareholders bearing the common seal of Shenzhen Xinbao, as well as the original of equity contribution certificate of Shenzhen Xinbao to the Pledgee for safe-keeping.
- 3.2 Both parties agree that if conditions permit, they will make their best effort to file, and cause the pledge under this Agreement to be filed, with the industrial and commercial administrative department in the place where Shenzhen Xinbao is registered, but both parties confirm that unless compulsorily stipulated by the PRC laws and regulations, whether this Agreement is filed as above or not will not affect the validity of this Agreement.

## **4. Rights of the Pledgee**

- 4.1 Where the Pledgor does not perform his liabilities, the Pledgee shall be entitled to be first compensated from the money converted from, or the proceeds from the auction or sale of, the Equity Interest of Shenzhen Xinbao that is pledged.
- 4.2 The Pledgee shall be entitled to the bonus arising from the Equity Interest that is pledged.

## **5. Representation and Warranty of the Pledgor**

- 5.1 The Pledgor is the legal owner of the pledged Equity Interest.
- 5.2 Except for the interest of the Pledgee, the Pledgor has not created other pledges or any other kinds of rights over the Equity Interest.
- 5.3 The pledge of the Equity Interest by the Pledgor has obtained the consent of the other shareholders of Shenzhen Xinbao, and other shareholders have unanimously agreed that they will give up the exercise of their respective preemptive right when the Pledgee actually exercises the Right of Pledge.

## **6. Undertakings by the Pledgor**

- 6.1 During the term of this Agreement, the Pledgor undertakes to the Pledgee for the benefit of the Pledgee that he will:
  - 6.1.1 Not transfer or assign the Equity Interest, nor create or cause to be created any pledge which may affect the rights and interests of the Pledgee without the prior written consent of the Pledgee;

- 6.1.2 Comply with the laws and regulations with respect to the pledge of rights; present to the Pledgee the notices, orders or suggestions with respect to the Right of Pledge issued or made by the competent authority within five (5) days upon receipt thereof; and comply with such notices, orders or suggestions; or make an objection to or a statement on the foregoing matters at the reasonable request of the Pledgee or with the consent of the Pledgee;
- 6.1.3 Timely notify the Pledgee of any events or any received notices which may affect the Pledgor's right over the Equity Interest or any part thereof, or may change the Pledgor's any warranty and obligation under this Agreement or may have effects on it.
- 6.2 The Pledgor agrees that the Pledgee's right to exercise the Right of Pledge obtained pursuant to this Agreement shall not be interrupted or hindered by the Pledgor or any of its successors or principals or any other person through legal proceedings.
- 6.3 The Pledgor undertakes to the Pledgee that in order to protect or improve the guarantee for the repayment of the loan under this Agreement, the Pledgor will execute in good faith and cause other interested persons relating to the Right of Pledge to execute all right certificates and contracts required by the Pledgee and/or perform and cause other interested persons to perform the acts required by the Pledgee and facilitate the exercise of the rights and authority granted to the Pledgee under this Agreement.
- 6.4 The Pledgor undertakes to the Pledgee that he will execute all documents for the change of equity certificate (if applicable and necessary) with the Pledgee and any persons designated by it (natural persons/ legal persons) and shall, within a reasonable period, provide to the Pledgee all notices, orders and decisions about the Right of Pledge as it deems necessary.
- 6.5 The Pledgor undertakes to the Pledgee that for the purpose of the Pledgee's benefits, he will comply with and perform all warranties, undertakings, agreements, representations and conditions. Where the Pledgor does not perform, in whole or in part, his warranties, undertakings, agreements, representations and conditions, the Pledgor shall compensate all losses suffered by the Pledgee arising therefrom.

## **7. Event of Default**

- 7.1 The following events shall be regarded as the Events of Default:
  - 7.1.1 The Pledgor fails to perform his obligations under the Loan Agreement;
  - 7.1.2 Any representation or warranty made by the Pledgor in Article 5 hereof contains misleading or false information that is material and/or the Pledgor breaches any warranty in Article 5 hereof;
  - 7.1.3 The Pledgor breaches the undertakings under Article 6 hereof;

- 7.1.4 The Pledgor breaches any of the other provisions of this Agreement;
- 7.1.5 The Pledgor waives the pledged Equity Interest or transfers or assigns the pledged Equity Interest without the prior written consent of the Pledgee;
- 7.1.6 Any borrowing, guarantee, compensation, undertaking or other debt liabilities of the Pledgor (1) is required to be repaid or performed in advance due to a default; or (2) has been due but cannot be repaid or performed on time, which, in the opinion of the Pledgee, would have affected the ability of the Pledgor in performing his obligations under this Agreement;
- 7.1.7 Shenzhen Xinbao is incapable of repaying the general debts or other debts;
- 7.1.8 This Agreement becomes illegal or the Pledgor fails to continue to perform his obligations herein due to any cause other than force majeure;
- 7.1.9 The properties owned by the Pledgor have significant adverse changes, which, in the opinion of the Pledgee, would have affected the ability of the Pledgor in performing his obligations under this Agreement;
- 7.1.10 The breach by the Pledgor due to his act or omission regarding the other provisions of this Agreement.
- 7.2 If the Pledgor knows or finds that any matter stated in Article 7.1 hereof or any event possibly resulting in any of the above matters has occurred, he shall immediately inform the Pledgee in writing.
- 7.3 Unless the Events of Default listed in this Article 7.1 has been resolved to the satisfactory of the Pledgee, the Pledgee may give a written Notice of Default to the Pledgor at any time when the Pledgor is in default or thereafter, requesting the Pledgor to immediately pay the outstanding debts and other payables under the Loan Agreement or requesting to dispose of the Right of Pledge according to Article 8 hereof.

## **8. Exercise of the Right of Pledge**

- 8.1 The Pledgor shall not transfer or assign the pledged Equity Interest before his obligations under the Loan Agreement have been fully performed and without the prior written consent of the Pledgee.
- 8.2 The Pledgee shall give a Notice of Default to the Pledgor when the Pledgee exercises the Right of Pledge.
- 8.3 Subject to Article 7.3, the Pledgee may exercise the right to dispose of the Right of Pledge when it gives a Notice of Default in accordance with Article 7.3 or at any time thereafter.
- 8.4 The Pledgee shall be entitled to be first compensated from the money converted from, or the proceeds from auction or sale of, all or part of the Equity Interest hereunder in accordance with statutory procedures until the outstanding debts and all other payables of the Pledgor under the Loan Agreement are repaid.

8.5 When the Pledgee disposes of the Right of Pledge in accordance with this Agreement, the Pledgor shall not pose any obstacles, and shall give necessary assistance in this regard so that the Pledgee can realize its Right of Pledge.

#### **9. Assignment of this Agreement**

9.1 The Pledgor shall have no right to transfer any of his rights and obligations under this Agreement unless with the prior consent of the Pledgee.

9.2 This Agreement shall be binding upon the Pledgor and his successors or heirs, and shall be valid and binding upon the Pledgee and each of its successors, heirs or permitted assigns.

9.3 The Pledgee may, at any time and to the extent permitted by laws, transfer or assign all or any of its rights and obligations under the Loan Agreement to any person designated by it (natural person or legal person). In this case, such assignee shall have the same rights and obligations hereunder as those of the Pledgee as if the assignee is a party hereto. When the Pledgee transfers or assigns the rights and obligations under the Loan Agreement, a written notice shall be only given by the Pledgee to the Pledgor, and the Pledgor shall, at the request of the Pledgee, execute the relevant agreements and/or documents with respect to such transfer or assignment.

9.4 A new pledge contract shall be signed between the new parties to the pledge after the change of the Pledgee as result of the transfer.

#### **10. Effectiveness and Term**

This Agreement is signed on the date first set forth above, and shall become effective from the date when the pledge of the Equity Interest is recorded on the register of shareholders of Shenzhen Xinbao.

#### **11. Termination**

This Agreement shall be terminated when the Loan under the Loan Agreement is paid off and the Pledgor ceases to undertake any obligations under the Loan Agreement, and the Pledgee shall, within the earliest reasonable and practicable time, offer assistance to complete necessary formalities so as to discharge the pledge of the Equity Interest.

#### **12. Handling Charges and Other Expenses**

The Pledgee shall be responsible for all the fees and actual expenses in relation to this Agreement, including but not limited to legal fees, cost of production, stamp tax and any other taxes and charges. If the Pledgee shall pay the relevant taxes in accordance with the laws, it shall compensate all such taxes paid by the Pledgor.

### **13. Force Majeure**

- 13.1 “Force Majeure” means any event that is beyond the reasonable control of either party and unavoidable or unpreventable after he/it gives reasonable attention, including but not limited to government act, act of God, fire, explosion, storm, flood, earthquake, tide, lightning or war, but shortage of credit, funds or financing shall not be deemed to be the event beyond the reasonable control of either party. The party who is affected by the “Force Majeure” shall inform the other party as soon as possible of the event, in respect of which the exemption from such obligations is sought.
- 13.2 Should the performance of this Agreement be delayed or prevented due to any “Force Majeure” defined above, the party who is affected by the “Force Majeure” shall not be required to assume any liabilities hereunder to the extent that it is within the scope of the delay or prevention. The party so affected shall take appropriate measures to minimize or eliminate the impact of “Force Majeure”, and make endeavors to resume the performance of the obligations delayed or prevented by the “Force Majeure”. Both parties agree to make their best efforts to resume the performance of this Agreement once the “Force Majeure” is eliminated.

### **14. Confidentiality**

Both parties agree and acknowledge that any oral or written information exchanged between them in connection with this Agreement shall be confidential information. Each party shall keep confidential all such information, and shall not disclose any of the information to any third party without the prior written consent of the other party, except for the following: (a) the information that is or will be known to the public (provided that it is not disclosed to the public without authorization by the information receiving party); (b) the information required to be disclosed by applicable laws or stock exchange's rules or regulations; or (c) the information required to be disclosed by either party to his/its legal or financial advisors with respect to the transaction contemplated under this Agreement, for which such legal or financial advisors shall also comply with the confidentiality obligations similar to those stated in this Article. Any divulgence of confidential information by any personnel of either party or any institutions engaged by him/it shall be deemed as the divulgence of confidential information by such party, and such party shall be liable for the breach pursuant to this Agreement.

### **15. Dispute Resolution**

- 15.1 This Agreement shall be governed by and construed in accordance with the PRC laws.
- 15.2 Any dispute between the parties arising from the interpretation and performance of the provisions of this Agreement shall be settled by both parties in good faith through negotiations. In case no settlement can be reached by both parties, either party may refer such dispute to the China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration in accordance with its arbitration rules then in effect. The seat of arbitration shall be Shenzhen and the language of proceedings shall be Chinese. The arbitral award shall be final and binding upon both parties.

#### **16. Notice**

Any notice given by the parties hereto for the purpose of performing the rights and obligations hereunder shall be in writing. Such notice is deemed to be duly received: if by hand delivery, at the time of delivery; if by telex or facsimile, at the time of transmission. If such notice does not reach the addressee on a business day or reaches the addressee after the business hours, the next business day following such day is the date of delivery. The delivery place shall be the address of each party hereto as first written above or other address advised by such party in writing (including facsimile and telex) subsequently from time to time.

#### **17. Integrity of this Agreement**

Notwithstanding Article 10 hereof, both parties agree that upon its effectiveness, this Agreement constitutes the entire agreement and understanding between both parties with respect to the subject matter thereof and supersedes and replaces all prior oral and/or written agreements and understandings between both parties with respect to the subject matter thereof.

#### **18. Severability of this Agreement**

Should any provision of this Agreement be held invalid or unenforceable due to its inconsistency with the relevant laws, such provision shall be invalid only to the extent within the scope of the related jurisdiction, and shall not affect the legal effect of the other provisions hereof.

#### **19. Amendment or Supplement to this Agreement**

19.1 The parties hereto may make amendments or supplements to this Agreement by written agreement. All amendment agreements and supplemental agreements in relation to this Agreement that are duly signed by both parties shall form an integral part of this Agreement, and shall have the same legal effect as this Agreement.

19.2 This Agreement and any amendments, supplements or changes thereof shall be in writing and will come into effect upon being executed and sealed by both parties hereto.

#### **20. Counterparts**

This Agreement is executed in three originals in Chinese, with each of Party A and Party B holding one original. All originals shall have the same legal effect.

**IN WITNESS WHEREOF**, each party has caused this Agreement to be executed by himself/itself or his/its legal representative or authorized representative as of the date first above written.

[No text below]

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**IN WITNESS WHEREOF**, each party has caused this Agreement to be executed by his/its legal representative or authorized representative or himself/itself as of the date first above written.

**Pledgee:** Ying Si Kang Information Technology (Shenzhen) Co., Ltd.

Legal Representative/Authorized Representative: /s/ Yuan Tian

Chop: *[Chop affixed]*

**Pledgor:** Chunlin Wang

Signature: /s/ Chunlin Wang

**Third Party:** Shenzhen Xinbao Investment Management Co., Ltd.

Legal Representative/Authorized Representative: /s/ Yuan Tian

Chop: *[Chop affixed]*

English Translation for Reference

EXCLUSIVE PURCHASE OPTION AGREEMENT

THIS EXCLUSIVE PURCHASE OPTION AGREEMENT (hereinafter “**this Agreement**”) is entered into by the following Parties in Shenzhen as of December 3, 2010:

Party A: Ying Si Kang Information Technology (Shenzhen) Co., Ltd.  
Address: Rom 2108-2110-35, Jiahe Huaqiang Building, Shennan Road, Futian District, Shenzhen

Party B: Chunlin Wang  
ID card No.: 430625196905225317

Party C: Shenzhen Xinbao Investment Management Co., Ltd.  
Address: Rom 2108-2110-22, Jiahe Huaqiang Building, Shennan Road, Futian District, Shenzhen

In this Agreement, Party A, Party B and Party C are referred to individually as a “**Party**” and collectively as the “**Parties**”.

**WHEREAS:**

1. Party A is a wholly foreign-owned enterprise incorporated under the laws of the People’s Republic of China (hereinafter the “**PRC**”);
  2. Party C is a limited liability company incorporated in Shenzhen, the PRC;
  3. Party B is a shareholder of Party C. Party B holds 95% equity interest in Party C (hereinafter the “**Equity Interest**”);
  4. Party A and Party B signed the Loan Agreement on December 3, 2010, pursuant to which Party B will borrow a loan of Twenty-Eight Thousand Five Hundred Renminbi (RMB28,500) from Party A;
  5. Party A and Party B signed the Equity Pledge Agreement on December 3, 2010, pursuant to which Party B will pledge his Equity Interest in Party C as a guarantee for the loan under the Loan Agreement;
  6. Party B intends to grant an exclusive purchase option to Party A so that Party A may request Party B to sell his Equity Interest to it upon certain conditions are met.
  7. Simultaneously with the execution hereof, Party A signed the Exclusive Purchase Option Agreements with Yuan Tian, another shareholder of Party C, pursuant to the terms similar to this Agreement. In accordance with the Exclusive Purchase Option Agreement, Yuan Tian will grant to Party A an exclusive purchase option for the purchase of his Equity Interest in Party C.
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NOW, THEREFORE, the Parties hereby agree as follows for mutual observance after friendly consultation:

## **1. Purchase and Sale of Equity Interest**

### **1.1 Grant of Option**

Party B hereby irrevocably grants to Party A an option to purchase or cause any person or persons designated by Party A (hereinafter the "**Designee**") to purchase from Party B all or part of his Equity Interest in Party C (hereinafter the "**Call Option**") at any time according to the steps determined by Party A at its own discretion to the extent permitted by PRC Laws and at the price specified in Article 1.3 of this Agreement. No Call Option shall be granted to any other third person other than Party A and/or the Designee. Party B shall not sell, offer to sell, transfer or offer as gift any Equity Interest to any other third person. Party C hereby agrees to the grant of the Call Option by Party B to Party A and/or the Designee. The "person" set forth in this Article and this Agreement includes an individual, corporation, joint venture, partnership, enterprise, trust or a non-corporate body.

### **1.2 Exercising Steps**

Subject to the PRC laws and regulations, Party A and/or the Designee may exercise the Call Option by giving a written notice (hereinafter the "**Equity Purchase Notice**") to Party B, which specifies the Equity Interest to be purchased from Party B (hereinafter the "**Purchased Equity**") and the manner in which purchase is made.

### **1.3 Purchase Price**

1.3.1 When Party A exercises the Call Option, the purchase price of the Purchased Equity (the "**Purchase Price**") shall be equal to the actual capital contribution made by Party B for the Purchased Equity, unless an appraisal is required to be made in respect of the Equity Interest by applicable PRC laws and regulations then in effect or there are other restrictions imposed by such PRC laws and regulations on the price of Equity Interest.

1.3.2 If an appraisal is required to be made in respect of the Equity Interest by the PRC laws and regulations that are applicable at the time when Party A exercises its Call Option or there are other restrictions imposed by such PRC laws and regulation on the price of Equity Interest, the Parties agree that the Purchase Price shall be the lowest price permitted by applicable laws.

#### 1.4 Transfer of the Purchased Equity

At each exercise of the Call Option:

- 1.4.1 Party B shall cause Party C to convene a shareholders' meeting in a timely manner, during which a resolution approving the transfer by Party B of his Equity Interest to Party A and/or the Designee shall be passed;
- 1.4.2 Party B shall, pursuant to the requirements of this Agreement and the Equity Purchase Notice in connection with the Purchased Equity, enter into an equity transfer agreement with Party A and/or the Designee (as applicable) for each transfer;
- 1.4.3 The related parties shall execute all other necessary contracts, agreements or documents, obtain all necessary government approvals and consents and take all necessary actions to grant the valid ownership of the Purchased Equity to Party A and/or the Designee without any security interest being attached thereto and cause Party A and/or the Designee to be the registered owner of the Purchased Equity. In this Article and this Agreement, "Security Interest" includes guarantee, mortgage, pledge, third party right or interest, any share option, right of acquisition, right of first refusal, right of set-off, ownership detainment or other security arrangements, but excluding any security interest arising under the Equity Pledge Agreement.

#### 1.5 Payment

The payment method of the Purchase Price shall be determined by Party A and/or the Designee and Party B through negotiation according to the laws applicable at the time when the Call Option is exercised. The Parties hereby agree that Party B shall refund to Party A any amount that is paid by Party A and/or the Designee to Party B with respect to the Purchased Equity in accordance with laws so as to repay his loan principal under the Loan Agreement as well as the loan interest or fund utilization costs permitted by laws.

## 2. Undertakings Relating to the Equity Interest

#### 2.1 Undertakings by Party C

Party B and Party C hereby undertake:

- 2.1.1 Not to supplement, amend or modify Party C's articles of association in any way, or to increase or decrease its registered capital, or to change its registered capital structure in any way without Party A's prior written consent;
- 2.1.2 To maintain its existence, and to operate its business and deal with matters prudently and effectively, subject to good financial and business rules and practices;

- 2.1.3 Not to sell, transfer, mortgage or otherwise dispose of, or cause any other security interest to be created on, the legal or beneficial interests in any of Party C's assets, business or income at any time after the signing of this Agreement without Party A's prior written consent;
- 2.1.4 Not to create, succeed to, guarantee or permit any liability, without Party A's prior written consent, except (i) the liability arising from the usual or normal course of business, but not arising from the loan; and (ii) the liability disclosed to Party A and approved by Party A in writing;
- 2.1.5 To operate persistently all the business in the normal course of business to maintain the value of Party C's assets, and not to do any act/omission affecting its operations and asset value;
- 2.1.6 Without the prior written consent of Party A, not to enter into any material agreement, other than the agreements in the normal course of business (for the purpose of this Agreement, an agreement will be deemed material if its value exceeds One Hundred Thousand Renminbi (RMB100,000));
- 2.1.7 Without the prior written consent of Party A, not to provide loan or credit to any person;
- 2.1.8 To provide information concerning Party C's operations and financial condition at Party A's request;
- 2.1.9 To purchase and maintain the insurance at the insurance company acceptable to Party A, whose amount and type shall be the same as those of the insurance normally procured by the companies engaged in similar businesses and possessing similar properties or assets in the area where Party C is located;
- 2.1.10 Not to be merged or consolidated with, acquire or invest in, any other person without Party A's prior written consent;
- 2.1.11 To inform promptly Party A of any existing or potential litigation, arbitration or administrative proceedings concerning Party C's assets, business or income;
- 2.1.12 To execute all necessary or appropriate documents, to take all necessary or appropriate actions and to bring all necessary or appropriate claims or to make all necessary and appropriate defenses against all claims in order for Party C to maintain the ownership over all its assets;
- 2.1.13 Not to distribute dividends to Party C's shareholders in any way without Party A's prior written consent. However, Party C shall promptly distribute all or part of its distributable profits to Party A's shareholders upon Party A's request;
- 2.1.14 At the request of Party A, to appoint any person nominated by Party A as the director of Party C.

## 2.2 Undertakings by Party B

Party B hereby undertakes:

- 2.2.1 Not to sell, transfer, pledge or otherwise dispose of, or cause any other security interest to be created on, the legal or beneficial interest in his Equity Interest at any time after the signing of this Agreement without Party A's prior written consent, but except the right of pledge created on Party B's Equity Interest in accordance with the Equity Pledge Agreement;
- 2.2.2 Without Party A's prior written consent, not to vote for or support or execute at shareholders' meetings of Party C any shareholders' resolution approving the sale, transfer, mortgage or otherwise disposal of, or causing any other security interest to be created on, his legal or beneficial interest in the Equity Interest of Party C, except to Party A or its Designee;
- 2.2.3 Without Party A's prior written consent, not to vote for or support or execute at shareholders' meetings of Party C any resolution approving Party C to be merged or consolidated with, acquire or invest in, any person;
- 2.2.4 To irrevocably agree to the grant by Party C's another shareholder, Yuan Tian, of an exclusive Call Option to Party A, and to irrevocably waive his preemptive right to such Equity Interest to be transferred by Yuan Tian to Party A when Party A exercises its Call Option;
- 2.2.5 To promptly inform Party A of any existing or potential litigation, arbitration or administrative proceedings with respect to his Equity Interest;
- 2.2.6 To cause the shareholders' meeting of Party C to approve the transfer of the Purchased Equity under this Agreement;
- 2.2.7 To execute all necessary or appropriate documents, to take all necessary or appropriate actions and to bring all necessary or appropriate claims or to make all necessary and appropriate defenses against all claims in order to maintain the ownership over his Equity Interest;
- 2.2.8 At Party A's request, to appoint any person nominated by Party A as the director of Party C;
- 2.2.9 To strictly comply with the provisions of this Agreement and other agreements entered into jointly or severally by and among Party B, Party C and Party A, to perform all obligations under these agreements and not to do any act/omission that affects or impairs the validity and enforceability of these agreements.

### **3. Representations and Warranties**

As of the execution date of this Agreement and every transfer date, Party B and Party C hereby represent and warrant to Party A as follows:

- 3.1 They have the power to execute and deliver this Agreement and any equity transfer agreement (each, a “**Transfer Agreement**”) to which they are a party and which is entered into in respect of each transfer of the Purchased Equity under this Agreement and to perform their respective obligations under this Agreement and any Transfer Agreement. Once executed, this Agreement and any Transfer Agreement to which they are a party will constitute a legal, valid and binding obligation and shall be enforceable against them in accordance with the provisions thereof;
- 3.2 The execution, delivery and performance of this Agreement or any Transfer Agreement and the performance of their respective obligations under this Agreement or any Transfer Agreement shall not: (i) violate any relevant PRC laws and regulations; (ii) conflict with their Articles of Association or other organizational documents; (iii) violate any contract or instrument to which they are a party or that binds upon them; (iv) violate any permit or approval granted to them and/or any condition remaining in force; or (v) cause any permit or approval granted to them to be suspended, cancelled or attached with additional conditions;
- 3.3 Party C has good and saleable ownership over all assets. Party C has not created any security interest on the above assets;
- 3.4 Party C has no outstanding debts, except (i) debts arising from its normal course of business; and (ii) debts disclosed to Party A and approved by Party A in writing;
- 3.5 Party C complies with all the PRC laws and regulations applicable to the acquisition of assets;
- 3.6 Currently, there are no existing, pending or threatened litigation, arbitration or administrative proceedings related to the Equity Interest and Party C’s assets or Party C; and
- 3.7 Party B has good and saleable ownership over all his Equity Interest and has not created any security interest on such Equity Interest, but excluding the security interest under the Equity Pledge Agreement.

### **4. Assignment of this Agreement**

- 4.1 Party B and Party C shall not transfer any of their rights and obligations under this Agreement to any third party without the prior written consent of Party A.

- 4.2 Party B and Party C hereby agree that Party A shall have the right to transfer all of its rights and obligations under this Agreement to other third parties when necessary. Party A shall only be required to serve written notice to Party B and Party C when such transfer is made, and no consent shall be further required from Party B and Party C in respect of such transfer.

## **5. Effectiveness and Term**

- 5.1 This Agreement shall become effective as of the date first above written.
- 5.2 The term of this Agreement shall be ten (10) years unless it is early terminated in accordance with the provisions of this Agreement or the relevant agreements separately signed by the Parties. The term of this Agreement may be extended with the written confirmation of Party A before its expiration. The extension thereof shall be agreed upon by the Parties through negotiation.
- 5.3 If the operation term (including any extension thereof) of Party A or Party C expires or either Party terminates for other reasons within the term set forth in Article 5.2, this Agreement shall be terminated at the time of the termination of such Party, unless Party A has transferred its rights and obligations in accordance with Article 4.2 hereof.

## **6. Applicable Law and Dispute Resolution**

### **6.1 Applicable Law**

The formation, validity, interpretation and performance of and settlement of disputes under this Agreement shall be protected and governed by the laws of PRC.

### **6.2 Dispute Resolution**

Any dispute arising from the interpretation and performance of the provisions of this Agreement shall be resolved by the Parties through amicable negotiation. In case no resolution can be reached by the Parties within thirty (30) days after either party makes a request for dispute resolution through negotiation, either party may refer such dispute to China International Economic and Trade Arbitration Commission for arbitration in accordance with its arbitration rules then in effect. The seat of arbitration shall be Shenzhen and the language of proceedings shall be Chinese. The arbitral award shall be final and binding upon the Parties.

## **7. Taxes and Expenses**

Every Party shall bear any and all transfer and registration taxes, expenses and charges incurred by or levied on it in accordance with the PRC laws in connection with the preparation and execution of this Agreement and each Transfer Agreement, and the consummation of the transactions contemplated under this Agreement and each Transfer Agreement.

## **8. Notices**

Any notice or other communications required to be given by either party pursuant to this Agreement shall be written in English or Chinese and delivered to the following address of the other Party by hand delivery, mail or facsimile. Such notice shall be deemed to be duly served: (a) if by hand delivery, on the date of delivery; (b) if by mail, on the tenth (10<sup>th</sup>) day after the date of posting (as indicated on the postmark) of air registered mail (postage prepaid), or if by courier service, on the fourth (4<sup>th</sup>) day after being delivered to an internationally recognized courier service; or (c) if by fax, at the receiving time as indicated in the transmission confirmation of the relevant document.

## **9. Confidentiality**

The Parties agree and acknowledge that any oral or written information exchanged between them in connection with this Agreement shall be confidential information. Each Party shall keep confidential all such information, and shall not disclose any of the information to any third party without the prior written consent of the other Party, except for the following:

- (a) the information that is or will be known to the public (provided that it is not disclosed to the public without authorization by the information receiving party);
- (b) the information required to be disclosed by applicable laws or stock exchange's rules or regulations; or
- (c) the information required to be disclosed by either Party to his/its legal or financial advisors with respect to the transaction contemplated under this Agreement, for which such legal or financial advisors shall also comply with the confidentiality obligations similar to those stated in this Article. Any divulgence of confidential information by any personnel of either Party or any institutions engaged by him/it shall be deemed as the divulgence of confidential information by such Party, and such Party shall be liable for the breach pursuant to this Agreement. This article shall survive regardless of whether this Agreement is invalid, discharged, terminated or cannot be operated due to any reason.

## **10. Further Assurance**

The Parties agree to promptly execute the documents reasonably required to perform the provisions and the aim of this Agreement or beneficial to it, and to take the further actions reasonably required to perform the provisions and the aim of this Agreement or beneficial to it.

## **11. Miscellaneous**

### **11.1 Amendment, Modification and Supplement**

The Parties may make amendments or supplements to this Agreement by written agreement. All amendment agreements and supplemental agreements to this Agreement that are duly signed by the Parties shall form an integral part of this Agreement, and shall have the same legal effect as this Agreement.

#### 11.2 Integrity of this Agreement

The Parties acknowledge that once this Agreement becomes effective, it shall constitute the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes all prior oral and/or written agreements and understandings reached by the Parties with respect to the subject matter hereof.

#### 11.3 Severability of this Agreement

If any provision or provisions of this Agreement is/are held to be invalid, illegal or unenforceable in any respect in accordance with any laws or regulations, the validity, legality and enforceability of the other provisions hereof shall not be affected or impaired in any respect. The Parties shall, through amicable negotiation, strive to replace those invalid, illegal or unenforceable provision or provisions with valid provision or provisions, and the economic effect of such valid provision or provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provision or provisions.

#### 11.4 Headings

The headings of this Agreement are for convenience of reference only and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

#### 11.5 Language and Counterparts

This Agreement is executed in Chinese in four (4) originals and each Party shall hold one original. All of them shall have the same legal effect.

#### 11.6 Successors

This Agreement shall be binding upon and inure to the interest of the respective successors or heirs of the Parties and the permitted assignees of such Parties.

#### 11.7 Survival

Any obligations that occur or are due as a result of this Agreement before the expiration or early termination of this Agreement shall survive the expiration or early termination hereof. The provisions of Articles 6, 8 and 9 and this Article 11.7 hereof shall survive the termination of this Agreement.

#### 11.8 Waiver

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by the other Parties shall operate as a waiver by such Party with respect to any similar breach by the other Parties in other circumstances.

[No Text Below]

[The remainder of this page is intentionally left blank]

**IN WITNESS WHEREOF**, each Party has caused this Agreement to be executed by his/its legal representatives or duly authorized representative or himself/itself as of the date first above written.

**Party A:** Ying Si Kang Information Technology (Shenzhen) Co., Ltd.

Legal Representative/Authorized Representative: /s/ Yuan Tian

Chop: *[Chop affixed]*

**Party B:** Chunlin Wang

Signature: /s/ Chunlin Wang

**Party C:** Shenzhen Xinbao Investment Management Co., Ltd.

Legal Representative/Authorized Representative: /s/ Yuan Tian

Chop: *[Chop affixed]*

English Translation for Reference

POWER OF ATTORNEY

I, Chunlin Wang, a citizen of the People's Republic of China (the "**PRC**") with the Chinese ID card No.: 430625196905225317, is the shareholder of Shenzhen Xinbao Investment Management Co., Ltd ("**Shenzhen Xinbao**"), holding 95% equity interest of Shenzhen Xinbao. I hereby irrevocably appoint Ying Si Kang Information Technology (Shenzhen) Co., Ltd. ("**Ying Si Kang**") to exercise the following rights during the term of this Power of Attorney:

I hereby authorize the person designated by Ying Si Kang which it thinks fit to represent me with full power to exercise all voting rights of shareholder to which I shall be entitled in accordance with PRC laws and Shenzhen Xinbao's Articles at shareholders' meetings of Shenzhen Xinbao, including but not limited to the right to sell or transfer any or all of my equity interest in Shenzhen Xinbao, to vote on all important matters of Shenzhen Xinbao as my authorized representative at its shareholders' meetings, and to elect and appoint the directors and officers of Shenzhen Xinbao. I will issue a power of attorney to the person designated by Ying Si Kang from time to time as per its request so as to facilitate the designee with full power to exercise all voting rights of shareholder at shareholders' meetings of Shenzhen Xinbao on my behalf.

If Ying Si Kang designates me to attend a shareholders' meeting of Shenzhen Xinbao, I promise that I will exercise the voting rights of shareholder according to the instructions of Ying Si Kang.

During the validly existing period of Shenzhen Xinbao and within the term of the Loan Agreement executed by myself and Ying Si Kang, this Power of Attorney shall have a term of ten (10) years from the execution date of this Power of Attorney.

/s/ Chunlin Wang  
Chunlin Wang

December 3, 2010

English Translation for Reference

LOAN AGREEMENT

THIS LOAN AGREEMENT (“**this Agreement**”) is entered into by the following two parties in Shenzhen as of December 3, 2010:

Party A: Ying Si Kang Information Technology (Shenzhen) Co., Ltd.

Address: Rom 2108-2110-35, Jiahe Huaqiang Building, Shennan Road, Futian District, Shenzhen

Party B: Yuan Tian

ID Card No.: 430102196209230559

**WHEREAS:**

1. Party A is a wholly foreign-owned enterprise duly incorporated under the laws of the People’s Republic of China (the “**PRC**”);
2. Party B is a Chinese citizen and holds 5% equity interest of Shenzhen Xinbao Investment Management Co., Ltd. (“**Shenzhen Xinbao**”);
3. Party B desires to borrow a loan from Party A by pledging its equity interest in Shenzhen Xinbao, and Party A agrees to extend a loan of One Thousand Five Hundred Renminbi (RMB1,500) to Party B.

**NOW THEREFORE**, after friendly negotiations, both parties hereby agree as follows for mutual observance:

1. In accordance with the terms and conditions of this Agreement, Party A agrees to grant an interest-free loan of One Thousand Five Hundred Renminbi (RMB1,500) to Party B, and Party B agrees to accept such loan.
  2. The term of the loan under this Agreement shall start from the date when the loan is withdrawn until ten (10) years after signing this Agreement, and may be extended subject to the mutual agreement between both parties. During the loan term or any extension thereof, Party A shall have the right, by giving written notice to Party B, to decide that the loan under this Agreement is due immediately and request Party B to repay the loan in the manner as specified herein if Party B has any of the following circumstances:
    - 2.1 Party B resigns from or is dismissed by Party A or any of its affiliates;
    - 2.2 Party B dies or loses its civil capacity or its capacity for civil conduct is restricted;
    - 2.3 Party B commits a crime or is involved in a crime;
-

- 2.4 Any other third party claims more than One Hundred Thousand Renminbi (RMB100,000) against Party B; or
- 2.5 Party A has given to Party B a written notice regarding the purchase of Party B's equity interest in Shenzhen Xinbao according to the provisions of the "Exclusive Purchase Option Agreement" as set forth in Article 3 hereof to exercise its call option.
3. Both parties hereby agree and acknowledge that, subject to the permission of and to the extent permitted by the PRC laws, Party A shall be entitled but not obliged to, at any time, purchase, or designate other person (including natural person, legal person or any other entity), to purchase all or part of the equity interest held by Party B in Shenzhen Xinbao (the "**Call Option**"), provided, however, that Party A gives a written notice about equity purchase to Party B. Once such written notice about exercising the Call Option is given by Party A, Party B shall, according to Party A's intention and instructions, transfer its equity interest in Shenzhen Xinbao to Party A or other person designated by Party A at its original investment price (the "**Original Investment Price**") or if otherwise specified by laws, at an other price agreed upon by Party A. Both parties hereby agree and acknowledge that when Party A exercises the Call Option, if the lowest equity price permitted by the applicable laws and regulations then in effect is higher than the Original Investment Price, the purchase price for Party A or its designee shall be the lowest price permitted by laws. Both parties agree to execute the "Exclusive Purchase Option Agreement" with respect thereto.
4. Both parties hereby agree and acknowledge that Party B shall repay the loan in the manner as given below only: when the loan is due, Party B (or any of its successors, heirs or assignees) shall, at Party A's written request, transfer its equity interest in Shenzhen Xinbao to Party A or its designee subject to the permission of the PRC laws, and shall use the proceeds from such equity transfer to repay the loan under this Agreement.
5. Both parties hereby agree and acknowledge that except as otherwise provided for herein, the loan under this Agreement is interest-free. But when the loan is due and Party B needs to transfer its equity interest hereunder to Party A or its designee, if the actual equity transfer price is higher than Party B's loan principal due to legal requirements or other reasons, the excess shall be deemed as loan interest or fund utilization costs to the extent permitted by laws, and shall paid to Party A together with loan principal.
6. Both parties hereby agree and acknowledge that Party B's obligations under this Agreement are deemed to be fully performed only if all the following conditions are met:
- 6.1 Party B has transferred all its equity interest in Shenzhen Xinbao to Party A and/or its designee; and
- 6.2 Party B has paid to Party A as loan repayment all proceeds from equity transfer or the maximum amount permitted by laws (including principal and the highest loan interest permitted by applicable laws then in force).

7. To secure the performance of the debts under this Agreement, Party B agrees to pledge all its equity interest in Shenzhen Xinbao to Party A (the “**Equity Pledge**”). Both parties agree to execute an “Equity Pledge Agreement” with respect thereto.
8. As of the execution date of this Agreement, Party A hereby represents and warrants to Party B that:
  - 8.1 Party A is a wholly foreign-owned enterprise incorporated and validly existing under the PRC laws;
  - 8.2 Party A has the authority to execute and perform this Agreement. The execution and performance by Party A of this Agreement comply with its business scope, articles of association or other organizational documents, and Party A has obtained all necessary and appropriate approvals and authorizations with respect to the execution and performance of this Agreement;
  - 8.3 The execution and performance of this Agreement by Party A do not violate any laws, regulations, government approvals, authorizations, notices or other government documents binding upon or influencing it, any agreement signed by it with any third party or any undertaking made by it to any third party; and
  - 8.4 Once executed, this Agreement constitutes a legal, valid and binding obligation of Party A, enforceable against Party A in accordance with its provisions.
9. From the execution date of this Agreement until the termination hereof, Party B hereby represents and warrants to Party A that:
  - 9.1 Shenzhen Xinbao is a limited liability company incorporated and validly existing under the PRC laws, whose registered capital has been paid up and which has obtained capital verification report issued by a qualified accounting firm. Shenzhen Xinbao has completed all government approvals, authorizations, licenses, registrations, filing, etc necessary to carry out the business activities within its business scope and to possess its assets;
  - 9.2 Party B legally owns 5% equity interest of Shenzhen Xinbao;
  - 9.3 Party B has the authority to execute and perform this Agreement. The execution and performance by Party B of this Agreement comply with the articles of association or other organizational documents of Shenzhen Xinbao, and Party B has obtained all necessary and appropriate approvals and authorizations with respect to the execution and performance of this Agreement;
  - 9.4 The execution and performance of this Agreement by Party B do not violate any laws, regulations, government approvals, authorizations, notices or other government documents binding upon or influencing it, any agreement signed by it with any third party or any undertaking made by it to any third party;

- 9.5 Once executed, this Agreement constitutes a legal, valid and binding obligation of Party B, enforceable against Party B in accordance with its provisions;
- 9.6 Except for the provisions stipulated in the “Equity Pledge Agreement” and “Exclusive Purchase Option Agreements”, Party B has not mortgaged, pledged or otherwise encumbered its equity interest in Shenzhen Xinbao, given an offer about the transfer of such equity interest to any third party, made any commitment about the offer of any third party to purchase its equity interest, or executed any agreement with any third party to transfer its equity interest in Shenzhen Xinbao;
- 9.7 There are no existing or potential disputes, litigations, arbitrations, administrative proceedings or other legal proceedings in connection with Party B’s equity interest in Shenzhen Xinbao.
10. Party B covenants that it shall, during the term of this Agreement:
- 10.1 Without Party A’s prior written consent, not sell, transfer, mortgage or otherwise dispose of or cause any other security interest to be created on its equity interest or other interests in Shenzhen Xinbao, except for the equity pledge and other rights created for the benefit of Party A;
- 10.2 Without Party A’s prior written consent, not vote for or support or execute at the shareholders’ meetings of Shenzhen Xinbao any shareholders’ resolution approving the sale, transfer, mortgage or otherwise disposal of, or causing any other security interest to be created on, its legal or beneficial interest in the equity interest of Shenzhen Xinbao, except to Party A and its designee;
- 10.3 Without Party A’s prior written consent, not vote for or support or execute at the shareholders’ meetings of Shenzhen Xinbao any resolution approving Shenzhen Xinbao to be merged or consolidated with, acquire or invest in, any person;
- 10.4 Promptly inform Party A of any existing or potential litigation, arbitration or administrative proceedings relating to Party B’s equity interest in Shenzhen Xinbao;
- 10.5 Execute all necessary or appropriate documents, take all necessary or appropriate actions and bring all necessary or appropriate lawsuits or make all necessary and appropriate defenses against all claims in order to maintain the ownership over its equity interest in Shenzhen Xinbao;
- 10.6 Not do any act and/or omission that may materially affect the assets, business and liabilities of Shenzhen Xinbao without Party A’s prior written consent;
- 10.7 At Party A’s request, appoint any person nominated by Party A as the director of Shenzhen Xinbao;

- 10.8 When Party A exercises its Call Option described herein, transfer all of Party B's equity interest in Shenzhen Xinbao promptly and unconditionally to Party A and/or its designee subject to the permission of and to the extent permitted by the PRC laws;
- 10.9 Not request Shenzhen Xinbao to distribute dividends or profits to it;
- 10.10 In case its equity interest in Shenzhen Xinbao is transferred to Party A or its designee, Party B will, subject to compliance with legal requirements, pay all equity transfer proceeds to Party A as the loan principal and as the loan interests or fund utilization costs permitted by laws;
- 10.11 Comply strictly with the provisions of this Agreement, fully perform its obligations under this Agreement and not do any act/omission that affects or impairs the validity and enforceability of this Agreement.
- 11. Party B undertakes that within the term of this Agreement, it will, in the capacity of the shareholder of Shenzhen Xinbao, cause Shenzhen Xinbao:
  - 11.1 Not to supplement, amend or modify its articles of association in any way, or to increase or decrease its registered capital, or to change its capital structure in any way without Party A's prior written consent;
  - 11.2 To maintain its existence, and to operate its business and deal with matters prudently and effectively, subject to good financial and business rules and practices;
  - 11.3 Not to sell, transfer, mortgage or otherwise dispose of, or cause any other security interest to be created on, the legal or beneficial interests in any of its assets, business or income at any time after the signing of this Agreement without Party A's prior written consent;
  - 11.4 Not to create, succeed to, guarantee or permit any liability, without Party A's prior written consent, except (i) the liability arising from the normal course of business, but not arising from the loan; and (ii) the liability disclosed to Party A and approved by Party A in writing;
  - 11.5 To operate persistently all the business in the normal course of business to maintain the value of its assets;
  - 11.6 Not to execute any material contracts (a contract will be deemed material if its value exceeds On Hundred Thousand Renminbi (RMB100,000)), without Party A's prior written consent, other than those executed during the normal course of business;

- 11.7 To provide information concerning all of its operations and financial performance at Party A's request;
  - 11.8 Not to be merged or consolidated with, acquire or invest in, any other person without Party A's prior written consent;
  - 11.9 Not to distribute dividends to each shareholder in any way without Party A's prior written consent. However, Shenzhen Xinbao shall promptly distribute all its distributable profits to Party A's shareholders upon Party A's request;
  - 11.10 To inform promptly Party A of any existing or potential litigation, arbitration or administrative proceedings concerning its assets, business or income;
  - 11.11 To execute all necessary or appropriate documents, to take all necessary or appropriate actions and to bring all necessary or appropriate lawsuits or to make all necessary and appropriate defenses against all claims in order to maintain the ownership over all its assets;
  - 11.12 To comply strictly with the Service Agreement and other agreements executed by it with Party A's affiliates, to perform its obligations under the Service Agreements and other agreements, and not to do any act/omission that affects the validity and enforceability of such agreements.
- 12. This Agreement shall be binding on and inure to the benefit of both parties hereto and their respective successors, heirs and permitted assignees. Without the prior written approval of Party A, Party B shall not transfer, pledge or otherwise assign any of its rights, benefits or obligations under this Agreement.
  - 13. Party B hereby agrees that Party A may assign its rights and obligations under this Agreement to any other third parties when necessary. Party A shall only be required to notify Party B in writing when such transfer occurs and no further consent from Party B shall be needed in respect of the transfer.
  - 14. The formation, validity, interpretation, performance, amendment and termination of and resolution of disputes in connection with this Agreement shall be governed by the PRC laws.
- 15. Arbitration
    - 15.1 Any dispute, controversy or claim arising from the interpretation and performance in connection with this Agreement (including any question regarding its existence, validity or termination) shall be settled by both parties through friendly consultations. In case no settlement can be reached within thirty (30) days after one party makes a request for settlement, either party may submit such dispute to the China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with its arbitration rules then in effect at the time of applying for arbitration. The arbitration award shall be final and binding upon both parties;

15.2 The seat of arbitration shall be Shenzhen;

15.3 The language of arbitration proceedings shall be Chinese.

16. This Agreement shall be formed on its signing date. Both parties agree and acknowledge that the terms and conditions of this Agreement shall be effective as of the date on which the loan is released until both parties have performed their obligations under this Agreement.
17. Party B shall not terminate or revoke this Agreement unless (a) Party A commits a gross negligence, fraud or other material illegal acts; or (b) Party A goes bankrupt.
18. This Agreement shall not be amended or modified except with the written consent of both parties. In case of anything not covered herein, both parties may make supplements hereto by signing a written agreement. Any amendment, modification, supplement or annex to this Agreement shall form an integral part of this Agreement.
19. This Agreement constitutes the entire agreement between both parties with respect to the transactions contemplated herein and supersedes all prior oral discussions or written agreements reached by both parties with respect to the transactions mentioned above.
20. This Agreement is severable. If any provision of this Agreement is held to be invalid or unenforceable, such provision shall not affect the validity and enforceability of the remainder of this Agreement.
21. Each party hereto shall keep in strict confidence the information concerning the other party's business, operation, financial performance or other confidential data obtained under this Agreement or during the performance of this Agreement.
22. Any obligation arising out of this Agreement or that is due before the expiration or early termination of this Agreement shall survive such expiration or early termination. Articles 14, 15 and 21 hereof shall survive the termination of this Agreement.
23. This Agreement is executed in two originals, with each of Party A and Party B holding one original. All originals have the same legal effect.

[No text below]

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**IN WITNESS WHEREOF**, Party A's legal representative or authorized representative and Party B have executed this Agreement as of the date as first above written.

Party A: Ying Si Kang Information Technology (Shenzhen) Co., Ltd.

Legal Representative/Authorized Representative:

Chop: *[Chop affixed]*

/s/ Yuan Tian

Party B: Yuan Tian

Signature: /s/ Tian Yuan

English Translation for Reference

EQUITY PLEDGE AGREEMENT

THIS EQUITY PLEDGE AGREEMENT (hereinafter “**this Agreement**”) is entered into in Shenzhen as of December 3, 2010 by the following parties:

Party A: Ying Si Kang Information Technology (Shenzhen) Co., Ltd.  
Address: Rom 2108-2110-35, Jiahe Huaqiang Building, Shennan Road, Futian District, Shenzhen

Party B: Yuan Tian  
ID card No.: 430102196209230559

Third Party: Shenzhen Xinbao Investment Management Co., Ltd.  
Address: Rom 2108-2110-22, Jiahe Huaqiang Building, Shennan Road, Futian District, Shenzhen

**WHEREAS:**

1. Party A is a wholly foreign-owned enterprise incorporated in the People’s Republic of China (hereinafter the “**PRC**”).
2. Party B is a citizen of the PRC and holds 5% equity interest in Shenzhen Xinbao Investment Management Co., Ltd. (hereinafter “**Shenzhen Xinbao**”), a limited liability company incorporated in Shenzhen, China.
3. Party A and Party B signed the Loan Agreement on December 3, 2010, pursuant to which, Party A will provide an interest-free loan in the total amount of One Thousand Five Hundred Renminbi (RMB1,500) to Party B (hereinafter the “**Loan**”) to Party B, and Party B will pledge all of his equity interest in Shenzhen Xinbao to Party A as a guarantee for the Loan.

NOW THEREFORE, Party A (hereinafter the “**Pledgee**”) and Party B (hereinafter the “**Pledgor**”) hereby enter into this Agreement after friendly negotiation.

**1. Definitions**

Unless otherwise provided in this Agreement, the following terms shall have the following meanings:

- 1.1 “Right of Pledge”: refers to all the contents as set forth in Article 2 hereunder.
  - 1.2 “Equity Interest”: refers to all the equity interest legally held by the Pledgor in Shenzhen Xinbao.
  - 1.3 “Event of Default”: refers to any circumstances set forth in Article 7.1 hereof.
  - 1.4 “Notice of Default”: refers to the notice of default issued by the Pledgee in accordance with this Agreement, declaring the occurrence of an Event of Default.
-

## **2. Right of Pledge**

The Pledgor pledges all of his Equity Interest in Shenzhen Xinbao to the Pledgee as a guarantee for all of his liabilities under the Loan Agreement. The “Right of Pledge” refers to the right owned by the Pledgee to be first compensated from the money converted from, or the proceeds from the auction or sale of, the Equity Interest pledged by the Pledgor to the Pledgee.

## **3. Registration of Pledge**

- 3.1 Within one (1) week after the signing of this Agreement, the Pledgor shall cause Shenzhen Xinbao to record the Pledgee’s Right of Pledge over his Equity Interest in the register of shareholders and deliver the copy of the register of shareholders bearing the common seal of Shenzhen Xinbao, as well as the original of equity contribution certificate of Shenzhen Xinbao to the Pledgee for safe-keeping.
- 3.2 Both parties agree that if conditions permit, they will make their best effort to file, and cause the pledge under this Agreement to be filed, with the industrial and commercial administrative department in the place where Shenzhen Xinbao is registered, but both parties confirm that unless compulsorily stipulated by the PRC laws and regulations, whether this Agreement is filed as above or not will not affect the validity of this Agreement.

## **4. Rights of the Pledgee**

- 4.1 Where the Pledgor does not perform his liabilities, the Pledgee shall be entitled to be first compensated from the money converted from, or the proceeds from the auction or sale of, the Equity Interest of Shenzhen Xinbao that is pledged.
- 4.2 The Pledgee shall be entitled to the bonus arising from the Equity Interest that is pledged.

## **5. Representation and Warranty of the Pledgor**

- 5.1 The Pledgor is the legal owner of the pledged Equity Interest.
- 5.2 Except for the interest of the Pledgee, the Pledgor has not created other pledges or any other kinds of rights over the Equity Interest.
- 5.3 The pledge of the Equity Interest by the Pledgor has obtained the consent of the other shareholders of Shenzhen Xinbao, and other shareholders have unanimously agreed that they will give up the exercise of their respective preemptive right when the Pledgee actually exercises the Right of Pledge.

## **6. Undertakings by the Pledgor**

- 6.1 During the term of this Agreement, the Pledgor undertakes to the Pledgee for the benefit of the Pledgee that he will:
  - 6.1.1 Not transfer or assign the Equity Interest, nor create or cause to be created any pledge which may affect the rights and interests of the Pledgee without the prior written consent of the Pledgee;

- 6.1.2 Comply with the laws and regulations with respect to the pledge of rights; present to the Pledgee the notices, orders or suggestions with respect to the Right of Pledge issued or made by the competent authority within five (5) days upon receipt thereof; and comply with such notices, orders or suggestions; or make an objection to or a statement on the foregoing matters at the reasonable request of the Pledgee or with the consent of the Pledgee;
- 6.1.3 Timely notify the Pledgee of any events or any received notices which may affect the Pledgor's right over the Equity Interest or any part thereof, or may change the Pledgor's any warranty and obligation under this Agreement or may have effects on it.
- 6.2 The Pledgor agrees that the Pledgee's right to exercise the Right of Pledge obtained pursuant to this Agreement shall not be interrupted or hindered by the Pledgor or any of its successors or principals or any other person through legal proceedings.
- 6.3 The Pledgor undertakes to the Pledgee that in order to protect or improve the guarantee for the repayment of the loan under this Agreement, the Pledgor will execute in good faith and cause other interested persons relating to the Right of Pledge to execute all right certificates and contracts required by the Pledgee and/or perform and cause other interested persons to perform the acts required by the Pledgee and facilitate the exercise of the rights and authority granted to the Pledgee under this Agreement.
- 6.4 The Pledgor undertakes to the Pledgee that he will execute all documents for the change of equity certificate (if applicable and necessary) with the Pledgee and any persons designated by it (natural persons/ legal persons) and shall, within a reasonable period, provide to the Pledgee all notices, orders and decisions about the Right of Pledge as it deems necessary.
- 6.5 The Pledgor undertakes to the Pledgee that for the purpose of the Pledgee's benefits, he will comply with and perform all warranties, undertakings, agreements, representations and conditions. Where the Pledgor does not perform, in whole or in part, his warranties, undertakings, agreements, representations and conditions, the Pledgor shall compensate all losses suffered by the Pledgee arising therefrom.

## **7. Event of Default**

- 7.1 The following events shall be regarded as the Events of Default:
  - 7.1.1 The Pledgor fails to perform his obligations under the Loan Agreement;
  - 7.1.2 Any representation or warranty made by the Pledgor in Article 5 hereof contains misleading or false information that is material and/or the Pledgor breaches any warranty in Article 5 hereof;
  - 7.1.3 The Pledgor breaches the undertakings under Article 6 hereof;

- 7.1.4 The Pledgor breaches any of the other provisions of this Agreement;
- 7.1.5 The Pledgor waives the pledged Equity Interest or transfers or assigns the pledged Equity Interest without the prior written consent of the Pledgee;
- 7.1.6 Any borrowing, guarantee, compensation, undertaking or other debt liabilities of the Pledgor (1) is required to be repaid or performed in advance due to a default; or (2) has been due but cannot be repaid or performed on time, which, in the opinion of the Pledgee, would have affected the ability of the Pledgor in performing his obligations under this Agreement;
- 7.1.7 Shenzhen Xinbao is incapable of repaying the general debts or other debts;
- 7.1.8 This Agreement becomes illegal or the Pledgor fails to continue to perform his obligations herein due to any cause other than force majeure;
- 7.1.9 The properties owned by the Pledgor have significant adverse changes, which, in the opinion of the Pledgee, would have affected the ability of the Pledgor in performing his obligations under this Agreement;
- 7.1.10 The breach by the Pledgor due to his act or omission regarding the other provisions of this Agreement.
- 7.2 If the Pledgor knows or finds that any matter stated in Article 7.1 hereof or any event possibly resulting in any of the above matters has occurred, he shall immediately inform the Pledgee in writing.
- 7.3 Unless the Events of Default listed in this Article 7.1 has been resolved to the satisfactory of the Pledgee, the Pledgee may give a written Notice of Default to the Pledgor at any time when the Pledgor is in default or thereafter, requesting the Pledgor to immediately pay the outstanding debts and other payables under the Loan Agreement or requesting to dispose of the Right of Pledge according to Article 8 hereof.

## **8. Exercise of the Right of Pledge**

- 8.1 The Pledgor shall not transfer or assign the pledged Equity Interest before his obligations under the Loan Agreement have been fully performed and without the prior written consent of the Pledgee
- 8.2 The Pledgee shall give a Notice of Default to the Pledgor when the Pledgee exercises the Right of Pledge.
- 8.3 Subject to Article 7.3, the Pledgee may exercise the right to dispose of the Right of Pledge when it gives a Notice of Default in accordance with Article 7.3 or at any time thereafter.
- 8.4 The Pledgee shall be entitled to be first compensated from the money converted from, or the proceeds from auction or sale of, all or part of the Equity Interest hereunder in accordance with statutory procedures until the outstanding debts and all other payables of the Pledgor under the Loan Agreement are repaid.
- 8.5 When the Pledgee disposes of the Right of Pledge in accordance with this Agreement, the Pledgor shall not pose any obstacles, and shall give necessary assistance in this regard so that the Pledgee can realize its Right of Pledge.

## **9. Assignment of this Agreement**

- 9.1 The Pledgor shall have no right to transfer any of his rights and obligations under this Agreement unless with the prior consent of the Pledgee.
- 9.2 This Agreement shall be binding upon the Pledgor and his successors or heirs, and shall be valid and binding upon the Pledgee and each of its successors, heirs or permitted assigns.
- 9.3 The Pledgee may, at any time and to the extent permitted by laws, transfer or assign all or any of its rights and obligations under the Loan Agreement to any person designated by it (natural person or legal person). In this case, such assignee shall have the same rights and obligations hereunder as those of the Pledgee as if the assignee is a party hereto. When the Pledgee transfers or assigns the rights and obligations under the Loan Agreement, a written notice shall be only given by the Pledgee to the Pledgor, and the Pledgor shall, at the request of the Pledgee, execute the relevant agreements and/or documents with respect to such transfer or assignment.
- 9.4 A new pledge contract shall be signed between the new parties to the pledge after the change of the Pledgee as result of the transfer.

## **10. Effectiveness and Term**

This Agreement is signed on the date first set forth above, and shall become effective from the date when the pledge of the Equity Interest is recorded on the register of shareholders of Shenzhen Xinbao.

## **11. Termination**

This Agreement shall be terminated when the Loan under the Loan Agreement is paid off and the Pledgor ceases to undertake any obligations under the Loan Agreement, and the Pledgee shall, within the earliest reasonable and practicable time, offer assistance to complete necessary formalities so as to discharge the pledge of the Equity Interest.

## **12. Handling Charges and Other Expenses**

The Pledgee shall be responsible for all the fees and actual expenses in relation to this Agreement, including but not limited to legal fees, cost of production, stamp tax and any other taxes and charges. If the Pledgee shall pay the relevant taxes in accordance with the laws, it shall compensate all such taxes paid by the Pledgor.

### **13. Force Majeure**

- 13.1 “Force Majeure” means any event that is beyond the reasonable control of either party and unavoidable or unpreventable after he/it gives reasonable attention, including but not limited to government act, act of God, fire, explosion, storm, flood, earthquake, tide, lightning or war, but shortage of credit, funds or financing shall not be deemed to be the event beyond the reasonable control of either party. The party who is affected by the “Force Majeure” shall inform the other party as soon as possible of the event, in respect of which the exemption from such obligations is sought.
- 13.2 Should the performance of this Agreement be delayed or prevented due to any “Force Majeure” defined above, the party who is affected by the “Force Majeure” shall not be required to assume any liabilities hereunder to the extent that it is within the scope of the delay or prevention. The party so affected shall take appropriate measures to minimize or eliminate the impact of “Force Majeure”, and make endeavors to resume the performance of the obligations delayed or prevented by the “Force Majeure”. Both parties agree to make their best efforts to resume the performance of this Agreement once the “Force Majeure” is eliminated.

### **14. Confidentiality**

Both parties agree and acknowledge that any oral or written information exchanged between them in connection with this Agreement shall be confidential information. Each party shall keep confidential all such information, and shall not disclose any of the information to any third party without the prior written consent of the other party, except for the following: (a) the information that is or will be known to the public (provided that it is not disclosed to the public without authorization by the information receiving party); (b) the information required to be disclosed by applicable laws or stock exchange’s rules or regulations; or (c) the information required to be disclosed by either party to his/its legal or financial advisors with respect to the transaction contemplated under this Agreement, for which such legal or financial advisors shall also comply with the confidentiality obligations similar to those stated in this Article. Any divulgence of confidential information by any personnel of either party or any institutions engaged by him/it shall be deemed as the divulgence of confidential information by such party, and such party shall be liable for the breach pursuant to this Agreement.

### **15. Dispute Resolution**

- 15.1 This Agreement shall be governed by and construed in accordance with the PRC laws.
- 15.2 Any dispute between the parties arising from the interpretation and performance of the provisions of this Agreement shall be settled by both parties in good faith through negotiations. In case no settlement can be reached by both parties, either party may refer such dispute to the China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration in accordance with its arbitration rules then in effect. The seat of arbitration shall be Shenzhen and the language of proceedings shall be Chinese. The arbitral award shall be final and binding upon both parties.

**16. Notice**

Any notice given by the parties hereto for the purpose of performing the rights and obligations hereunder shall be in writing. Such notice is deemed to be duly received: if by hand delivery, at the time of delivery; if by telex or facsimile, at the time of transmission. If such notice does not reach the addressee on a business day or reaches the addressee after the business hours, the next business day following such day is the date of delivery. The delivery place shall be the address of each party hereto as first written above or other address advised by such party in writing (including facsimile and telex) subsequently from time to time.

**17. Integrity of this Agreement**

Notwithstanding Article 10 hereof, both parties agree that upon its effectiveness, this Agreement constitutes the entire agreement and understanding between both parties with respect to the subject matter thereof and supersedes and replaces all prior oral and/or written agreements and understandings between both parties with respect to the subject matter thereof.

**18. Severability of this Agreement**

Should any provision of this Agreement be held invalid or unenforceable due to its inconsistency with the relevant laws, such provision shall be invalid only to the extent within the scope of the related jurisdiction, and shall not affect the legal effect of the other provisions hereof.

**19. Amendment or Supplement to this Agreement**

19.1 The parties hereto may make amendments or supplements to this Agreement by written agreement. All amendment agreements and supplemental agreements in relation to this Agreement that are duly signed by both parties shall form an integral part of this Agreement, and shall have the same legal effect as this Agreement.

19.2 This Agreement and any amendments, supplements or changes thereof shall be in writing and will come into effect upon being executed and sealed by both parties hereto.

**20. Counterparts**

This Agreement is executed in three originals in Chinese, with each of Party A and Party B holding one original. All originals shall have the same legal effect.

**IN WITNESS WHEREOF**, each party has caused this Agreement to be executed by himself/itself or his/its legal representative or authorized representative as of the date first above written.

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**IN WITNESS WHEREOF**, each party has caused this Agreement to be executed by his/its legal representative or authorized representative or himself/itself as of the date first above written.

**Pledgee:** Ying Si Kang Information Technology (Shenzhen) Co., Ltd.

Legal Representative/Authorized Representative:

/s/ Yuan Tian

Chop: *[Chop affixed]*

**Pledgor:** Yuan Tian

Signature: /s/ Yuan Tian

**Third Party:** Shenzhen Xinbao Investment Management Co., Ltd.

Legal Representative/Authorized Representative:

/s/ Yuan Tian

Chop: *[Chop affixed]*

English Translation for Reference

EXCLUSIVE PURCHASE OPTION AGREEMENT

THIS EXCLUSIVE PURCHASE OPTION AGREEMENT (hereinafter “**this Agreement**”) is entered into by the following Parties in Shenzhen as of December 3, 2010:

Party A: Ying Si Kang Information Technology (Shenzhen) Co., Ltd.  
Address: Rom 2108-2110-35, Jiahe Huaqiang Building, Shennan Road, Futian District, Shenzhen

Party B: Yuan Tian  
ID card No.: 430102196209230559

Party C: Shenzhen Xinbao Investment Management Co., Ltd.  
Address: Rom 2108-2110-22, Jiahe Huaqiang Building, Shennan Road, Futian District, Shenzhen

In this Agreement, Party A, Party B and Party C are referred to individually as a “**Party**” and collectively as the “**Parties**”.

**WHEREAS:**

1. Party A is a wholly foreign-owned enterprise incorporated under the laws of the People’s Republic of China (hereinafter the “**PRC**”);
  2. Party C is a limited liability company incorporated in Shenzhen, the PRC;
  3. Party B is a shareholder of Party C. Party B holds 5% equity interest in Party C (hereinafter the “**Equity Interest**”);
  4. Party A and Party B signed the Loan Agreement on December 3, 2010, pursuant to which Party B will borrow a loan of One Thousand Five Hundred Renminbi (RMB1,500) from Party A;
  5. Party A and Party B signed the Equity Pledge Agreement on December 3, 2010, pursuant to which Party B will pledge his Equity Interest in Party C as a guarantee for the loan under the Loan Agreement;
  6. Party B intends to grant an exclusive purchase option to Party A so that Party A may request Party B to sell his Equity Interest to it upon certain conditions are met.
  7. Simultaneously with the execution hereof, Party A signed the Exclusive Purchase Option Agreements with Chunlin Wang, another shareholder of Party C, pursuant to the terms similar to this Agreement. In accordance with the Exclusive Purchase Option Agreement, Chunlin Wang will grant to Party A an exclusive purchase option for the purchase of his Equity Interest in Party C.
-

NOW, THEREFORE, the Parties hereby agree as follows for mutual observance after friendly consultation:

## **1. Purchase and Sale of Equity Interest**

### **1.1 Grant of Option**

Party B hereby irrevocably grants to Party A an option to purchase or cause any person or persons designated by Party A (hereinafter the “**Designee**”) to purchase from Party B all or part of his Equity Interest in Party C (hereinafter the “**Call Option**”) at any time according to the steps determined by Party A at its own discretion to the extent permitted by PRC Laws and at the price specified in Article 1.3 of this Agreement. No Call Option shall be granted to any other third person other than Party A and/or the Designee. Party B shall not sell, offer to sell, transfer or offer as gift any Equity Interest to any other third person. Party C hereby agrees to the grant of the Call Option by Party B to Party A and/or the Designee. The “person” set forth in this Article and this Agreement includes an individual, corporation, joint venture, partnership, enterprise, trust or a non-corporate body.

### **1.2 Exercising Steps**

Subject to the PRC laws and regulations, Party A and/or the Designee may exercise the Call Option by giving a written notice (hereinafter the “**Equity Purchase Notice**”) to Party B, which specifies the Equity Interest to be purchased from Party B (hereinafter the “**Purchased Equity**”) and the manner in which purchase is made.

### **1.3 Purchase Price**

1.3.1 When Party A exercises the Call Option, the purchase price of the Purchased Equity (the “**Purchase Price**”) shall be equal to the actual capital contribution made by Party B for the Purchased Equity, unless an appraisal is required to be made in respect of the Equity Interest by applicable PRC laws and regulations then in effect or there are other restrictions imposed by such PRC laws and regulations on the price of Equity Interest.

1.3.2 If an appraisal is required to be made in respect of the Equity Interest by the PRC laws and regulations that are applicable at the time when Party A exercises its Call Option or there are other restrictions imposed by such PRC laws and regulation on the price of Equity Interest, the Parties agree that the Purchase Price shall be the lowest price permitted by applicable laws.

### **1.4 Transfer of the Purchased Equity**

At each exercise of the Call Option:

- 1.4.1 Party B shall cause Party C to convene a shareholders' meeting in a timely manner, during which a resolution approving the transfer by Party B of his Equity Interest to Party A and/or the Designee shall be passed;
- 1.4.2 Party B shall, pursuant to the requirements of this Agreement and the Equity Purchase Notice in connection with the Purchased Equity, enter into an equity transfer agreement with Party A and/or the Designee (as applicable) for each transfer;
- 1.4.3 The related parties shall execute all other necessary contracts, agreements or documents, obtain all necessary government approvals and consents and take all necessary actions to grant the valid ownership of the Purchased Equity to Party A and/or the Designee without any security interest being attached thereto and cause Party A and/or the Designee to be the registered owner of the Purchased Equity. In this Article and this Agreement, "Security Interest" includes guarantee, mortgage, pledge, third party right or interest, any share option, right of acquisition, right of first refusal, right of set-off, ownership detainment or other security arrangements, but excluding any security interest arising under the Equity Pledge Agreement.

1.5 Payment

The payment method of the Purchase Price shall be determined by Party A and/or the Designee and Party B through negotiation according to the laws applicable at the time when the Call Option is exercised. The Parties hereby agree that Party B shall refund to Party A any amount that is paid by Party A and/or the Designee to Party B with respect to the Purchased Equity in accordance with laws so as to repay his loan principal under the Loan Agreement as well as the loan interest or fund utilization costs permitted by laws.

**2. Undertakings Relating to the Equity Interest**

2.1 Undertakings by Party C

Party B and Party C hereby undertake:

- 2.1.1 Not to supplement, amend or modify Party C's articles of association in any way, or to increase or decrease its registered capital, or to change its registered capital structure in any way without Party A's prior written consent;
- 2.1.2 To maintain its existence, and to operate its business and deal with matters prudently and effectively, subject to good financial and business rules and practices;

- 2.1.3 Not to sell, transfer, mortgage or otherwise dispose of, or cause any other security interest to be created on, the legal or beneficial interests in any of Party C's assets, business or income at any time after the signing of this Agreement without Party A's prior written consent;
- 2.1.4 Not to create, succeed to, guarantee or permit any liability, without Party A's prior written consent, except (i) the liability arising from the usual or normal course of business, but not arising from the loan; and (ii) the liability disclosed to Party A and approved by Party A in writing;
- 2.1.5 To operate persistently all the business in the normal course of business to maintain the value of Party C's assets, and not to do any act/omission affecting its operations and asset value;
- 2.1.6 Without the prior written consent of Party A, not to enter into any material agreement, other than the agreements in the normal course of business (for the purpose of this Agreement, an agreement will be deemed material if its value exceeds One Hundred Thousand Renminbi (RMB100,000));
- 2.1.7 Without the prior written consent of Party A, not to provide loan or credit to any person;
- 2.1.8 To provide information concerning Party C's operations and financial condition at Party A's request;
- 2.1.9 To purchase and maintain the insurance at the insurance company acceptable to Party A, whose amount and type shall be the same as those of the insurance normally procured by the companies engaged in similar businesses and possessing similar properties or assets in the area where Party C is located;
- 2.1.10 Not to be merged or consolidated with, acquire or invest in, any other person without Party A's prior written consent;
- 2.1.11 To inform promptly Party A of any existing or potential litigation, arbitration or administrative proceedings concerning Party C's assets, business or income;
- 2.1.12 To execute all necessary or appropriate documents, to take all necessary or appropriate actions and to bring all necessary or appropriate claims or to make all necessary and appropriate defenses against all claims in order for Party C to maintain the ownership over all its assets;
- 2.1.13 Not to distribute dividends to Party C's shareholders in any way without Party A's prior written consent. However, Party C shall promptly distribute all or part of its distributable profits to Party A's shareholders upon Party A's request;
- 2.1.14 At the request of Party A, to appoint any person nominated by Party A as the director of Party C.

## 2.2 Undertakings by Party B

Party B hereby undertakes:

- 2.2.1 Not to sell, transfer, pledge or otherwise dispose of, or cause any other security interest to be created on, the legal or beneficial interest in his Equity Interest at any time after the signing of this Agreement without Party A's prior written consent, but except the right of pledge created on Party B's Equity Interest in accordance with the Equity Pledge Agreement;
- 2.2.2 Without Party A's prior written consent, not to vote for or support or execute at shareholders' meetings of Party C any shareholders' resolution approving the sale, transfer, mortgage or otherwise disposal of, or causing any other security interest to be created on, his legal or beneficial interest in the Equity Interest of Party C, except to Party A or its Designee;
- 2.2.3 Without Party A's prior written consent, not to vote for or support or execute at shareholders' meetings of Party C any resolution approving Party C to be merged or consolidated with, acquire or invest in, any person;
- 2.2.4 To irrevocably agree to the grant by Party C's another shareholder, Chunlin Wang, of an exclusive Call Option to Party A, and to irrevocably waive his preemptive right to such Equity Interest to be transferred by Chunlin Wang to Party A when Party A exercises its Call Option;
- 2.2.5 To promptly inform Party A of any existing or potential litigation, arbitration or administrative proceedings with respect to his Equity Interest;
- 2.2.6 To cause the shareholders' meeting of Party C to approve the transfer of the Purchased Equity under this Agreement;
- 2.2.7 To execute all necessary or appropriate documents, to take all necessary or appropriate actions and to bring all necessary or appropriate claims or to make all necessary and appropriate defenses against all claims in order to maintain the ownership over his Equity Interest;
- 2.2.8 At Party A's request, to appoint any person nominated by Party A as the director of Party C;
- 2.2.9 To strictly comply with the provisions of this Agreement and other agreements entered into jointly or severally by and among Party B, Party C and Party A, to perform all obligations under these agreements and not to do any act/omission that affects or impairs the validity and enforceability of these agreements.

### 3. Representations and Warranties

As of the execution date of this Agreement and every transfer date, Party B and Party C hereby represent and warrant to Party A as follows:

- 3.1 They have the power to execute and deliver this Agreement and any equity transfer agreement (each, a “**Transfer Agreement**”) to which they are a party and which is entered into in respect of each transfer of the Purchased Equity under this Agreement and to perform their respective obligations under this Agreement and any Transfer Agreement. Once executed, this Agreement and any Transfer Agreement to which they are a party will constitute a legal, valid and binding obligation and shall be enforceable against them in accordance with the provisions thereof;
- 3.2 The execution, delivery and performance of this Agreement or any Transfer Agreement and the performance of their respective obligations under this Agreement or any Transfer Agreement shall not: (i) violate any relevant PRC laws and regulations; (ii) conflict with their Articles of Association or other organizational documents; (iii) violate any contract or instrument to which they are a party or that binds upon them; (iv) violate any permit or approval granted to them and(or) any condition remaining in force; or (v) cause any permit or approval granted to them to be suspended, cancelled or attached with additional conditions;
- 3.3 Party C has good and saleable ownership over all assets. Party C has not created any security interest on the above assets;
- 3.4 Party C has no outstanding debts, except (i) debts arising from its normal course of business; and (ii) debts disclosed to Party A and approved by Party A in writing;
- 3.5 Party C complies with all the PRC laws and regulations applicable to the acquisition of assets;
- 3.6 Currently, there are no existing, pending or threatened litigation, arbitration or administrative proceedings related to the Equity Interest and Party C’s assets or Party C; and
- 3.7 Party B has good and saleable ownership over all his Equity Interest and has not created any security interest on such Equity Interest, but excluding the security interest under the Equity Pledge Agreement.

#### **4. Assignment of this Agreement**

- 4.1 Party B and Party C shall not transfer any of their rights and obligations under this Agreement to any third party without the prior written consent of Party A.
- 4.2 Party B and Party C hereby agree that Party A shall have the right to transfer all of its rights and obligations under this Agreement to other third parties when necessary. Party A shall only be required to serve written notice to Party B and Party C when such transfer is made, and no consent shall be further required from Party B and Party C in respect of such transfer.

#### **5. Effectiveness and Term**

- 5.1 This Agreement shall become effective as of the date first above written.
- 5.2 The term of this Agreement shall be ten (10) years unless it is early terminated in accordance with the provisions of this Agreement or the relevant agreements separately signed by the Parties. The term of this Agreement may be extended with the written confirmation of Party A before its expiration. The extension thereof shall be agreed upon by the Parties through negotiation.
- 5.3 If the operation term (including any extension thereof) of Party A or Party C expires or either Party terminates for other reasons within the term set forth in Article 5.2, this Agreement shall be terminated at the time of the termination of such Party, unless Party A has transferred its rights and obligations in accordance with Article 4.2 hereof.

#### **6. Applicable Law and Dispute Resolution**

##### **6.1 Applicable Law**

The formation, validity, interpretation and performance of and settlement of disputes under this Agreement shall be protected and governed by the laws of PRC.

##### **6.2 Dispute Resolution**

Any dispute arising from the interpretation and performance of the provisions of this Agreement shall be resolved by the Parties through amicable negotiation. In case no resolution can be reached by the Parties within thirty (30) days after either party makes a request for dispute resolution through negotiation, either party may refer such dispute to China International Economic and Trade Arbitration Commission for arbitration in accordance with its arbitration rules then in effect. The seat of arbitration shall be Shenzhen and the language of proceedings shall be Chinese. The arbitral award shall be final and binding upon the Parties.

#### **7. Taxes and Expenses**

Every Party shall bear any and all transfer and registration taxes, expenses and charges incurred by or levied on it in accordance with the PRC laws in connection with the preparation and execution of this Agreement and each Transfer Agreement, and the consummation of the transactions contemplated under this Agreement and each Transfer Agreement.

## **8. Notices**

Any notice or other communications required to be given by either party pursuant to this Agreement shall be written in English or Chinese and delivered to the following address of the other Party by hand delivery, mail or facsimile. Such notice shall be deemed to be duly served: (a) if by hand delivery, on the date of delivery; (b) if by mail, on the tenth (10<sup>th</sup>) day after the date of posting (as indicated on the postmark) of air registered mail (postage prepaid), or if by courier service, on the fourth (4<sup>th</sup>) day after being delivered to an internationally recognized courier service; or (c) if by fax, at the receiving time as indicated in the transmission confirmation of the relevant document.

## **9. Confidentiality**

The Parties agree and acknowledge that any oral or written information exchanged between them in connection with this Agreement shall be confidential information. Each Party shall keep confidential all such information, and shall not disclose any of the information to any third party without the prior written consent of the other Party, except for the following:

- (a) the information that is or will be known to the public (provided that it is not disclosed to the public without authorization by the information receiving party);
- (b) the information required to be disclosed by applicable laws or stock exchange's rules or regulations; or
- (c) the information required to be disclosed by either Party to his/its legal or financial advisors with respect to the transaction contemplated under this Agreement, for which such legal or financial advisors shall also comply with the confidentiality obligations similar to those stated in this Article. Any divulgence of confidential information by any personnel of either Party or any institutions engaged by him/it shall be deemed as the divulgence of confidential information by such Party, and such Party shall be liable for the breach pursuant to this Agreement. This article shall survive regardless of whether this Agreement is invalid, discharged, terminated or cannot be operated due to any reason.

## **10. Further Assurance**

The Parties agree to promptly execute the documents reasonably required to perform the provisions and the aim of this Agreement or beneficial to it, and to take the further actions reasonably required to perform the provisions and the aim of this Agreement or beneficial to it.

## **11. Miscellaneous**

### **11.1 Amendment, Modification and Supplement**

The Parties may make amendments or supplements to this Agreement by written agreement. All amendment agreements and supplemental agreements to this Agreement that are duly signed by the Parties shall form an integral part of this Agreement, and shall have the same legal effect as this Agreement.

#### 11.2 Integrity of this Agreement

The Parties acknowledge that once this Agreement becomes effective, it shall constitute the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes all prior oral and/or written agreements and understandings reached by the Parties with respect to the subject matter hereof.

#### 11.3 Severability of this Agreement

If any provision or provisions of this Agreement is/are held to be invalid, illegal or unenforceable in any respect in accordance with any laws or regulations, the validity, legality and enforceability of the other provisions hereof shall not be affected or impaired in any respect. The Parties shall, through amicable negotiation, strive to replace those invalid, illegal or unenforceable provision or provisions with valid provision or provisions, and the economic effect of such valid provision or provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provision or provisions.

#### 11.4 Headings

The headings of this Agreement are for convenience of reference only and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

#### 11.5 Language and Counterparts

This Agreement is executed in Chinese in four (4) originals and each Party shall hold one original. All of them shall have the same legal effect.

#### 11.6 Successors

This Agreement shall be binding upon and inure to the interest of the respective successors or heirs of the Parties and the permitted assignees of such Parties.

#### 11.7 Survival

Any obligations that occur or are due as a result of this Agreement before the expiration or early termination of this Agreement shall survive the expiration or early termination hereof. The provisions of Articles 6, 8 and 9 and this Article 11.7 hereof shall survive the termination of this Agreement.

#### 11.8 Waiver

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by the other Parties shall operate as a waiver by such Party with respect to any similar breach by the other Parties in other circumstances.

[No Text Below]

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**IN WITNESS WHEREOF**, each Party has caused this Agreement to be executed by his/its legal representatives or duly authorized representative or himself/itself as of the date first above written.

**Party A:** Ying Si Kang Information Technology (Shenzhen) Co., Ltd.

Legal Representative/Authorized Representative:

Chop: *[Chop affixed]*

/s/ Yuan Tian

**Party B:** Yuan Tian

Signature: /s/ Yuan Tian

**Party C:** Shenzhen Xinbao Investment Management Co., Ltd.

Legal Representative/Authorized Representative:

Chop: *[Chop affixed]*

/s/ Yuan Tian

English Translation for Reference

POWER OF ATTORNEY

I, Yuan Tian, a citizen of the People's Republic of China (the "PRC") with the Chinese ID card No.: 430102196209230559, is the shareholder of Shenzhen Xinbao Investment Management Co., Ltd ("Shenzhen Xinbao"), holding 5% equity interest of Shenzhen Xinbao. I hereby irrevocably appoint Ying Si Kang Information Technology (Shenzhen) Co., Ltd. ("Ying Si Kang") to exercise the following rights during the term of this Power of Attorney:

I hereby authorize the person designated by Ying Si Kang which it thinks fit to represent me with full power to exercise all voting rights of shareholder to which I shall be entitled in accordance with PRC laws and Shenzhen Xinbao's Articles at shareholders' meetings of Shenzhen Xinbao, including but not limited to the right to sell or transfer any or all of my equity interest in Shenzhen Xinbao, to vote on all important matters of Shenzhen Xinbao as my authorized representative at its shareholders' meetings, and to elect and appoint the directors and officers of Shenzhen Xinbao. I will issue a power of attorney to the person designated by Ying Si Kang from time to time as per its request so as to facilitate the designee with full power to exercise all voting rights of shareholder at shareholders' meetings of Shenzhen Xinbao on my behalf.

If Ying Si Kang designates me to attend a shareholders' meeting of Shenzhen Xinbao, I promise that I will exercise the voting rights of shareholder according to the instructions of Ying Si Kang.

During the validly existing period of Shenzhen Xinbao and within the term of the Loan Agreement executed by myself and Ying Si Kang, this Power of Attorney shall have a term of ten (10) years from the execution date of this Power of Attorney.

/s/ Yuan Tian

Yuan Tian

December 3, 2010

## SHARE SUBSCRIPTION AGREEMENT

This Share Subscription Agreement (this “**Agreement**”) is made as of December 24, 2010 by and among (i) Datong International Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands (the “**Company**”), (ii) Winner Sight Global Limited, a business company incorporated under the laws of the British Virgin Islands (“**WS**”), (iii) CISG Holdings Ltd., a company incorporated under the laws of the British Virgin Islands (“**CISG**” and together with WS, the “**Subscribers**”), (iv) Mr. Keping Lin (林克屏), whose PRC Identity Number is 432901195707202037 (“**Mr. Lin**”), (v) Expert Central Limited, a company incorporated under the laws of the British Virgin Islands (“**Expert Central**”), and (vi) Mancini Holdings Limited, a company incorporated under the laws of the British Virgin Islands (“**Mancini**”, and together with Expert Central and Mr. Lin, the “**Founder**”). The Company, WS, CISG, Mr. Lin, Expert Central and Mancini are hereinafter collectively referred to as the “**parties**” and each individually as a “**party**.”

### W I T N E S S E T H :

WHEREAS, the Company desires to issue and sell to WS and CISG, and WS and CISG desire to subscribe for, a certain number of Class B Ordinary Shares (as defined below), respectively, pursuant to the terms and subject to the conditions set forth in this Agreement;

WHEREAS, Mr. Lin is the sole shareholder of each of Expert Central and Mancini which collectively are the record and beneficial owners of all of the outstanding ordinary shares, par value US\$0.00005 each, of the Company.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements contained herein and intending to be legally bound hereby, the parties hereto agree to as follows:

### ARTICLE 1 Definitions

Section 1.01. *Definitions.* As used herein, the following terms have the following meanings:

“**Business Day**” means a day, other than Saturday, Sunday or other day on which commercial banks in the Hong Kong Special Administrative Region, Beijing, and New York City are authorized or required by applicable law to close.

“**Class B Ordinary Shares**” means the Class B Ordinary Shares, par value of US\$0.00005 each, of the Company.

ARTICLE 2  
Purchase and Sale

Section 2.01. *Issuance and Subscription.* Subject to the terms and conditions of this Agreement, (i) WS agrees to subscribe for and purchase from the Company and the Company agrees to allot, issue and sell to WS 9,438,220 Class B Ordinary Shares at an aggregate purchase price of US\$18,054 (the “**WS Purchase Price**”), and (ii) CISG agrees to subscribe for and purchase from the Company and the Company agrees to allot, issue and sell to CISG 513,333,767 Class B Ordinary Shares at an aggregate purchase price of US\$981,946 (the “**CISG Purchase Price**”). The Class B Ordinary Shares issued to WS and CISG pursuant to this Agreement shall be hereinafter referred to as the “**WS Shares**” and the “**CISG Shares**”, respectively, and collectively, the “**Sale Shares**”.

Section 2.02. *Issuance of Class B Ordinary Shares.* As soon as possible following the date hereof and in no event later than the second (2nd) Business Day after the date hereof, the Company shall, and the Founder shall cause the Company to,

(a) issue to WS the WS Shares and deliver to WS the following documents:

(i) a certificate representing the WS Shares issued to WS,

(ii) a copy of the register of members of the Company (the “**Updated Register of Members**”), duly certified by a director of the Company and updated to reflect the issuance of the WS Shares to WS, and

(iii) a certified true copy of the resolutions of the board of directors of the Company, approving the allotment and issuance of the WS Shares to WS, the registration of such allotment and issuance, entry of WS in the register of members of the Company, and the issue of the new share certificate with respect to the WS Shares to WS; and

(b) issue to CISG the CISG Shares and deliver to CISG the following documents:

(i) a certificate representing the CISG Shares issued to CISG,

(ii) a copy of the Updated Register of Members, duly certified by a director of the Company and updated to reflect the issuance of the CISG Shares to CISG, and

(iii) a certified true copy of the resolutions of the board of directors of the Company, approving the allotment and issuance of the CISG Shares to CISG, the registration of such allotment and issuance, entry of CISG in the register of members of the Company, and the issue of the new share certificate with respect to the CISG Shares to CISG.

Section 2.03. *Payment*. The payment (the “**Payment**”) of the WS Purchase Price and CISG Purchase Price shall take place at a time mutually agreed by the parties, after the satisfaction or waiver of the conditions set forth in Article 5. The date on which the Payment occurs, as mutually agreed by the parties, is hereinafter referred to as the “**Payment Date**”. On the Payment Date, WS shall pay to the Company the WS Purchase Price and CISG shall pay to the Company the CISG Purchase Price, each in immediately available funds by wire transfer to an account designated in writing by the Company at least two (2) Business Days prior to the Payment Date.

### ARTICLE 3

#### Representations and Warranties of The Company and the founder

The Founder and the Company, jointly and severally, represent and warrant to each of WS and CISG as of the date hereof and the Payment Date that:

Section 3.01. *Status and Power*. Each of Expert Central, Mancini and the Company is a company duly incorporated, validly existing and in good standing under the laws of its jurisdiction of organization and has all corporate powers and all material governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted. Mr. Lin has the legal right and full power and authority to execute and deliver this Agreement and to perform his obligations hereunder.

Section 3.02. *Corporate Authorization*. The execution, delivery and performance by each of Expert Central, Mancini and the Company of this Agreement and the consummation of the transactions contemplated hereby are within the corporate powers of each of Expert Central, Mancini and the Company and have been duly authorized by all necessary corporate action on the part of each of Expert Central, Mancini and the Company. This Agreement has been duly executed and delivered by the Founder and the Company and constitutes a legal, valid and binding agreement of the Founder and the Company, enforceable against each of them in accordance with the terms hereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors’ rights generally.

Section 3.03. *Governmental Authorization*. The execution, delivery and performance by the Founder and the Company of this Agreement and the consummation of the transactions contemplated hereby require no approval or action by or filing with or notice to any governmental authority.

Section 3.04. *Noncontravention*. The execution, delivery and performance by the Founder and the Company of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) violate the organizational documents of Expert Central, Mancini or the Company, (ii) violate any applicable law, government order, decree or judgment or (iii) require any consent or other action by any person under, constitute a default under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of the Founder or the Company under any provision of any agreement or other instrument binding the Founder or the Company.

Section 3.05. *Valid Issuance of Sale Shares*. Upon the issuance of Class B Ordinary Shares in accordance with Section 2.02, WS and CISG will acquire good and valid title to the WS Shares and CISG Shares, respectively, each of which, when issued, sold and delivered in accordance with the terms hereof for the consideration expressed herein, will be duly and validly issued, fully paid and nonassessable and free of restrictions on transfer. Upon the issuance of Class B Ordinary Shares in accordance with Section 2.02, the issued and outstanding share capital of the Company will be as set forth in Schedule 1. The rights of the Class B Ordinary Shares include those rights set forth in Schedule 2.

Section 3.06. *Litigation*. There is no action, suit, investigation or proceeding pending against or, to the knowledge of the Founder and Company, threatened against or affecting the Founder or the Company before any arbitrator or any governmental authority which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement.

#### ARTICLE 4 Representations and Warranties of The Subscribers

Each Subscriber, severally and not jointly, represents and warrants to the Founder as of the date hereof and the Payment Date that:

Section 4.01. *Status*. Such Subscriber is a company duly incorporated, validly existing and in good standing under the laws of its jurisdiction of organization.

Section 4.02. *Corporate Authorization*. The execution, delivery and performance by such Subscriber of this Agreement and the consummation of the transactions contemplated hereby are within the corporate powers of such Subscriber and have been duly authorized by all necessary corporate action on the part of such Subscriber. This Agreement has been duly executed and delivered by such Subscriber and constitutes a legal, valid and binding agreement of such Subscriber, enforceable against it in accordance with the terms hereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally.

Section 4.03. *Governmental Authorization.* The execution, delivery and performance by such Subscriber of this Agreement and the consummation of the transactions contemplated hereby require no approval or action by or filing with or notice to any governmental authority.

Section 4.04. *Noncontravention.* The execution, delivery and performance by such Subscriber of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) violate the organizational documents of such Subscriber or (ii) violate any applicable law, government order, decree or judgment.

Section 4.05. *Litigation.* There is no action, suit, investigation or proceeding pending against or, to the knowledge of such Subscriber, threatened against or affecting such Subscriber before any arbitrator or any governmental authority which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement.

## ARTICLE 5 Conditions to Closing

Section 5.01. *Conditions to Obligations of the Company and the Subscribers.* The obligations of the Company to issue the Sale Shares and the Subscribers to make the Payment are subject to the satisfaction of the following condition:

(a) No provision of any law shall prohibit the consummation of the transactions contemplated by this Agreement.

Section 5.02. *Conditions to Obligation of the Subscribers.* The obligation of each Subscriber to make the Payment is subject to the satisfaction of the following further conditions:

(a) All representations and warranties of the Founder and the Company contained in Article 3 shall be true and accurate as of the date of this Agreement and as of the Payment Date as though newly made on and as of the Payment Date.

(b) The memorandum and articles of association of the Company shall have been amended and restated in a form satisfactory to the Subscribers.

(c) The Company and the Founder shall have entered into a shareholders' agreement with the Subscribers which is satisfactory to the Subscribers in form and substance.

(d) The Founder and the Company shall have duly and properly established Datong Group Limited, a wholly-owned subsidiary of the Company, in accordance with the laws of the Hong Kong Special Administrative Region (the “**HK Company**”), and the Subscribers shall have received documents evidencing the due and proper establishment of the HK Company to their satisfaction.

(e) The Founder, the Company and the HK Company shall have duly and properly established 北京大华融金信息科技有限公司, a limited liability company and a wholly-owned subsidiary of the HK Company, in accordance with the laws of the People’s Republic of China (the “**WFOE**”), and the Subscribers shall have received documents evidencing the due and proper establishment of the WFOE to their satisfaction.

(f) the WFOE and 北京泛华大童投资管理有限公司, a limited liability company incorporated under the laws of the PRC (“**Datong**”) shall have entered into an Exclusive Service Agreement (《独家服务协议》) which is satisfactory to the Subscribers in form and substance.

#### ARTICLE 6 Miscellaneous

Section 6.01. *Termination.* This Agreement may be terminated by mutual written agreement of the parties hereto, at any time prior to the Payment.

Section 6.02. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

Section 6.03. *Counterparts; Effectiveness.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other parties hereto. Until and unless each party has received a counterpart hereof signed by the other parties hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication).

Section 6.04. *Entire Agreement.* This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, both oral and written, among the parties with respect to the subject matter of this Agreement.

*[Signature Page Follows]*

IN WITNESS WHEREOF, this Agreement has been duly executed by or on behalf of each of the parties hereto as of the day first above written.

WINNER SIGHT GLOBAL LIMITED

By: /s/ Timothy J. Curt  
Name: Timothy J. Curt  
Title: Director

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CISG HOLDINGS LTD.

By: /s/ Hu Yinan

Name: Hu Yinan

Title:

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DATONG INTERNATIONAL HOLDINGS LIMITED

By: /s/ Lin Keping  
Name: Lin Keping  
Title:

In his personal capacity:

/s/ Keping Lin  
KEPING LIN

EXPERT CENTRAL LIMITED

By: s/ Lin Keping  
Name: Lin Keping  
Title:

MANCINI HOLDINGS LIMITED

By: /s/ Lin Keping  
Name: Lin Keping  
Title:

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SCHEDULE 1

PRO FORMA CAPITALIZATION OF THE COMPANY

<b>Name of Shareholders</b>	<b>Class of Shares</b>	<b>Number of Shares</b>	<b>% of Share Capital</b>
Winner Sight Global Limited	Class B Ordinary Shares	9,438,220	1.0%
CISG Holdings Ltd.	Class B Ordinary Shares	513,333,767	54.4%
Mancini Holdings Limited	Class A Ordinary Shares	210,525,000	22.3%
Expert Central Limited	Class A Ordinary Shares	210,525,000	22.3%

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## SCHEDULE 2

### RIGHTS OF CLASS B ORDINARY SHARES

Except as otherwise agreed in writing by holders of Class A Ordinary Shares and holders of Class B Ordinary Shares, holders of any Class B Ordinary Shares will rank in priority to holders of any Class A Ordinary Shares on any dividends and/or other distributions that the Company may declare from time to time or in the event of any liquidation, dissolution or winding up of the Company.

**SHARE PURCHASE AGREEMENT**

**dated as of**

**March 24, 2011**

**among**

**WINNER SIGHT GLOBAL LIMITED,**

**CNINSURE INC.,**

**CISG HOLDINGS LTD.,**

**GUANGDONG MEIDIYA INVESTMENT CO., LTD.,**

**MR. KEPING LIN,**

**EXPERT CENTRAL LIMITED,**

**MANCINI HOLDINGS LIMITED,**

**DATONG INTERNATIONAL HOLDINGS LIMITED,**

**DATONG GROUP LIMITED,**

**BEIJING DAHUA RONGJIN INFORMATION TECHNOLOGY LIMITED,**

**BEIJING FANHUA DATONG INVESTMENT MANAGEMENT CO., LTD.,**

**and**

**DATONG INSURANCE SALES AND SERVICES CO., LTD.**

**relating to the purchase and sale**

**of**

**Class B Ordinary Shares**

**of**

**Datong International Holdings Limited**

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## SHARE PURCHASE AGREEMENT

AGREEMENT (this “**Agreement**”) dated as of March 24, 2011 among (1) Winner Sight Global Limited, a business company incorporated under the laws of the British Virgin Islands (“**Buyer**”), (2) CNinsure Inc., a company incorporated under the laws of the Cayman Islands with American Depositary Shares listed on NASDAQ (“**CNI**”), (3) CISG Holdings Ltd., a company incorporated under the laws of the British Virgin Islands (“**Seller**”), (4) Guangdong Meidiya Investment Co., Ltd. (广东美迪亚投资有限公司), a limited liability company incorporated under the laws of the PRC (“**Meidiya**” and together with CNI and Seller, the “**Seller Companies**”), (5) Mr. Keping Lin (林克屏), whose PRC Identity Number is 432901195707202037 (“**Mr. Lin**”), (6) Expert Central Limited, a company incorporated under the laws of the British Virgin Islands (“**Expert Central**”), (7) Mancini Holdings Limited, a company incorporated under the laws of the British Virgin Islands (“**Mancini**” and together with Mr. Lin and Expert Central, the “**Founder**”), (8) Datong International Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands (the “**Company**”), (9) Datong Group Limited, a company incorporated under the laws of Hong Kong (the “**HK Company**”, together with the Company, the “**Offshore Companies**”), (10) Beijing Dahua Rongjin Information Technology Limited (北京大华融金信息科技有限公司), a limited liability company incorporated under the laws of the PRC (the “**WFOE**”), (11) Beijing Fanhua Datong Investment Management Co., Ltd. (北京泛华大童投资管理有限公司), a limited liability company incorporated under the laws of the PRC (“**Datong Investment**”), and (12) Datong Insurance Sales and Services Co., Ltd. (大童保险销售服务有限公司), a limited liability company incorporated under the laws of the PRC (“**Datong Insurance**”, and together with Datong Investment, the “**Onshore Companies**” and each, an “**Onshore Company**”).

### WITNESSETH:

WHEREAS, Mr. Lin is the sole shareholder of both Expert Central and Mancini which are the record and beneficial owners of collectively 421,050,000 Class A Ordinary Shares, par value US\$0.00005 each, of the Company (the “**Class A Ordinary Shares**”, and together with the Class B Ordinary Shares, the “**Ordinary Shares**”), which represent 44.6% of the outstanding Ordinary Shares, calculated on a Fully-Diluted basis;

WHEREAS, Buyer is the record and beneficial owner of 9,438,220 Class B Ordinary Shares, par value US\$0.00005 each, of the Company (the “**Class B Ordinary Shares**”), which represent 1.0% of the outstanding Ordinary Shares, calculated on a Fully-Diluted basis;

WHEREAS, CNI is the sole shareholder of Seller which is the record and beneficial owner of 513,333,767 Class B Ordinary Shares (the “**Subject Shares**”),

---

which represent 54.4% of the outstanding Ordinary Shares, calculated on a Fully-Diluted basis;

WHEREAS, Seller desires to sell the Subject Shares to Buyer, and Buyer desires to purchase the Subject Shares from Seller, upon the terms and subject to the conditions hereinafter set forth;

WHEREAS, the Company is the sole shareholder of the HK Company and the HK Company is the sole shareholder of the WFOE;

WHEREAS, the Onshore Companies are engaging in the insurance agency business in the PRC through the Onshore Subsidiaries;

WHEREAS, Meidiya holds 55% of the equity interests in Datong Investment and Mr. Lin holds 45% of the equity interests in Datong Investment;

WHEREAS, CNI Controls Meidiya through contractual arrangements; and

WHEREAS, Meidiya desires to sell all of its interests in Datong Investment to Beijing Min Si Lian Hua Investment Management Co., Ltd. (北京敏思联华投资管理有限公司), a limited liability company incorporated in the PRC (the “**Buyer Designee**”) and after such sale and purchase Mr. Lin and Buyer intend to enter into and/or cause the Buyer Designee and Datong Investment to enter into various agreements with the WFOE so that Datong Investment will become a variable interest entity indirectly Controlled by the Company.

NOW, THEREFOR, in consideration of the promises and the mutual covenants and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

#### ARTICLE 1 Definitions

Section 1.01. *Definitions.* (a) The following terms, as used herein, have the following meanings:

“**Amended and Restated Memorandum and Articles**” means the memorandum and articles of association of the Company to be amended and restated effective on the Closing Date, in a form to be agreed among the Company, the Founder and the Buyer.

“**Affiliate**” means, with respect to any Person, any other Person directly or indirectly Controlling, Controlled by, or under common Control with such Person.

“**Applicable Exchange Rate**” means the average of the selling rate and buying rate of the U.S. dollar as announced by the People’s Bank of China on the date hereof.

“**Applicable Law**” means, with respect to any Person, any transnational, domestic or foreign federal, national, state, provincial or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

“**Balance Sheet**” means the unaudited consolidated balance sheet of the Onshore Companies and their Subsidiaries as of the Balance Sheet Date.

“**Balance Sheet Date**” means September 30, 2010.

“**Business Day**” means a day, other than Saturday, Sunday or other day on which commercial banks in Hong Kong, Beijing, or New York City are authorized or required by Applicable Law to close.

“**Closing Date**” means the date of the Closing.

“**Collective Knowledge of Seller Parties**” means the actual knowledge of any of Mr. Yinan Hu, the chief executive officer of CNI, Mr. Peng Ge, the chief financial officer of CNI, Mr. Feng Jin, the chief operating officer and chief information officer of CNI, Mr. Chengbin Li, the vice president and head of the life insurance unit of CNI, Mr. Jiusheng Zhu, the vice general manager of Capital Department of CNI and the members of senior management of each Group Company, in each case having made all due inquiries.

“**Consent**” means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, certificate, exemption, order, registration, declaration, filing, report or notice of, with or to any Person.

“**Contract**” means, with respect to any Person, any agreement, contract, indenture, letter of credit, mortgage, security agreement, pledge agreement, deed of trust, bond, note, guarantee, surety obligation, warranty, power of attorney, purchase order, lease, instrument, obligation, commitment, arrangement or understanding, written or oral, to which such Person is a party or by which it or any of its assets or properties is bound or affected.

“**Control**” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “**Controlling**” and “**Controlled**” have correlative meanings.

“**Covered Tax**” means with respect to the transactions contemplated hereunder, any and all PRC Taxes that are payable as a result of the application of PRC Circular 698 to such transactions and any and all PRC Taxes that are in the nature of capital gains levied on such transactions.

“**Datong Chuangfu**” means Beijing Datong Chuangfu Management Co., Ltd. (北京大童创富管理有限公司), a limited liability company incorporated under the laws of the PRC and Datong Insurance.

“**Fully-Diluted**” means all outstanding Ordinary Shares, all Ordinary Shares issuable in respect of all outstanding securities convertible into or exchangeable for Ordinary Shares and all Ordinary Shares issuable in respect of all outstanding options, warrants and other rights to acquire Ordinary Shares.

“**GAAP**” means generally accepted accounting principles in the PRC.

“**Governmental Authority**” means any transnational, domestic or foreign federal, national, state, provincial or local governmental, regulatory or administrative authority, department, court, agency or official, including any political subdivision thereof.

“**Group Companies**” means collectively, the PRC Companies, the WFOE and the Offshore Companies and each, a “**Group Company**”.

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“**Indebtedness**” means, with respect to any Person, without duplication, (i) all obligations of such Person for borrowed money, or with respect to deposits or advances of any kind, (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iii) all obligations of such Person upon which interest charges are customarily paid, (iv) all obligations of such Person under conditional sale or other title retention agreements relating to any asset or property purchased by such Person, (v) all obligations of such Person issued or assumed as the deferred purchase price of assets, property or services (other than trade payables and other similar current liabilities incurred in the ordinary course of business, and in each case paid in accordance with the payment terms thereof and otherwise not past due for more than 90 days), (vi) all lease obligations of such Person capitalized on the books and records of such Person, (vii) all obligations of other Persons secured by a Lien on property or assets owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (viii) all obligations of such Person under interest rate, currency or commodity derivatives or hedging transactions (valued at the termination value thereof), (ix) all letters of credit or performance bonds issued for the account of such Person and (x) all guarantees and arrangements having the economic effect of a guarantee of such Person of any Indebtedness of any other Person.

**“Indemnity Liability Percentage”** means, (a) with respect to Seller Companies, jointly and severally, 55%, and (b) with respect to the Group Companies, jointly and severally, 45%.

**“Intellectual Property Rights”** means (i) inventions, whether or not patentable, reduced to practice or made the subject of one or more pending patent applications, (ii) national and multinational statutory invention registrations, patents and patent applications (including all reissues, divisions, continuations, continuations-in-part, extensions and reexaminations thereof) registered or applied for in the United States and all other nations throughout the world, all improvements to the inventions disclosed in each such registration, patent or patent application, (iii) trademarks, service marks, trade dress, logos, domain names, trade names and corporate names (whether or not registered) in the United States and all other nations throughout the world, including all variations, derivations, combinations, registrations and applications for registration of the foregoing and all goodwill associated therewith, (iv) copyrights (whether or not registered) and registrations and applications for registration thereof in the United States and all other nations throughout the world, including all derivative works, moral rights, renewals, extensions, reversions or restorations associated with such copyrights, now or hereafter provided by law, regardless of the medium of fixation or means of expression, (v) computer software (including source code, object code, firmware, operating systems and specifications), (vi) trade secrets and, whether or not confidential, business information (including pricing and cost information, business and marketing plans and customer and supplier lists) and know-how (including manufacturing and production processes and techniques and research and development information), (vii) industrial designs (whether or not registered), (viii) databases and data collections, (ix) copies and tangible embodiments of any of the foregoing, in whatever form or medium, (x) all rights to obtain and rights to apply for patents, and to register trademarks and copyrights, (xi) all rights in all of the foregoing provided by treaties, conventions and common law and (xii) all rights to sue or recover and retain damages and costs and attorneys’ fees for past, present and future infringement or misappropriation of any of the foregoing.

**“IT Agreement”** means that certain IT Asset Transfer/Usage Agreement, dated as of the date hereof, by and among 力天卓越软件（北京）有限公司 and Datong Insurance, as amended or supplemented from time to time.

**“Licensed Intellectual Property Rights”** means all Intellectual Property Rights owned by a third party and licensed or sublicensed to any PRC Company.

**“Lien”** means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of such property or asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any property or asset which it has acquired or holds subject to the interest of a vendor or lessor under any

conditional sale agreement, capital lease or other title retention agreement relating to such property or asset.

**“Material Adverse Effect”** means any material adverse effect on (i) the condition (financial or otherwise), business, assets or results of operations of the Group Companies, taken as a whole, excluding any effect resulting from (A) a change in general economic conditions that does not have a materially disproportionate effect (relative to other industry participants in the PRC) on the Group Companies, taken as a whole, (B) any event, fact, circumstance or condition resulting primarily from the announcement or pendency of the transactions contemplated by the Transaction Documents; (C) any event, fact, circumstance or condition to the extent attributable to changes in applicable laws, rules, regulations, orders or other binding directives issued by any Governmental Authority after the date hereof that does not have a materially disproportionate effect (relative to other industry participants in the PRC) on the Group Companies, taken as a whole, (D) changes in GAAP after the date hereof that do not have a materially disproportionate effect (relative to other industry participants in the PRC) on the Group Companies, taken as a whole, or (E) any act of terrorism, declaration of war or other global unrest or international hostilities not having a materially disproportionate effect on the Group Companies, taken as a whole, relative to other industry participants in the PRC, or (ii) any Seller Company or Group Company’s ability to consummate the transactions contemplated by this Agreement.

**“Non-compete Agreements”** means, collectively, the Non-compete Agreements (《竞业禁止协议》) to be entered into prior to the Closing by each PRC Company with each of its Key Employees, in a form to be agreed between the Company and the Buyer, and each a **“Non-compete Agreement”**.

**“Onshore SPA”** means that certain share purchase agreement, entered into by and among Meidiya, Datong Investment and the Buyer Designee as of the date hereof.

**“Onshore Subsidiaries”** means collectively each Person whose name and other pertinent details are set forth on Schedule A (other than the Company).

**“Owned Intellectual Property Rights”** means all Intellectual Property Rights owned by the PRC Companies.

**“Permitted Liens”** means (i) statutory Liens for current Taxes or other governmental charges not yet due and payable or the amount or validity of which is being contested in good faith by appropriate proceedings by any Seller Company or Group Company and for which appropriate reserves have been established in accordance with GAAP; (ii) deposits or pledges made in connection with, or to secure payment of, utilities or similar services, workers’ compensation, unemployment insurance, old age pensions or other social security obligations; (iii) interest or title of a lessor under any of Real Property leases or subleases; (iv)

mechanics', materialmen's or contractors' Liens or encumbrances or any similar Lien or restriction for amounts not yet due and payable; and (v) easements, rights-of-way, restrictions and other similar charges and encumbrances not interfering with the ordinary conduct of the business of such Person or detracting from the value of the assets of such Person and (vi) with respect to any property or asset, Liens which do not materially detract from the value or materially interfere with any present or intended use of such property or asset.

**"Person"** means an individual, company, partnership, association, trust or other entity or organization, including a Governmental Authority.

**"PRC"** means the People's Republic of China, excluding, for purposes of this Agreement only, Hong Kong, the Macau Special Administrative Region and Taiwan.

**"PRC Companies"** means collectively, the Onshore Companies and the Onshore Subsidiaries, and each a **"PRC Company"**.

**"Relative"** of a natural person means the spouse, any child and any parent of such person.

**"RMB"** means renminbi, the lawful currency of the PRC.

**"SAIC"** means the State Administration of Industry and Commerce of the PRC or its relevant local office.

**"Sales Agent"** means, with respect to any Person, the insurance sales agent of such Person who sells insurance policies on behalf of or as an agent of such Person.

**"Sales Agent Contract"** means, with respect to any Person, the agreement entered into between the Sales Agent and such Person, providing for the agency relationship between the parties and their respective rights and obligations.

**"Seller's Knowledge"** means the actual knowledge of any of Mr. Yinan Hu, the chief executive officer of CNI, Mr. Peng Ge, the chief financial officer of CNI, Mr. Feng Jin, the chief operating officer and chief information officer of CNI, Mr. Chengbin Li, the vice president and head of the life insurance unit of CNI and Mr. Jiusheng Zhu, the vice general manager of Capital Department of CNI, in each case, having made all due inquiries.

**"Settlement Agreement"** means that certain settlement agreement, dated as of the date hereof, by and among Meidiya, Mr. Lin and Datong Investment to settle, among other things, the claims and liabilities among the foregoing parties prior to the date hereof, in the form attached hereto as **Exhibit D**.

**"Shareholders' Agreement"** means a shareholders' agreement in a form to be agreed among the Company, the Founder and the Buyer to be entered into

prior to the Closing by and among the Company, Buyer and the Founder with respect to the governance of the Company and rights and obligations of the shareholders of the Company, which shall become effective as of the Closing Date.

“**Share Subscription Agreement**” means the Share Subscription Agreement entered into on December 24, 2010 by and among the Company, Seller, Buyer and Mr. Lin, pursuant to which Seller subscribed for the Subject Shares, as amended by Section 13.15 hereof.

“**Subsidiary**” means, with respect to any Person, (i) any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person or (ii) directly or indirectly Controlled by such Person. For the avoidance of doubt, Datong Investment and its Subsidiaries will be considered Subsidiaries of the Company after the Closing.

“**Supplemental Minority Interests Holding Agreement**” means the supplemental agreement to be entered into on the Closing Date by Datong Chuangfu, in the form attached hereto as **Exhibit A**.

“**Tax**” means (a) taxes on income, profits and gains, and (b) all other taxes, levies, duties, imposts, charges and withholdings of any nature, in each case imposed, levied, collected, withheld or assessed by (or on behalf of) any Governmental Authority in any jurisdiction, including any excise, customs, property, sales, transfer, franchise, turnover and payroll taxes and other benefits related tax and stamp duties, together with all penalties, charges and interest relating to any of the foregoing or to any late or incorrect Tax Return in respect of any of them.

“**Tax Return**” means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“**Transaction Documents**” means

- (i) this Agreement,
- (ii) the Shareholders’ Agreement,
- (iii) the Amended and Restated Memorandum and Articles,
- (iv) the Share Subscription Agreement,
- (v) the Onshore SPA,
- (vi) the VIE Agreements,

- (vii) the IT Agreement,
- (viii) the Settlement Agreement, and
- (ix) the Supplemental Minority Interests Holding Agreement.

“U.S.” means the United States of America.

“US\$” or “U.S. dollars” means United States dollars, the lawful currency of the U.S.

“VIE Agreements” means, collectively, the following agreements:

(i) the Exclusive Service Agreement (《独家服务协议》) dated December 24, 2010 by and between the WFOE and Datong Investment, attached hereto as **Exhibit B-1**;

(ii) the Equity Pledge Agreement (《股权质押协议》) entered into by and among the WFOE, Datong Investment, Mr. Lin and the Buyer Designee as of the date hereof (effective as of the Closing Date), substantially in the form attached as **Exhibit B-2** hereto;

(iii) the Exclusive Purchase Option Agreement (《独家购买权协议》) entered into by and among the WFOE, Datong Investment, Mr. Lin and the Buyer Designee as of the date hereof (effective as of the Closing Date), substantially in the form attached as **Exhibit B-3** hereto; and

(iv) the Voting Rights Proxy Agreement (《表决权委托协议》) entered into among the WFOE, Datong Investment, Mr. Lin and the Buyer Designee as of the date hereof (effective as of the Closing Date), substantially in the form attached as **Exhibit B-4** hereto.

(b) Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
Agreement	Preamble
Arbitration	11.05(a)
Benefits	5.22(f)
Books and Records	5.07
Buyer	Preamble
Buyer Designee	Recitals
Buyer Indemnatee	11.02(a)
CNI	Preamble
Closing	2.02(c)
Company	Preamble

<b>Term</b>	<b>Section</b>
Covered Tax Claim	11.05(a)
Covered Tax Loss	11.03
Damages	11.02
Datong Investment	Preamble
Datong Insurance	Preamble
Deductible	11.05(a)
Dispute	11.05(a)
e-mail	13.01
Expert Central	Preamble
Founder	Preamble
Government Officials	5.17
Group Company Securities	5.06(g)
HK Company	Preamble
HKIAC	11.05(a)
Indemnified Party	11.05(a)
Indemnifying Party	11.05(a)
Intercompany Account Balances	5.11
Key Employees	5.22(a)
Management Accounts	5.07
Mancini	Preamble
Material Contracts	5.12(b)
Meidiya	Preamble
Mr. Lin	Preamble
Notice of Arbitration	13.06(d)
Onshore Companies	Preamble
Ordinary Shares	Recitals
Permits	5.20
PFIC	5.16
Pre-Closing Tax Return	8.02(b)
Purchase Price	2.01
Real Property	5.15
Seller	Preamble
Seller Companies	Preamble
Seller Indemnitee	13.06(d)
Social Insurance	5.22(f)
Subject Shares	Recitals
Third Party Claim	13.06(d)
Tribunal	13.06(d)
Warranty Breaches	11.04
WFOE	Recitals

Section 1.02. *Other Definitional and Interpretative Provisions.* The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The captions herein are included for convenience of

reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import. “Writing”, “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any statute shall be deemed to refer to such statute as amended from time to time and to any rules or regulations promulgated thereunder. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof; *provided* that with respect to any agreement or contract listed on any schedules hereto, all such amendments, modifications or supplements must also be listed in the appropriate schedule. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. References to “law”, “laws” or to a particular statute or law shall be deemed also to include an and all Applicable Law.

## ARTICLE 2 Purchase and Sale

Section 2.01. *Purchase and Sale.* Upon the terms and subject to the conditions of this Agreement, Seller agrees to sell, and CNI agrees to cause Seller to sell, to Buyer, and Buyer agrees to purchase from Seller, the Subject Shares. The aggregate purchase price for the Subject Shares (the “**Purchase Price**”) is an amount in U.S. dollars equal to (x) RMB407,000,000 *divided* by (y) the Applicable Exchange Rate. The title to the Subject Shares shall be transferred by Seller to Buyer as provided in Section 2.02. The Purchase Price shall be paid by Buyer to Seller as provided in Section 2.02(c).

Section 2.02. *Closing Deliverables.* (a) At the Closing, CNI shall cause Seller to, and the Seller shall, deliver to Buyer the following documents:

- (i) a certified true copy of the updated register of members of the Company reflecting the transfer of the Subject Shares from Seller to Buyer,

- (ii) the instrument of transfer duly executed by Seller with Buyer as transferee in respect of the Subject Shares,
- (iii) if applicable, the original share certificate in respect of the Subject Shares,
- (iv) a certified true copy of the resolutions of the board of directors of the Company approving the transfer of the Subject Shares from Seller to Buyer,
- (v) a new share certificate issued to Buyer with respect to the Subject Shares,
- (vi) if applicable, evidence of the cancellation of the existing share certificate in respect of the Subject Shares issued to Seller,
- (vii) a written confirmation signed by Mr. Lin with respect to the consummation of the Settlement Agreement, and
- (viii) a written receipt from SAIC acknowledging the filing of registration papers with respect to the share transfer contemplated in the Onshore SPA.

(b) At the Closing, the Company shall, and the Founder shall cause the Company to, deliver to Buyer the following documents:

(i) a certified true copy of the resolutions of the board of directors of the Company increasing the board of directors to a three member board and approving the appointment of the person designated by Buyer in accordance with the Shareholders' Agreement to the board of directors of the Company, and

(ii) a certified true copy of the register of directors of the Company reflecting the appointment of the person designated by Buyer in accordance with the Shareholders' Agreement to the board of directors of the Company.

(c) At the Closing, Datong Investment shall, and the Founder shall cause Datong Investment to, deliver to Seller a certified copy of the resolutions duly and validly adopted by Datong Investment's shareholders dated as of the date immediately prior to the Closing and acknowledged by the Buyer Designee, authorizing Datong Investment's distribution of RMB 10,000,000 to Meidiya prior to December 31, 2012.

Section 2.03. *Closing*. Provided the conditions set forth in Article 10 have been satisfied or waived, the closing (the "**Closing**") of the purchase and sale of the Subject Shares shall take place at the office of Davis Polk & Wardwell LLP, 26/F, Twin Tower West, B12 Jian Guo Men Wai Avenue, Chaoyang

District, Beijing 100022, the People's Republic of China, as soon as possible, but in no event later than the second (2<sup>nd</sup>) Business Day following the date hereof. At the Closing, Buyer shall deliver to Seller the Purchase Price in U.S. dollars in immediately available funds by wire transfer to a bank account designated by Seller by written notice to Buyer, which notice shall be delivered to Buyer not later than one (1) Business Day prior to the Closing Date.

ARTICLE 3  
Representations and Warranties of Seller Companies

Except as set forth in the disclosure schedules attached hereto as Schedule B (the "**Seller Disclosure Schedule**") (with specific reference to the particular Section or subsection of this Article 3 to which the information set forth in such Section of the Seller Disclosure Schedule relates; *provided* that any information set forth in one section of such Seller Disclosure Schedule shall be deemed to apply to each other Section or subsection of this Article 3 to which its relevance is reasonably apparent to a reasonable person without any independent knowledge regarding the matters so disclosed), the Seller Companies, jointly and severally, represent and warrant to Buyer as of the date hereof and as of the Closing Date that:

Section 3.01. *Corporate Status.* Each Seller Company is a company duly incorporated, validly existing and in good standing (to the extent such concept is applicable in such jurisdiction) under the laws of its jurisdiction of incorporation and has all corporate powers and all governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted, to carry out its business as now conducted, except for those licenses, authorizations, permits, consents and approvals the absence of which would not have a Material Adverse Effect.

Section 3.02. *Authority.*

(a) The execution and delivery of this Agreement and each other Transaction Document to which any Seller Company is a party, the performance of the obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, are within such Seller Company's power and have been duly authorized by all requisite corporate actions on the part of such Seller Company.

(b) This Agreement and each other Transaction Document to which any Seller Company is a party when executed and delivered by such Seller Company in accordance with the terms hereof and thereof will constitute valid and binding obligations of such Seller Company in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and general principles of equity (whether considered in proceedings at law or in equity).

(c) All material approvals of and material registrations and filings with the Governmental Authorities necessary for each Seller Company to enter into this Agreement and each other Transaction Document to which such Seller Company is party and to perform the obligations of such Seller Company hereunder and thereunder have been obtained or will be obtained by the Closing.

Section 3.03. *No Breach.* The execution and delivery of, and the performance by each Seller Company of the obligations of such Seller Company under, this Agreement and each other Transaction Document to which such Seller Company is party do not and will not:

(a) violate the memorandum and articles of association and other organizational documents of such Seller Company or any Group Company;

(b) violate any Applicable Law binding on such Seller Company or any Group Company or any of its assets or properties;

(c) require any consent or other action by any Person under, constitute a default (with or without the giving of notice or the lapse of time or both) under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of such Seller Company or any Group Company under, any provision of any Contract binding upon such Seller Company or any Group Company or any of its assets or properties; or

(d) result in the creation or imposition of any Lien (or any obligation to create any Lien) other than Permitted Liens, on any assets or properties of such Seller Company or any Group Company;

except for, in the case of clauses (b), (c) and (d) above, any such items that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

Section 3.04. *Ownership.* (a) Seller is the record and beneficial owner of the Subject Shares, free and clear of any Lien and any other restriction (including any restriction on the right to vote, sell or otherwise dispose of the Subject Shares), and will transfer and deliver to Buyer, in accordance with Section 2.02, valid title to the Subject Shares free and clear of any Lien and any such restriction.

(b) Meidiya is Controlled by CNI and is the record owner of 55% of the equity interests in Datong Investment, free and clear of any Lien and any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such equity interests).

Section 3.05. *Litigation.* There is no action, suit, investigation or proceeding pending against or, to the Seller's Knowledge, threatened against or affecting any Seller Company before any arbitrator or any Governmental

Authority which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by any Transaction Document.

Section 3.06. *Representations.* Except for the representations and warranties contained in this Article 3 and Article 5 and the certificate delivered by the Seller Companies pursuant to Section 10.02(b), none of the Seller Companies makes any other express or implied representation or warranty to Buyer.

#### ARTICLE 4 Representations and Warranties of the Founder

Except as set forth in the Seller Disclosure Schedule (with specific reference to the particular Section or subsection of this Article 4 to which the information set forth in such Section of the Seller Disclosure Schedule relates; *provided* that any information set forth in one section of such Seller Disclosure Schedule shall be deemed to apply to each other Section or subsection of this Article 4 to which its relevance is reasonably apparent to a reasonable person without any independent knowledge regarding the matters so disclosed), the Founder represents and warrants to Buyer as of the date hereof and as of the Closing Date that:

##### Section 4.01. *Status; Authority.*

(a) Each of Expert Central and Mancini is a company duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all corporate powers and all governmental licenses, authorizations, permits, consents and approvals required to carry out its business as now conducted, except for those licenses, authorizations, permits, consents and approvals the absence of which would not have a Material Adverse Effect.

(b) Mr. Lin has the legal right and full power and authority to execute and deliver this Agreement and each other Transaction Document to which he is a party and to perform his or her obligations hereunder and thereunder.

(c) The execution and delivery of this Agreement and each other Transaction Document to which either Expert Central or Mancini is a party, the performance of the obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, are within the power of Expert Central and Mancini, respectively, and have been duly authorized by all requisite corporate actions on the part of Expert Central and Mancini, respectively.

(d) Each Transaction Document to which the Founder is a party when executed and delivered by the Founder in accordance with the terms thereof constitutes or will constitute, as applicable, the legal, valid and binding obligations of the Founder, enforceable against the Founder in accordance with

the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and general principles of equity (whether considered in proceedings at law or in equity).

(e) All material approvals of and material registrations and filings with the Governmental Authorities necessary for the Founder to enter into this Agreement and each other Transaction Document to which such the Founder is party and to perform the obligations of the Founder hereunder and thereunder have been obtained or will be obtained by the Closing.

Section 4.02. *No Breach*. The execution and delivery of, and the performance by the Founder of the obligations of the Founder under, this Agreement and each other Transaction Document to which the Founder is party do not and will not:

(a) violate the memorandum and articles of association of any Group Company;

(b) violate any Applicable Law binding on the Founder or any Group Company or any of his or its assets or properties;

(c) require any consent or other action by any Person under, constitute a default (with or without the giving of notice or the lapse of time or both) under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of the Founder or any Group Company under, any provision of any Contract binding upon the Founder or any Group Company or any of his or its assets or properties; or

(d) result in the creation or imposition of any Lien (or any obligation to create any Lien) other than Permitted Liens, on any assets or properties of the Founder or any Group Company;

except for, in the case of clauses (b), (c) and (d) above, any such items that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

Section 4.03. *Ownership*. (a) Mr. Lin is the record and beneficial owner of 100% of the shares of each of Expert Central and Mancini, free and clear of any Lien and any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such shares).

(b) Expert Central and Mancini are the record and beneficial owner of 210,525,000 Ordinary Shares and 210,525,000 Ordinary Shares, respectively, free and clear of any Lien and any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such shares other than pursuant to the Shareholders' Agreement).

(c) As of the date hereof, Mr. Lin is the record and beneficial owner of 45% of the equity interests in Datong Investment, free and clear of any Lien and any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such equity interests).

Section 4.04. *Non-competition.* Neither Mr. Lin nor any of his Relatives directly or indirectly owns any interests in, or Controls any Person which is engaging in or intends or plans to engage or participate in (i) any insurance related business (other than the Group Companies), or (ii) any business in competition with or reasonably expected to be in competition with the business as presently conducted or contemplated to be conducted by any Group Company.

Section 4.05. *Litigation.* There is no action, suit, investigation or proceeding pending against or, to the knowledge of the Founder, threatened against or affecting the Founder before any arbitrator or any Governmental Authority which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by any Transaction Document.

Section 4.06. *Representations.* Except for the representations and warranties contained in this Article 4 and Section 5.07 and Section 5.13 of Article 5 and the certificate delivered by the Founder pursuant to Section 10.02(b), the Founder makes no other express or implied representation or warranty to Buyer.

#### ARTICLE 5 Representations and Warranties Regarding the Group Companies

Except as set forth in the Seller Disclosure Schedule (with specific reference to the particular Section or subsection of this Article 5 to which the information set forth in such Section of the Seller Disclosure Schedule relates; *provided* that any information set forth in one section of such Seller Disclosure Schedule shall be deemed to apply to each other Section or subsection of this Article 5 to which its relevance is reasonably apparent to a reasonable person without any independent knowledge regarding the matters so disclosed), (x) with respect to only Section 5.07 (Financial Statements) and Section 5.13 (No Litigation), each of the Seller Companies, the Offshore Companies, the WFOE, the Onshore Companies and Mr. Lin (to the best of his knowledge and belief derived from his legal capacity as the legal representative of the Onshore Companies or Datong Chuangfu), and (y) and with respect to all other Sections in this Article 5, each of the Seller Companies, the Offshore Companies, the WFOE, and the Onshore Companies, in each case jointly and severally represents and warrants to Buyer as of the date hereof and as of the Closing Date (or if an earlier date is set forth herein, as of such earlier date) that:

Section 5.01. *Corporate Status.*

(a) Each Group Company is a company duly incorporated or formed, validly existing and in good standing (to the extent such concept is applicable in such jurisdiction) under the laws of its jurisdiction of organization.

(b) Each Group Company has full corporate power necessary to own, lease and operate the assets and properties that it owns, leases and operates, and to carry on its business as now conducted.

(c) Each Group Company is duly qualified under the laws of its jurisdiction of organization to carry on business within such jurisdiction and is in good standing in such jurisdiction (to the extent such concept is applicable in such jurisdiction). Each Group Company is duly qualified under the laws of its jurisdiction of organization to do business as a foreign corporation in each jurisdiction where such qualification is necessary and is in good standing (to the extent such concept is applicable in such jurisdiction) in such jurisdiction in which it conducts business as a foreign corporation, except where the failure to be so qualified would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(d) The memorandum and articles of association and other organizational documents as well as each of their respective amendments (if any) of each Group Company are in full force and effect.

(e) The Company has made available to Buyer a true and complete copy of the memorandum and articles of association and other organizational documents (including their respective amendments, if any) of each Group Company.

(f) The minute books of each Group Company have been made available to Buyer.

*Section 5.02. Power and Authority; Corporate Authorization.*

(a) Each Group Company has full corporate power and authority to execute and deliver each Transaction Document to which it is a party and to perform its obligations thereunder.

(b) The execution and delivery of each Transaction Document to which any Group Company is a party, the performance of the obligations thereunder, and the consummation of the transactions contemplated thereby, have been duly authorized by all requisite corporate actions of such Group Company and no other corporate proceedings on the part of such Group Company are necessary to authorize such execution, delivery or performance or to consummate such transactions.

*Section 5.03. Enforceability.*

(a) Each Group Company has duly executed and delivered or will execute and deliver, as applicable, each Transaction Document to which it is a party by the time specified in this Agreement.

(b) Each Transaction Document to which any Group Company is a party when executed and delivered by such Group Company in accordance with the terms thereof constitutes or will constitute, as applicable, the legal, valid and binding obligations of such Group Company, enforceable against such Group Company in accordance with the terms thereof, subject to any applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and general principles of equity (whether considered in proceedings at law or in equity).

Section 5.04. *Governmental Authorization; Third-Party Consent.* Except as set forth in Section 5.04 of the Seller Disclosure Schedule, no Consent by any Governmental Authority or any other Person is required in connection with the execution, delivery or performance by any Group Company under any Transaction Document to which it is a party.

Section 5.05. *Non contravention.* The execution, delivery and performance by any Group Company of each Transaction Document to which it is a party and the consummation of the transactions contemplated thereby do not and will not (i) violate the organizational documents of any Group Company, (ii) violate any laws applicable to or binding on any Group Company or any of its assets or properties in any material respect, (iii) constitute a default (with or without the giving of notice or the lapse of time or both) under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of any Group Company under, any provision of any Contract binding upon any Group Company or any of its assets or properties or (iv) result in the creation or imposition of any Lien (or any obligation to create any Lien), other than Permitted Liens, on any assets or properties of any Group Company, except for, in the case of clauses (iii) and (iv) above, any such items that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

Section 5.06. *Capitalization.*

(a) Section 5.06(a) of the Seller Disclosure Schedule contains a true, accurate and complete organization and shareholding structure of the Group Companies. Except as set forth in Section 5.06(a) of the Seller Disclosure Schedule, no Group Company owns or Controls, directly or indirectly, any equity or other ownership interest in any Person. There is no agreement, arrangement or obligation of any kind (and no authorization therefor has been given) obligating any Group Company to purchase or acquire the ownership of any equity or other ownership interest in any Person or to make investments in any Person.

(b) The authorized share capital of the Company consists of 1,000,000,000 shares par value US\$0.00005 per share. As of the date hereof,

there are outstanding 421,050,000 Class A Ordinary Shares and 522,771,987 Class B Ordinary Shares.

(c) The authorized share capital of the HK Company consists of 10,000 shares of common shares, par value HK\$1 per share. As of the date hereof, there are outstanding one share of such common shares.

(d) Section 5.06(d) of the Seller Disclosure Schedule contains a true, accurate and complete description of the registered capital and total investment of each PRC Company, as well as the shareholder(s) of each PRC Company and shares owned by such shareholder(s).

(e) All of the registered capital of each PRC Company has been timely and adequately contributed in accordance with the Applicable Law of the PRC. There are no resolutions pending to increase the registered capital of any PRC Company.

(f) All changes to the share capital (including capital increase and capital reduction) and all changes in the shareholding (including transfers by shareholders) of each PRC Company have been duly authorized and approved by and filed and registered with the relevant Governmental Authorities in the PRC, and have been made in full compliance with the Applicable Law of the PRC.

(g) All outstanding capital shares of each Group Company have been duly authorized and validly issued and are fully paid and non-assessable (if applicable). Except as set forth in Section 5.06(g) of the Seller Disclosure Schedule, there are no outstanding (i) capital shares or voting securities of any such Group Company, (ii) securities of any such Group Company convertible into or exchangeable for capital shares or voting securities of any such Group Company or (iii) options or other rights to acquire from any such Group Company, or other obligations of any such Group Company to issue, any capital shares, voting securities or securities convertible into or exchangeable for capital share or voting securities of any such Group Company (the items in Sections 5.06(g)(i), 5.06(g)(ii) and 5.06(g)(iii) being referred to collectively as the “**Group Company Securities**”). There are no outstanding obligations of any Group Company to repurchase, redeem or otherwise acquire any Group Company Securities.

Section 5.07. *Financial Statements.* Section 5.07 of the Seller Disclosure Schedule contains a true, correct and complete copy of the unaudited consolidated balance sheet as of December 31, 2009 and the related unaudited consolidated statement of income for the year ended December 31, 2009 and the unaudited consolidated balance sheet as of September 30, 2010 and the related unaudited consolidated statement of income for the nine months ended September 30, 2010 of Datong Investment and its Subsidiaries (collectively, the “**Management Accounts**”). The Management Accounts (i) have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby

and (ii) present fairly in all material respects the consolidated financial position of Datong Investment and its Subsidiaries as of the dates thereof and their consolidated results of operations for the periods then ended (subject to normal year-end adjustments and the absence of footnotes).

Section 5.08. *Books and Records.* All minute books containing the records of meetings of the shareholders and the boards of directors (or analogous parties) of the Group Companies as of the date hereof and the register of members (or equivalent documents) as of the date hereof have been made available to Buyer.

Section 5.09. *Absence of Certain Changes.*

(a) Since the Balance Sheet Date, the business of Datong Investment and its Subsidiaries has been conducted in the ordinary course consistent with past practices and there has not been any event, occurrence, development or state of circumstances or facts that has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) Except for the entry into this Agreement and the other Transaction Documents, or as otherwise required by Applicable Law or existing Material Contracts, from the Balance Sheet Date until the date hereof, there has not been any action taken by any Group Company that, if taken during the period from the date of this Agreement through the Closing Date without Buyer's consent, would constitute a breach of Section 7.01.

Section 5.10. *No Undisclosed Material Liabilities.* Other than (i) obligations or liabilities reflected or reserved against or otherwise described in the Management Accounts or the notes thereto, (ii) obligations or liabilities arising in the ordinary course of business since the Balance Sheet Date and (iii) obligations or liabilities incurred in connection with the negotiation, execution, delivery and performance of this Agreement and the other Transaction Documents, there are no obligations or liabilities of any Group Company of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, that, individually or in the aggregate, are material to the Group Companies, taken as a whole.

Section 5.11. *Intercompany Accounts.* Section 5.11 of the Seller Disclosure Schedule contains a complete list of all intercompany balances as of December 31, 2010, between each Seller and its Affiliates (other than the Group Companies), on the one hand, and any Group Company, on the other hand (the "**Intercompany Account Balances**"). All Intercompany Account Balances have been paid in full in cash or otherwise will be settled in accordance with the Settlement Agreement. Since the Balance Sheet Date there has not been any accrual of liability by any Group Company to a Seller or any of its Affiliates (other than the Group Companies) or other transaction between any Group Company, on the one hand, and such Seller and any of its Affiliates (other than

the Group Companies), on the other hand, except with respect to the period prior to the date of this Agreement, in the ordinary course of business of such Group Company consistent with past practice, and thereafter, as provided in Section 5.11 of the Seller Disclosure Schedule.

Section 5.12. *Material Contracts.* (a) Except for the Transaction Documents and the Contracts listed in Section 5.12 of the Seller Disclosure Schedule (true and complete copies of such Contracts have been made available to Buyer prior to the Closing), none of the Group Companies is a party to or bound by:

- (i) any Contract providing for the payment by or to any Group Company of an amount in excess of RMB2,000,000 annually or RMB2,000,000 in the aggregate;
- (ii) any partnership, joint venture or other similar agreement or arrangement;
- (iii) any agreement relating to the acquisition or disposition of any business (whether by merger, sale of shares, sale of assets or otherwise) with a total consideration in excess of RMB2,000,000;
- (iv) any agreement relating to Indebtedness, except any such agreement with an aggregate outstanding principal amount not exceeding RMB2,000,000 and which may be prepaid on not more than 45 days' notice without the payment of any material penalty;
- (v) any option, license, franchise or similar agreement;
- (vi) any form insurance agency agreements with insurance companies, any form agreements with any Sales Agent of the Group Companies and any other brokerage, dealer, sales representative, marketing or other similar agreement;
- (vii) any agreement that limits the freedom of any Group Company to compete in any line of business or with any Person or in any area; or
- (viii) other than agreements between Group Companies and director and officer indemnification agreements made in the ordinary course of business consistent with past practice, any agreement by any Group Company with (A) any of its Affiliates, (B) any Person directly or indirectly owning, Controlling or holding with power to vote any of the outstanding equity securities of any Group Company or any Affiliate of such Person, (C) any Person whose outstanding voting securities are directly or indirectly owned, Controlled or held with power to vote by any Group Company or (D) any director, supervisor (in the case of the PRC

Companies) or officer of any Group Company or any Affiliates of any such director or officer.

(b) Except for Contracts which expire after the date hereof in accordance with their respective terms, each Contract disclosed in Section 5.12 of the Seller Disclosure Schedule or required to be so disclosed pursuant to Section 5.12(a) (collectively, the “**Material Contracts**”) is in full force and effect and constitutes a valid and binding obligation of the applicable Group Company, enforceable against the applicable Group Company and, to the Collective Knowledge of Seller Parties, the other parties thereto, in accordance with its terms, subject to any applicable bankruptcy, insolvency, similar laws affecting creditors’ rights generally and general principles of equity (whether considered in proceedings at law or in equity).

(c) Other than breaches or defaults (i) as to which waivers or consents have been obtained, (ii) which are not, and would not reasonably be expected to be, individually or in the aggregate, material to the Group Companies, taken as a whole, or (iii) as set forth in Section 5.12(c) of the Seller Disclosure Schedule, no Group Company nor, to the Collective Knowledge of Seller Parties, any other party thereto, is in breach or default under any Material Contract and, to the Collective Knowledge of Seller Parties, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute any event of default thereunder.

(d) Except as provided under the Transaction Documents, on the Closing Date, no Group Company has delegated any power or issued any powers of attorney in favor of any Person, other than powers of attorney issued to directors, officers, or employees of any Group Company for purposes of executing contracts or agreements for and on behalf of such Group Company in the ordinary course of business.

(e) Except for the Transaction Documents, on the Closing Date, neither the Company nor Seller is party to any Contract with respect to any share of or equity interest in the Company or any rights therein (including in respect of the voting rights, disposition rights, purchase options and pledge).

Section 5.13. *No Litigation.* There are no actions, suits, proceedings, claims or disputes pending or, to the Collective Knowledge of Seller Parties, threatened, at law, in equity, in arbitration or before any Governmental Authority, by or against or directly affecting any Group Company or any of its assets or properties which would, if adversely determined, reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect or which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement and other Transaction Documents.

Section 5.14. *Compliance with Laws.*

(a) None of the Group Companies (i) is in violation of, nor has since January 1, 2009 violated, nor to the Collective Knowledge of Seller Parties, is under investigation with respect to or has been threatened to be charged with or given notice of, any violation of, any Applicable Law such that such violations, individually or in the aggregate, are, or would reasonably be expected to be, material to the Group Companies taken as a whole and (ii) has received written notice that it is under investigation with respect to any violation of any Applicable Law which has resulted in a loss to the Group Companies in excess of RMB100,000, individually or in the aggregate.

(b) Each of the PRC Companies is currently in compliance with, in all material respects, the PRC 1995 Insurance Law, as amended in 2002 and in 2009, and the regulations and rules of the China Insurance Regulatory Commission, including those related to the scope of its business activities, solvency margin, reserves, the use of its insurance funds, insurance products, insurance agents (including qualification thereof), insurance contracts, reinsurance and investments by foreign parties in PRC insurance companies, the geographic limitation and scope of business of foreign invested insurance companies, and all such other Applicable Law, regulations and rules of the PRC.

Section 5.15. *Properties.* (a) All of the land and buildings currently owned or leased by each Group Company (collectively, the “**Real Property**”) are listed in Section 5.15(a) of the Seller Disclosure Schedule. Except for the Real Property listed in Section 5.15(a) of the Seller Disclosure Schedule, no Group Company directly or indirectly owns or leases any other land or building. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, the current use, occupancy and operation of the Real Property do not constitute any nonconforming use under any applicable construction, building, zoning, subdivision and other land use and similar Applicable Law.

(b) (i) Each Group Company has valid title to, or in the case of leased property and assets has valid leasehold interests in, all material property and assets (whether real, personal, tangible or intangible, other than Intellectual Property Rights) actually used by such Group Company, regardless of whether such material property and assets are reflected on its balance sheet or acquired after the Balance Sheet Date, other than personal property disposed of in the ordinary course of business; and (ii) none of such property or assets is subject to any Lien, except for Permitted Liens.

(c) All material leases and sub-leases of the Real Property used by the Group Companies are listed in Section 5.15(c) of the Seller Disclosure Schedule, are valid and binding obligations of the relevant Group Companies, and enforceable against each such Group Company in accordance with their respective terms, subject to applicable bankruptcy, insolvency, similar laws affecting creditors’ rights generally and general principles of equity (whether considered in proceedings at law or in equity) and, none of the Group Companies

is in default in any material respect under any such leases or sub-leases and, to the Collective Knowledge of Seller Parties, there does not exist under any such lease or sub-lease any event which with notice or lapse of time or both would constitute a material default.

Section 5.16. *Tax.* (a) Each Group Company has filed all material national, provincial and local Tax Returns required to be filed under the Applicable Law and such Tax Returns were true and complete in all material respects, and has paid all material national, provincial and local Taxes, assessments, fees and other governmental charges levied or imposed upon it or its assets or properties, revenue or income or otherwise due and payable by such Group Company, and has withheld and paid all individual income tax for its employees or contractors, in each case in accordance with the requirements of Applicable Law and the relevant Tax authorities. To the Collective Knowledge of Seller Parties, there is no proposed Tax assessment against any Group Company. There has been no claim in writing concerning any liability for Taxes of any Group Company asserted, raised or, to the Collective Knowledge of Seller Parties, threatened by any taxing authority.

(b) Each Group Company has complied with, and currently complies in all material respects with all conditions and terms of all subsidies, rebates, reductions, exemptions and other preferential treatment claimed by and/or given to such Group Company in respect of any material Tax.

(c) No election (including an entity classification election) was filed with the U.S. Internal Revenue Service with respect to any Group Company by the Seller Companies, the Founder, any Group Company or any of their Affiliates.

(d) Each Seller Company believes that none of the Group Companies or any subsidiary thereof was a passive foreign investment company (“**PFIC**”) for U.S. federal income tax purposes for its most recently completed taxable year, and based on the Group Companies’ current and projected income, assets and activities, none of the Group Companies or any subsidiary thereof is expected to be a PFIC in the current taxable year. For the purposes of this clause a “subsidiary” means any entity in which a Group Company holds or will hold, directly or indirectly, twenty-five percent (25%) or more of the equity interests.

(e) Each Seller Company believes that none of the Group Companies was a “controlled foreign corporation” for U.S. federal income tax purposes on any day during its current taxable year.

(f) (i) The charges, accruals and reserves for Taxes with respect to each PRC Company reflected on the most recent Management Accounts are adequate in all material respects to cover Tax liabilities as of the date of the most recent Management Accounts and all information set forth in such Management Accounts relating to Tax matters is true and complete in all material respects, and (ii) since the date of the most recent Management Accounts, each PRC Company

has not engaged in any transaction, other than in the ordinary course of business, that would materially impact any Tax asset (e.g., net operating or capital losses) or Tax liability of any PRC Company.

*Section 5.17. No Illegal or Improper Transactions.*

(a) None of the Group Company nor its Subsidiaries, nor any director, officer, or employee, nor to the Collective Knowledge of Seller Companies, any agent or representative of any Group Company nor any of its Subsidiaries, has (i) taken any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, whether in the form of a bribe, kickback, rebate, payoff, influence payment or otherwise, to any Governmental Authority or any government official (including any officer or employee of a government or government-owned or Controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office, all of the foregoing being referred to as “**Government Officials**”), or to any other person while knowing that all or some portion of the money or value was or will be offered, given or promised to a Governmental Authority or a Government Official, to influence official action or secure an improper advantage or (ii) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity. Notwithstanding anything else in this Section 5.17, any facilitating or expediting payment made to a Government Official for the purpose of expediting or securing the performance of a “routine governmental action” (as defined in the U.S. Foreign Corrupt Practices Act of 1977, as amended) by a Government Official shall not constitute a breach of the representation made in this Section 5.17 (to the extent in compliance with Applicable Law).

(b) Each Group Company and its Subsidiaries have conducted their businesses in compliance in all material respects with the U.S. Foreign Corrupt Practices Act of 1977, as amended, the PRC Law on Anti-Unfair Competition adopted on September 2, 1993 (if applicable) and the Interim Rules on Prevention of Commercial Bribery issued by the PRC State Administration of Industry and Commerce on November 15, 1996 (if applicable) and all other applicable anti-corruption laws.

*Section 5.18. Intellectual Property.*

(a) Each Group Company owns or possesses sufficient legal rights to use all Intellectual Property Rights that are currently used by such Group Company or are necessary to the conduct of its businesses as now conducted and as presently proposed to be conducted. Except as set forth in Section 5.18(a) of the Seller Disclosure Schedule, the consummation of the transactions contemplated by this Agreement and the other Transaction Documents will not alter, encumber, impair or extinguish any Owned Intellectual Property Rights or

Licensed Intellectual Property Rights. No Group Company has received written notice of any infringement of such Intellectual Property Rights by any third party.

(b) All of the Licensed Intellectual Property Rights are in full force and effect in accordance with their terms, and are free and clear of any Liens. No Group Company is in default under any Contract under which it licenses any Licensed Intellectual Property Right, and has received no notice of default from any licensor.

(c) To the Collective Knowledge of Seller Parties, the conduct by the Group of its business does not infringe the Intellectual Property Rights of any third party nor has any Group Company received any written communication that a claim or demand has been made, or threatened to be made to this effect.

(d) Except as set forth in Section 5.18(d) of the Seller Disclosure Schedule, no Group Company owns any trademarks.

(e) No Group Company is registered by any Government Authority as the owner of any copyright.

(f) Except for the domain names listed in Section 5.18(f) of the Seller Disclosure Schedule, which domain names have been registered with domain name registration institutions throughout the world, no Group Company is the registered owner of any domain names. No Group Company has received any written notice of any claim of any third party challenging such Group Company's ownership or use of the domain names listed in Section 5.18(f) of the Seller Disclosure Schedule.

(g) Each Group Company has taken commercially reasonable steps in accordance with normal industry practice to maintain the confidentiality of the trade secrets and other confidential Intellectual Property Rights used in connection with the business of such Group Company. To the Collective Knowledge of Seller Parties, there has been no misappropriation of such trade secrets or other confidential Intellectual Property Rights by any Person. To the Collective Knowledge of Seller Parties, no employee, independent contractor or agent of any Group Company has misappropriated any trade secrets of any other Person in the course of performance of duties and tasks as an employee, independent contractor or agent of such Group Company nor is he or she in default or breach of any term of any employment contract, nondisclosure contract, assignment of invention contract or other contract with any Group Company relating to the protection, ownership, development, use or transfer of the Intellectual Property Rights.

Section 5.19. *Insurance Coverage.* Section 5.19 of the Seller Disclosure Schedule sets forth a list of all material insurance policies relating to the assets, business, operations, employees, officers or directors of the Group Companies. The Company has made available to Buyer true and complete copies of all such

insurance policies. There is no material claim by any Group Company pending under any of such policies as to which coverage has been questioned, denied or disputed by the underwriters of such policies. All premiums payable under all such policies have been timely paid and the Group Companies have otherwise complied in all material respects with the terms and conditions of all such policies. As of the date hereof, none of the Group Companies, the Seller Companies nor the Founder has received any written notice of any threatened termination of, material premium increase with respect to, or material alteration of coverage under, any of such policies.

Section 5.20. *Licenses and Permits.* Section 5.20 of the Seller Disclosure Schedule sets forth a list of each material Consent issued to any Group Company by any Governmental Authority affecting, or relating in any way to, the assets or business of any Group Company (the “**Permits**”) together with the name of the Governmental Authority issuing such Permit. Except for the Consents set forth in Section 5.20 of the Seller Disclosure Schedule, no other material Consents of any Governmental Authority (including the Consents relating to the qualifications of officers of any Group Company) are necessary for the conduct of the business of any Group Company, as currently conducted. The Permits are valid and in full force and effect. No Group Company is in material default under, and to the Collective Knowledge of Seller Parties, no condition exists that with notice or lapse of time or both would constitute a material default under, the Permits. To the Collective Knowledge of Seller Parties, there is no outstanding or anticipated investigation, enquiry or proceeding which would reasonably be expected to result in the suspension, cancellation, modification or revocation of any such Permits. To the Collective Knowledge of Seller Parties, none of the Permits will be terminated or impaired or become terminable, in whole or in part, as a result of the transactions contemplated in this Agreement or other Transaction Documents. Each Group Company is in compliance in all material respects with all the terms and conditions of, or relating to, all such Permits and has not received a written notice that it is in default under any of the terms and conditions of such Permits.

Section 5.21. *Receivables.* All accounts, notes receivable and other receivables reflected on the Balance Sheet, and all material accounts and notes receivable arising from or otherwise relating to the business of the PRC Companies after the Balance Sheet Date and prior to the Closing Date, arose from bona fide sales transactions in the ordinary course of business and are payable on ordinary trade terms.

Section 5.22. *Employees, Contracted Agents, Labor Matters, Etc.*

(a) The Founder has provided Buyer a list of the names and titles of the key employees of the PRC Companies as of the date hereof (collectively, the “**Key Employees**”). None of the Key Employees has indicated to any Group Company or the Founder that he or she intends to resign or retire now or within one year after the date hereof. To the Collective Knowledge of Seller Parties,

there have been no violations or breaches of any non-competition obligations by any of the Key Employees.

(b) Each Group Company is in material compliance with all currently Applicable Law respecting employment and employment practices, practices relating to contracting with its Sales Agents, terms and conditions of employment, the Sales Agent Contracts of such Group Company and wages and hours, and is not engaged in any unfair labor practice or agency practice. To the Collective Knowledge of Seller Parties, at least a majority of the Sales Agents of the Group Companies on an aggregate basis have obtained all qualifications as required by Applicable Law, including “**保险代理从业人员资格证**” and all such qualifications are in full force and effect. There are no labor disputes or other disputes currently subject to any grievance procedure, arbitration or litigation with respect to any employee or Sales Agent of any Group Company. No Group Company has incurred any liability which remains outstanding for breach of any contract of employment or Sales Agent Contract of such Group Company or for services, for redundancy payments, protective awards or compensation, for wrongful or unfair dismissal, or for failure to comply with any order for the reinstatement or re-engagement of any employee or Sales Agent of such Group Company or any other liability accruing from the termination of any contract of employment or Sales Agent Contract for services.

(c) To the extent required by Applicable Law, each Group Company has entered into employment contracts with all of its Key Employees, and such employment contracts are in material compliance with Applicable Law. Each of the Key Employees of each Group Company that has access to any confidential or proprietary information has signed a confidentiality agreement with such Group Company, and, to the Collective Knowledge of Seller Parties, is not in violation of his or her obligations provided therein.

(d) There are no written employment or consultancy agreements or Sales Agent Contracts with respect to any employee or Sales Agent of any Group Company that cannot be terminated by such Group Company by giving notice of three months or less to the other parties to such agreements without giving rise to any claim for any damages or compensation beyond such notice period, except required otherwise under Applicable Law.

(e) There is currently no stock option or other stock-based incentive plans, nor have any such stock options or other stock-based incentives been granted to any employees.

(f) Each Group Company has complied in all material respects with Applicable Laws relating to social insurance and other benefits, including pension, medical insurance, work-related injury insurance, birth and nursery insurance and unemployment insurance (collectively, the “**Social Insurance**”) and housing provident fund (together with Social Insurance, the “**Benefits**”). All contributions or payments required to be made or paid by each Group Company

or any employees of each Group Company to the relevant Governmental Authority with respect to any Benefit have been made or fully deducted, as applicable, and paid to on or before their due dates, except where any such failure would not result in a material liability to such Group Company. None of the current incentive programs (whether equity-based or not) linked to the performance of the Group Companies' Sales Agents or employees conflicts in any material respects with Applicable Laws currently in effect in the PRC.

Section 5.23. *Settlement.* Except as set forth in the Transaction Documents, none of the Group Companies, the Founder and its/his Affiliates owes any liabilities, obligations or duties to any Seller Company or any of its Affiliates. After the performance of the Settlement Agreement, none of the Group Companies, the Founder and its/his Affiliates will owe any liabilities, obligations or duties to any Seller Company or any of its Affiliates, except as set forth in the Transaction Documents.

Section 5.24. *Finders' Fees.* Except as set forth in Section 5.24 of the Seller Disclosure Schedule, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of the Founder or any Group Company who might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document.

Section 5.25. *Representations.* Except for the representations and warranties contained in this Article 5 and the certificate delivered by the Onshore Companies, the WFOE and the Offshore Companies pursuant to Section 10.02(b), none of the Group Companies makes any other express or implied representation or warranty to Buyer.

#### ARTICLE 6 Representations and Warranties of Buyer

Buyer represents and warrants to Seller Companies and the Founder as of the date hereof and as of the Closing Date that:

Section 6.01. *Corporate Existence and Power.* Buyer is a company duly incorporated, validly existing and in good standing under the laws of the British Virgin Islands and has all corporate powers and all material governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted.

Section 6.02. *Corporate Authorization.* The execution, delivery and performance by Buyer of this Agreement and each other Transaction Document to which it is a party and the consummation of the transactions contemplated hereby and thereby are within the corporate powers of Buyer and have been duly authorized by all necessary corporate action on the part of Buyer. This

Agreement constitutes a legal, valid and binding agreement of Buyer, enforceable against Buyer in accordance with the terms hereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and general principles of equity (whether considered in proceedings at law or in equity).

Section 6.03. *Governmental Authorization.* The execution, delivery and performance by Buyer of this Agreement and each other Transaction Document to which it is a party and the consummation of the transactions contemplated hereby and thereby require no action by or in respect of, or any material filing with, any Governmental Authority.

Section 6.04. *Noncontravention.* The execution, delivery and performance by Buyer of this Agreement and each other Transaction Document to which it is a party and the consummation of the transactions contemplated hereby and thereby do not and will not (i) violate the memorandum and articles of association of Buyer, (ii) violate any Applicable Law in any material respect or (iii) require any consent or other action by any Person under, constitute a default (with or without the giving of notice or the lapse of time or both) under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of Buyer under, any provision of any Contract binding upon Buyer or any of its assets or properties, except for any defaults, terminations, cancellations, accelerations of any rights or obligations, or loss of benefits that would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Buyer's ability to consummate the transactions contemplated by this Agreement.

Section 6.05. *Purchase for Investment.* (a) Buyer is purchasing the Subject Shares for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof nor with any present intention of distributing or selling the Subject Shares. Buyer (either alone or together with its advisors) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Subject Shares and is capable of bearing the economic risks of such investment.

(b) Without prejudice to any right to indemnification or any other remedy to which the Buyer may be entitled to as a result of the inaccuracy of any the representations and warranties of the Seller Companies, the Founder and the Onshore Companies in Articles 3, 4 and 5, Buyer is a sophisticated investor and has made its own independent investigation, review and analysis regarding the Group Companies and their respective business and the transactions contemplated in the Transaction Documents, which investigation, review and analysis were conducted by Buyer together with expert advisors and consultants that it has engaged for such purpose.

Section 6.06. *Litigation.* There is no action, suit, investigation or proceeding pending against or, to the knowledge of the Buyer, threatened against or affecting Buyer before any arbitrator or any Governmental Authority which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by any Transaction Document.

Section 6.07. *No Other Representations and Warranties.* Except for the representations and warranties contained in this Article 6 and the certificate delivered by the Buyer pursuant to Section 10.03(b), Buyer makes no other express or implied representation or warranty to the Seller Companies or the Founder.

#### ARTICLE 7

##### Covenants of Seller Companies, the Founder and the Group Companies

Section 7.01. *Conduct of the Group Companies.* From the date hereof until the earlier of the Closing Date and the termination of this Agreement pursuant to Article 12, each of the Seller Companies, the Founder and the Onshore Companies shall cause each Group Company to, conduct its business in the ordinary course and use its commercially reasonable efforts to (i) preserve intact in all material respects its present business organization, (ii) maintain in effect all of its material licenses, permits, consents, franchises, approvals and authorizations, (iii) (subject to Section 7.07 hereof) keep available the services of its directors, officers and key employees, (iv) maintain satisfactory relationships with its customers, lenders, suppliers and other Persons having material business relationships with it, and (v) manage its working capital (including the timing of collection of accounts receivable and of the payment of accounts payable) in the ordinary course of business. Without limiting the generality of the foregoing, except as expressly contemplated by this Agreement or the other Transaction Documents or existing Contracts or otherwise required by Applicable Law, each of the Seller Companies, the Founder and the Onshore Companies shall cause each Group Company not to, without the prior written consent of Buyer (not to be unreasonably withheld):

(a) amend its articles of incorporation, bylaws or other similar organizational documents (whether by merger, consolidation or otherwise);

(b) split, combine or reclassify any of its or its Subsidiaries' capital shares or declare, set aside or pay any dividend or other distribution (whether in cash, share or property or any combination thereof) in respect of its or its Subsidiaries share capital, or redeem, repurchase or otherwise acquire or offer to redeem, repurchase, or otherwise acquire any Group Company Securities;

(c) (i) issue, deliver or sell, or authorize the issuance, delivery or sale of, any Group Company Securities or (ii) amend any term of any Group Company Securities (in each case, whether by merger, consolidation or otherwise);

(d) incur any capital expenditures or any obligations or liabilities in respect thereof, other than in the ordinary course of business;

(e) acquire (by merger, consolidation, acquisition of share or assets or otherwise), directly or indirectly, any assets, securities, properties, interests or businesses with a total consideration in excess of RMB2,000,000, other than supplies in the ordinary course of business of such Group Company;

(f) other than in the ordinary course of business and consistent with past practice, sell, lease or otherwise transfer, or create or incur any Lien on, any Group Company's assets, securities, properties, interests or businesses;

(g) make any loans, advances or capital contributions to, or investments in, any other Person exceeding RMB2,000,000, individually or in the aggregate;

(h) create, incur, assume, suffer to exist or otherwise be liable with respect to any Indebtedness, other than in the ordinary course of business and consistent with past practice;

(i) other than in the ordinary course of business, enter into or modify any agreement, arrangement or transaction by any Group Company with any director, supervisor (in the case of the PRC Companies), officer or shareholder of any Group Company or with any Affiliate of any of the foregoing;

(j) (i) enter into any agreement or arrangement that limits or otherwise restricts in any material respect any Group Company or any of its Subsidiaries or any successor thereto from, or that would, after the Closing Date, limit or restrict in any material respect any Group Company, Buyer or any of its Affiliates, from engaging or competing in any line of business, in any location or with any Person or (ii) enter into, amend or modify in any material respect or terminate any Material Contract or otherwise waive, release or assign any material rights or claims of any Group Company;

(k) other than in the ordinary course of business or pursuant to a binding agreement entered into prior to the date hereof (i) grant or increase in any material respect any severance or termination pay to (or amend in any material respect any existing arrangement with) any director, supervisor (in the case of the PRC Companies), officer or employee holding the title of manager or above of any Group Company, (ii) increase in any material respect benefits payable under any existing severance or termination pay policies or employment agreements, (iii) enter into any employment, deferred compensation or other similar agreement (or amend any such existing agreement) with any director, supervisor (in the case of the PRC Companies), officer or employee holding the title of manager or above of any Group Company, (iv) establish, adopt or amend (except as required by Applicable Law) any collective bargaining, bonus, profit-sharing, thrift, pension, retirement, deferred compensation, compensation, stock option, restricted stock or other benefit plan or arrangement covering any director, officer or employee of

any Group Company or (v) increase in any material respect compensation, bonus or other benefits payable to any director, supervisor (in the case of the PRC Companies), officer or employee holding the title of manager or above of any Group Company;

(l) change any Group Company's methods of accounting, except as required by any changes in GAAP or as advised by its independent public accountants;

(m) settle, or offer or propose to settle, (i) any material litigation, investigation, arbitration, proceeding or other claim involving or against any Group Company, (ii) any shareholder litigation or dispute against any Group Company or any of its officers or directors or (iii) any litigation, arbitration, proceeding or dispute that relates to the transactions contemplated hereby;

(n) make or change any Tax election, change any annual tax accounting period, adopt or change any method of tax accounting, amend any Tax Returns or file claims for Tax refunds, enter any closing agreement, settle any Tax claim, audit or assessment, or surrender any right to claim a Tax refund, offset or other reduction in Tax liability; or

(o) agree, resolve or commit to do any of the foregoing.

Section 7.02. *Access to Information; Confidentiality.* (a) Subject to Section 8.01, from the date hereof until the earlier of the Closing Date and the termination of this Agreement pursuant to Article 12, the Seller Companies, the Founder and the Onshore Companies will (i) give, and will cause each other Group Company to give, Buyer, its counsel, financial advisors, auditors and other authorized representatives reasonable access to the offices, properties, books and records of each Group Company, (ii) furnish, and will cause each Group Company to furnish, to Buyer, its counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information relating to any Group Company as such Persons may reasonably request and (iii) instruct the employees, counsel and financial advisors of each Group Company to reasonably cooperate with Buyer in its investigation of the Group; *provided* that, in each case, any such access or furnishing of information shall be conducted at Buyer's expense, during normal business hours, under the supervision of personnel of Seller Companies or the Group Companies and in such a manner as not to interfere with the normal operations of the business of the Group Companies. Notwithstanding anything to the contrary in this Agreement, Seller Companies, Founder and the Group Companies shall not be required to disclose any information to Buyer if such disclosure would, in Seller's good faith judgment, (i) jeopardize any attorney-client or other legal privilege or (ii) contravene any Applicable Laws, fiduciary duty or binding agreement entered into prior to the date hereof. No investigation by Buyer or other information received by Buyer shall operate as a waiver or otherwise affect any

representation, warranty or agreement given or made by the Seller Companies, the Founder and the Group Companies hereunder.

(b) After the Closing, the Seller Companies and their Affiliates will hold, and will use commercially reasonable efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless any such party reasonably believes, after consulting with its counsel, that disclosure is required pursuant to any listing agreement with any securities exchange or any securities exchange regulation or by judicial or administrative process or by other requirements of law, all confidential documents and information concerning Buyer, any Group Company and the transactions contemplated by this Agreement and the other Transaction Documents, except to the extent that such information is required to file a Tax Return or was (i) previously known on a non-confidential basis by the Seller Companies, (ii) in the public domain through no fault of the Seller Companies or their Affiliates or (iii) later lawfully acquired by the Seller Companies from sources other than those related to their prior ownership of the Group Companies. The obligation of the Seller Companies and their Affiliates to use commercially reasonable efforts to hold any such information in confidence shall be satisfied if they exercise the same care with respect to such information as they would take to preserve the confidentiality of their own similar information.

(c) In order to facilitate the resolution of any claims made against or incurred by Buyer relating to the Group Companies, from and after the Closing Date until the second anniversary thereof, the Seller Companies will provide Buyer and its authorized representatives with reasonable access, during normal business hours, to the books and records of the Seller Companies (but only to the extent relating to the Group Companies with respect to periods prior to the Closing Date), in connection with any matter relating to or arising out of this Agreement or the other Transaction Documents or the transactions contemplated hereby or thereby (including for audit purposes); *provided* that any such access by Buyer shall not unreasonably interfere with the conduct of the business of the Seller Companies. Unless otherwise consented to in writing by Buyer, the Seller Companies shall not, for a period of two years following the Closing Date, destroy, alter or otherwise dispose of any books and records relating to the Group Companies, or any portions thereof, relating to periods prior to the Closing Date, without first giving reasonable prior notice to Buyer and offering to surrender to Buyer such books and records or such portions thereof.

(d) In order to facilitate the resolution of any claims made against or incurred by Seller relating to the Group Companies, from and after the Closing Date until the second anniversary thereof, the Offshore Companies, WFOE and the Onshore Companies shall cause the Group Companies to provide Seller and its authorized representatives with reasonable access, during normal business hours, to the books and records of the Group Companies with respect to periods prior to the Closing Date in connection with any matter relating to or arising out of this Agreement or the other Transaction Documents or the transactions

contemplated hereby or thereby (including for audit purposes). Unless otherwise consented to in writing by Seller, the Onshore Companies agree that they shall not permit any of the Group Companies to, for a period of two years following the Closing Date, destroy, alter or otherwise dispose of any books and records of the Group Companies, or any portions thereof, relating to periods prior to the Closing Date without first giving reasonable prior notice to Seller and offering to surrender to Seller such books and records or such portions thereof.

Section 7.03. *Other Transaction Documents.* (a) Mr. Lin, Meidiya, CNI, Seller and the PRC Companies (as applicable) shall settle all outstanding obligations and liabilities of any Group Company or the Founder to any Seller Company or any of its Affiliates promptly after the date hereof.

(b) The Founder shall, and shall cause each of its Affiliates and the Group Companies to, and the Seller Companies shall, and shall cause each of their Subsidiaries (which include the Group Company prior to the Closing and do not include any of the Group Companies after the Closing) to, consummate the transactions contemplated by each Transaction Document to which the Founder, the Seller Companies, such Affiliate or Group Company is party as required by and pursuant to the terms hereof and thereof.

(c) Mr. Lin shall, and the Founder and the Group Companies shall cause each Key Employee to, enter into a Non-compete Agreement with the PRC Companies prior to the Closing Date.

(d) The Founder and the Company shall take all actions, including passing all relevant board and shareholders resolutions, to authorize the adoption of the Amended and Restated Memorandum and Articles effective as of the Closing Date.

Section 7.04. *Intercompany Accounts.* At least two Business Days prior to the Closing, Seller Companies and the Founder shall prepare and deliver to Buyer a statement setting out in reasonable detail the calculation of all Intercompany Account Balances based upon the latest available financial information as of such date and, to the extent requested by Buyer, provide Buyer with supporting documentation to verify the underlying intercompany charges and transactions. All Intercompany Account Balances shall be paid in full in cash prior to the Closing.

Section 7.05. *Tax.* All Covered Tax, if any, shall be borne, jointly and severally, by the Seller Companies. Each Seller Company agrees to timely pay and discharge all Covered Tax, if any, and to file all necessary documentations with respect to such Covered Tax if required by Applicable Law.

Section 7.06. *Notices of Certain Events.* Prior to the Closing or termination of this Agreement pursuant to Article 12, each of the Offshore Companies, WFOE, Onshore Companies, the Founder and the Seller Companies

shall, and shall cause each of the Group Companies to, promptly notify Buyer (but only to the extent such party has notice thereof) of:

- (a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement or any other Transaction Document;
- (b) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement or any other Transaction Document;
- (c) any actions, suits, claims, investigations or proceedings commenced or threatened against, relating to or involving or otherwise affecting any Group Company, the Founder or any Seller Company that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 3.05, 4.05 or 5.13;
- (d) any breach by it of any representation, warranty, covenant or agreement contained in this Agreement at any time on or prior to the Closing if as a result of such breach the conditions set forth in Section 10.02(a) and/or 10.02(b) as the case may be, would not be fully satisfied; and
- (e) any failure of any Group Company the Founder or any Seller Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder;

*provided, however,* that the delivery of any notice pursuant to this Section 7.07 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice unless Buyer elects to waive any closing condition related thereto.

Section 7.07. *Resignations and Appointment of Directors.* The Seller Companies will deliver to Buyer the resignations of all officers and directors of the Group Companies nominated by the Seller Companies from their positions with the Group Companies at or prior to the Closing Date, which resignations shall be effective as of the Closing. Effective as of the Closing, each person designated in writing by Buyer to the Company to serve as a director of any Group Company pursuant to the Shareholders' Agreement shall be duly elected as director of such Group Company pursuant to the Shareholders' Agreement.

Section 7.08. *PFIC.* The Company shall, and the Founder and the Seller Companies shall cause the Company to, use its commercially reasonable efforts not to take any action through the Closing Date that would result in the Company becoming a PFIC at any time after the date hereof.

ARTICLE 8  
Covenants of Buyer

Section 8.01. *Confidentiality.* (a) Prior to the Closing Date and after any termination of this Agreement, Buyer and its Affiliates will hold, and cause their respective officers, directors, employees, accountants, counsel, consultants, advisors, agents and sources of debt financing (collectively, “**Representatives**”) to hold, in confidence, unless any such party reasonably believes disclosure is required pursuant to any listing agreement with any securities exchange or any securities exchange regulation or judicial or administrative process or by other requirements of law (subject to the provisions of Section 8.01(b) below), all proprietary, confidential documents and other non-public information concerning Seller, its Subsidiaries and controlled Affiliates (including the PRC Companies) furnished to Buyer or its Affiliates (the “**Seller Confidential Information**”), except to the extent that such information is required to file a Tax Return or was (i) previously known on a nonconfidential basis by Buyer or to have become available from a source other than a party to this Agreement (excluding Buyer), its Affiliates or its or their Representatives, provided that the source of such information was not known by Buyer to be subject to a confidentiality restriction, (ii) in the public domain other than through a breach of this Section 8.01 by Buyer, an Affiliate of Buyer, or any of their respective Representatives or (iii) later lawfully acquired by Buyer without reference to, or any reliance upon, the Seller Confidential Information; provided that Buyer may disclose such information to its Representatives in connection with the transactions contemplated by this Agreement so long as such Persons are informed by Buyer of the confidential nature of such information and are directed by Buyer to treat such information confidentially; provided further Buyer shall be responsible for any breach of this Section 8.01 by its Affiliates or any of its or their respective Representatives

(b) In connection with the disclosure of any confidential information described in this Section 8.01(a), in the event that Buyer reasonably believes after consultation with counsel that it or any of its Affiliates or any of their respective Representatives is required by Applicable Law or by obligations pursuant to any listing agreement with any securities exchange or any regulation of any security exchange or interdealer quotation system to disclose any confidential information described in this Section 8.01, Buyer will (i) provide Seller with prompt notice before such disclosure in order that Seller may attempt to obtain a protective order or other assurance that confidential treatment will be accorded such confidential information and (ii) cooperate with Seller (at the sole expense of Seller) in attempting to obtain such order or assurance that confidential treatment will be accorded to that portion of such confidential information that is being disclosed. If a protective order or other remedy is not obtained or available, or if Seller waives its right to seek such an order or other remedy, Buyer (or its Representative to whom such request is directed) may furnish that portion of the confidential information which, based on the opinion of Buyer’s counsel, Buyer

(or its Representative) is legally required to disclose so as to comply with the Applicable Law and the disclosing party shall take commercially reasonable steps to preserve the confidentiality of such confidential information (including by obtaining an appropriate protective order or other reliable assurance that confidential treatment will be accorded to that portion of the confidential information that is being disclosed).

Section 8.02. *Tax Matters.* (a) Each Onshore Company, Offshore Company and WFOE shall (and shall cause the other Group Companies to) prepare its Tax Returns for any Tax period or a portion thereof ending on or before the Closing Date that are required to be filed after the Closing Date in accordance with Applicable Law.

(b) If a Group Company amends any Tax Return that was filed prior to the Closing Date (a “**Pre-Closing Tax Return**”) and determines that such amendment could reasonably be expected to result in a Tax liability for which any Seller Company would be responsible under this Agreement, the Onshore Company, Offshore Company or WFOE shall (or shall cause such Group Company to) notify the Seller of such amendment prior to filing thereof. Prior to filing such amendment, the relevant Onshore Company, Offshore Company or WFOE shall (or shall cause the relevant Group Company to) consider in good faith any reasonable and timely request from the Seller with respect to such amendments, without any obligation to accept the Seller’s request.

(c) For the avoidance of doubt, neither the Seller Companies nor the Onshore Companies, the WFOE and the Offshore Companies shall be considered to have breached their representations and warranties under Section 5.16 if a Group Company’s Tax liability shown on a Pre-Closing Tax Return is increased solely as a result of an amendment to a Pre-Closing Tax Return filed by the Group Company after the Closing Date, which amendment changes a position or election taken on the Pre-Closing Tax Return that was filed in compliance with Applicable Law as of the Closing Date. For the avoidance of doubt (i) references to Tax in this Section 8.02(c) shall not include any Covered Tax and (ii) this Section 8.02(c) shall not apply to any amendment of a Pre-Closing Tax Return made due to a breach by a Seller Company or the Onshore Companies, the WFOE and the Offshore Companies of a representation or warranty set forth in Section 5.16.

## ARTICLE 9

### Covenants of parties

Each party hereto agrees that:

Section 9.01. *Reasonable Efforts; Further Assurances.* Subject to the terms and conditions of this Agreement, it will use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all

things reasonably necessary under Applicable Law to consummate the transactions contemplated by this Agreement and the other Transaction Documents. Each of the Group Companies, the Founder, the Seller Companies and Buyer agrees to deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary in order to consummate or implement expeditiously the transactions contemplated by this Agreement and the other Transaction Documents.

Section 9.02. *Certain Filings.* It shall cooperate with the other parties hereto (i) in determining whether any action by or in respect of, or filing with, any Governmental Authority is required, or any actions, Consents or waivers are required to be obtained from parties to any material Contracts, in connection with the consummation of the transactions contemplated by this Agreement and the other Transaction Documents and (ii) in using commercially reasonable efforts to take such actions or make any such filings, furnish information required in connection therewith and seek timely to obtain any such actions or Consents.

Section 9.03. *Public Announcements.* The parties agree to consult with each other in good faith (including giving the other parties reasonable opportunity to review and comment on such press release, written announcement or written statement) before issuing any press release or making any public announcement or statement with respect to this Agreement or any other Transaction Document or the transactions contemplated hereby or thereby and will not issue any such press release or make any such public announcement or statement prior to such consultation. Notwithstanding the foregoing, in the event that Seller or any Affiliate of Seller is required by Applicable Law or by obligations pursuant to any listing agreement with any securities exchange or any securities exchange regulation to issue a press release or otherwise make a public announcement related to the foregoing, Seller shall notify Buyer in advance, provide Buyer with the opportunity to review such press release or announcement and make all reasonable efforts to consult in good faith with Buyer before issuing any such press release or making such public announcement.

Section 9.04. *Non-solicitation.* From and after the Closing and for a period of one year thereafter, none of the Onshore Companies, the WFOE, the Offshore Companies shall (and shall cause their respective Subsidiaries, other Group Companies and their respective Subsidiaries not to), directly or indirectly, solicit for employment or induce or attempt to induce to leave the employ of CNI or any of its Subsidiaries any officer, employee or Sales Agent of CNI or any of its Subsidiaries; provided the foregoing shall not prevent the Group Companies or their respective Subsidiaries from offering employment to persons who respond to a general solicitation or advertisement that is not specifically directed to any officer, employee or Sales Agent of CNI or any of its Subsidiaries. From and after the Closing and for a period of one year thereafter, CNI shall not (and shall cause its Subsidiaries not to), directly or indirectly, solicit for employment or induce or attempt to induce to leave the employ of the Group Companies or any of their respective Subsidiaries any officer, employee or Sales Agent of the Group

Companies or any of their respective Subsidiaries; provided the foregoing shall not prevent CNI or any of its Subsidiaries from offering employment to persons who respond to a general solicitation or advertisement that is not specifically directed to any officer, employee or Sales Agent of the Group Companies or any of their respective Subsidiaries.

Section 9.05. *Transfer Taxes*. All transfer, stamp, documentary, sales, use, registration, value-added and other similar Taxes (including all applicable real estate transfer Taxes) (the “**Transfer Taxes**”) incurred in connection with this Agreement and the transactions contemplated hereby will be borne, as required by Applicable Law in effect as of the date hereof, by the applicable party hereto. Such party agrees to timely pay and discharge all Transfer Tax, if any, and to file all necessary documentation with respect to such Transfer Tax if required by Applicable Law in effect as of the date hereof. For the avoidance of doubt, Transfer Taxes shall not include any Covered Tax.

Section 9.06. *Onshore SPA*. Meidiya, Datong Investment and Mr. Lin shall, and CNI, Seller and Mr. Lin shall cause Meidiya and Datong Investment to, as promptly as reasonably practicable but in no event later than 45 days from the Closing, effect the registration of the share transfer contemplated in the Onshore SPA with SAIC. Datong Investment shall, and Buyer Designee and Mr. Lin shall cause Datong Investment to, present to the Buyer, as promptly as reasonably practicable but in no event later than 45 days from the Closing, (i) copies of the amended memorandum and articles of association of Datong Investment filed with the SAIC which shall evidence the Buyer Designee as the record and beneficial owner of 55% of the equity interests in Datong Investment and (ii) the notice from SAIC (“**备案通知书**”) stating that the registration of the transactions contemplated by the Onshore SPA and the filing of the amended memorandum and articles of association of Datong Investment have been completed. If the foregoing has not been completed within such 45-day period, Buyer shall have the option to unwind the transactions contemplated hereunder and under the other Transaction Documents. If and when Buyer exercises such option by delivering a written notice to CNI and the Founder, each of Buyer, the Seller Companies, the Group Companies and the Founder shall take all actions (which shall include Buyer transferring the Subject Shares back to Seller, Buyer causing the Buyer Designee to transfer back to Meidiya the shares transferred pursuant to the Onshore SPA and Seller making and CNI causing Seller to make a refund of the Purchase Price and other amounts paid to the Seller Companies by Buyer and Buyer Designee under the Transaction Documents) to put Buyer, the Group Companies and the Seller Companies in the same position that they were in prior to the date hereof. Notwithstanding the foregoing, for so long as Buyer has not exercised its option to unwind the transactions as provided in the preceding sentence, Seller Companies and Datong Investment shall continue to use their reasonable best efforts, respectively, to take such actions to give effect to the first two sentences of this Section 9.06 as soon as practicable.

ARTICLE 10  
Conditions to Closing

Section 10.01. *Conditions to Obligations of Buyer and Seller.* The obligations of Buyer and Seller to consummate the Closing are subject to the satisfaction of the following condition:

(a) No provision of any Applicable Law shall prohibit the consummation of the Closing.

(b) There shall not be publicly threatened, instituted or pending any action or proceeding, by any Person (other than Buyer and its Affiliates) before any Governmental Authority or any arbitration body, or by any Governmental Authority or any arbitration body, against any of the Group Companies, the Founder, Seller Companies and Buyer seeking to enjoin, materially delay or challenge the validity of this Agreement or the Onshore SPA or the transactions contemplated hereby or thereby (other than trivial lawsuits).

Section 10.02. *Conditions to Obligation of Buyer.* The obligation of Buyer to consummate the Closing is subject to the satisfaction of the following further conditions:

(a) *Representations.* The representations and warranties of each of the Onshore Companies, the Founder and the Seller Companies contained in this Agreement and in any certificate delivered by it in connection with the Closing (i) that are qualified by materiality or Material Adverse Effect shall be true and correct at and as of the Closing Date as if made at and as of such date, and (ii) that are not qualified by materiality or Material Adverse Effect shall be true and correct in all material respects, in each case at and as of the Closing Date as if made at and as of such date (except those representations and warranties which address matters only as of an earlier date which shall be true and correct as of such earlier date).

(b) *Performance.* Each of the Offshore Companies, Onshore Companies, WFOE, the Founder and the Seller Companies shall have performed in all material respects and complied with all covenants and agreements required to be performed by it on or prior to the Closing Date under this Agreement or any other Transaction Documents to which it is a party. Buyer shall have received a certificate, dated as of the Closing Date, signed by the authorized representatives of each of the Offshore Companies, Onshore Companies, WFOE, the Founder and the Seller Companies to the effect set forth in Section 10.02(a) and Section 10.02(b).

(c) *No Material Adverse Change.* Since the date of this Agreement, there shall have been no event or circumstance on or prior to the Closing that is continuing and that has had or would be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect.

(d) *Other Transaction Documents*. All parties (other than Buyer and Buyer Designee) to each of the Transaction Documents other than this Agreement shall have duly, validly and irrevocably executed and delivered such Transaction Document.

(e) Each Transaction Document shall remain in full force and effect on the Closing Date.

(f) *Opinion of Cayman Islands Counsel*. Buyer shall have received from Walkers, Cayman Islands counsel, a legal opinion in substantially the form attached hereto as **Exhibit C-1**, dated the date hereof.

(g) *Opinion of British Virgin Islands Counsel*. Buyer shall have received from Walkers, British Virgin Islands counsel, a legal opinion in substantially the form attached hereto as **Exhibit C-2**, dated the date hereof.

(h) *Opinion of PRC Counsel*. Buyer shall have received from Commerce and Finance Law Offices, PRC counsel, a legal opinion in substantially the form attached hereto as **Exhibit C-3**, dated the date hereof.

(i) *Intercompany Accounts*. All Intercompany Account Balances shall have been paid in full in cash or otherwise settled in accordance with the Settlement Agreement.

Section 10.03. *Conditions to Obligation of Seller*. The obligation of CNI and the Seller to consummate the Closing is subject to the satisfaction of the following further conditions:

(a) *Representations and Warranties*. (i) Each of the representations and warranties of Buyer contained in Section 6.02 (*Corporate Authorization*) of this Agreement shall be true and correct other than in *de minimis* respects at and as of the Closing Date as if made at and as of such date and (ii) each of the other representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects (except that any representation or warranty that is qualified by materiality shall be true and correct in all respects) at and as of the Closing Date as if made at and as of such date.

(b) *Performance*. Buyer shall have performed in all material respects all of its covenants and agreements required to be performed by it on or prior to the Closing Date under this Agreement or any other Transaction Document to which it is a party. Seller shall have received a certificate dated as of the Closing Date, signed by the authorized representative of Buyer to the effect set forth in Section 10.03(a) and Section 10.03(b)

ARTICLE 11  
Survival; Indemnification

Section 11.01. *Survival.* The representations and warranties of the parties hereto contained in this Agreement or in any certificate delivered pursuant to Section 10.02(b) or Section 10.03(b) shall survive until June 30, 2012 and shall thereafter be of no further force and effect; provided, however, that the representations and warranties contained in Section 3.01 (*Corporate Status*), Section 3.02(a) (*Authority*), Section 3.03 (*No Breach*), Section 3.04 (*Ownership*), Section 4.01(c) (*Status; Authority*), Section 4.02 (*No Breach*), Section 5.01(a) — (d) (*Corporate Status*), Section 5.02 (*Power and Authority; Corporate Authorization*), Section 5.03 (*Enforceability*), Section 5.04 (*Governmental Authorization*), Section 5.05 (*Non-Contravention*), Section 5.16 (*Tax*), Section 6.01 (*Corporate Existence and Power*), Section 6.02 (*Corporate Authorization*), Section 6.03 (*Governmental Authorization*) and Section 6.04 (*Non Contravention*) (the “**Basic Representations**”) shall survive the Closing until the applicable statute of limitations. Each covenant and agreement of the parties hereto contained in this Agreement shall survive the Closing until the date on which such covenant or agreement has been fully performed; *provided that* the parties’ obligations under this Article 11 shall survive the Closing indefinitely or until the latest date permitted by Applicable Law. Notwithstanding the preceding sentences, any breach of representation, warranty, covenant or agreement in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentences, if written notice of the inaccuracy or breach thereof giving rise to such right of indemnity shall have been given to the party against whom such indemnity may be sought prior to such time.

Section 11.02. *Indemnification.* (a) Effective at and after the Closing, each of the Seller Companies shall, severally and jointly, indemnify Buyer, its Affiliates and their respective successors and permitted assignees (each, a “**Buyer Indemnitee**”) against and shall hold each of them harmless from any and all damage, loss, liability and expense (including reasonable expenses of investigation and reasonable attorneys’ fees and expenses in connection with any action, suit or proceeding whether involving a third party claim or a claim solely between the parties hereto) (“**Damages**”) incurred or suffered by each Buyer Indemnitee arising out of (i) any breach of any representation or warranty made by the Seller Companies in Article 3 of this Agreement (determined, for purposes of calculating any Damages only, and not for purposes of determining breach, without regard to any qualification or exception contained therein relating to materiality or Material Adverse Effect or any similar qualification or standard) or (ii) any breach of any covenant or agreement made or to be performed by the Seller Companies pursuant to this Agreement.

(b) Effective at and after the Closing, the Founder shall, jointly and severally, indemnify each Buyer Indemnitee against and shall hold each of them harmless from any and all Damages incurred or suffered by such Buyer

Indemnitee arising out of (i) any breach of any representation or warranty made by the Founder in Article 4 of this Agreement (determined, for purposes of calculating any Damages only, and not for purposes of determining breach, without regard to any qualification or exception contained therein relating to materiality or Material Adverse Effect or any similar qualification or standard) or (ii) any breach of any covenant or agreement made or to be performed by the Founder pursuant to this Agreement.

(c) Effective at and after the Closing, the Seller Companies and the Group Companies shall, severally (pro rata in proportion to their respective Indemnity Liability Percentage) and not jointly, indemnify each Buyer Indemnitee against, and shall hold each of them harmless from, any and all Damages incurred or suffered by a Buyer Indemnitee arising out of any breach of any representation or warranty made in Article 5 of this Agreement (determined, for purposes of calculating any Damages only, and not for purposes of determining breach, without regard to any qualification or exception contained therein relating to materiality or Material Adverse Effect or any similar qualification or standard), in each case, subject to Section 8.02(c). For the avoidance of doubt, the obligations of the Seller Companies under the immediately preceding sentence shall be joint and several among the Seller Companies, and the obligations of the Group Companies under the immediately preceding sentence shall be joint and several among the Group Companies.

(d) Effective at and after the Closing, each of the Offshore Companies, WFOE, and Onshore Companies shall (and the Onshore Companies shall cause the other Group Companies to), jointly and severally, indemnify each Buyer Indemnitee against and shall hold each of them harmless from any and all Damages incurred or suffered by a Buyer Indemnitee arising out of any breach of any covenant or agreement made or to be performed by any Group Company pursuant to this Agreement.

(e) Effective at and after the Closing, Buyer shall indemnify the Seller Companies, the Founder, their respective Affiliates and their respective successors and permitted assignees (each, a “**Seller Indemnitee**”) against and shall hold each of them harmless from any and all Damages actually incurred or suffered by the Seller Companies, the Founder, any of its Affiliates or any of their respective successors and permitted assignees arising out of (i) any breach of any representation or warranty made by Buyer in Article 6 of this Agreement (determined, for purposes of calculating any Damages only, and not for purposes of determining breach, without regard to any qualification or exception contained therein relating to materiality or Material Adverse Effect or any similar qualification or standard) or (ii) any breach of any covenant or agreement made or to be performed by Buyer pursuant to this Agreement.

Section 11.03. *Tax Indemnity*. Effective at and after the Closing, each of the Seller Companies hereby, jointly and severally, indemnifies each Buyer Indemnitee and each Group Company against, and agrees to hold each Buyer

Indemnitee and each Group Company harmless from, any Covered Tax, and to the extent applicable, any Transfer Taxes required to be borne by Seller Companies in accordance with Section 9.05 and, in each case, any Damages relating thereto (together, a “**Covered Tax Loss**”). For the avoidance of doubt, the Covered Tax Loss shall include any additional amount of tax payable by or losses suffered by Buyer Indemnitee or any Group Company arising from the non-payment of, or the non-reporting by, any Seller Company of Taxes in connection with its obligations under Section 7.05 and Section 9.05 (to the extent applicable) in accordance with the terms thereof.

Section 11.04. *Limitations on Indemnification.*

(a) Notwithstanding any other provision in this Agreement to the contrary, the Buyer Indemnitees and the Seller Indemnitees shall not be entitled to indemnification for breaches of representations and warranties pursuant to Section 11.02(a)(i), Section 11.02(b)(i) or Section 11.02(c) (“**Warranty Breaches**”), unless and until the aggregate amount of Damages to the Buyer Indemnitees or the Seller Indemnitees, respectively, with respect to Warranty Breaches exceeds 1.0% of the Purchase Price (the “**Deductible**”), and then only to the extent such Damages exceed the Deductible; *provided* that the Deductible shall not apply to any claim based on fraud or willful misconduct of the Seller Companies, the Founder or the Group Companies.

(b) The Seller Companies’ aggregate maximum liability under Section 11.02(a)(i) and Section 11.02(c) shall not exceed RMB167,200,000 (the “**Seller Companies Cap**”); *provided* that the Seller Companies Cap shall not apply to any claim based on fraud or willful misconduct of any Seller Company. Subject to Section 11.04(h), the sum of the Founder’s maximum liability under Section 11.02(b)(i) and the Group Companies’ maximum liability under Section 11.02(c) shall not exceed RMB136,800,000 (the “**Group Companies Cap**”); *provided* that the Group Companies Cap shall not apply to any claim based on fraud or willful misconduct of the Founder or any Group Company.

(c) Notwithstanding any other provision in this Agreement to the contrary, Seller, the Founder and the Group Companies party to this Agreement shall not be liable to, or indemnify the Buyer Indemnitees for any Damages (i) that are punitive (except to the extent constituting third party punitive claims), special, consequential, incidental or exemplary or similar to the foregoing or (ii) that are in the nature of lost profits.

(d) From and after the Closing, (x) the rights of Buyer, Seller, and the other Indemnified Parties under this Article 11 shall be the sole and exclusive remedy of such Indemnified Parties with respect to any and all Damages suffered by an Indemnified Party arising out of or resulting from this Agreement, other than claims based on fraud or willful misconduct of the relevant party to this Agreement and (y) each party entitled to or seeking indemnification hereunder

shall take all reasonable steps to mitigate all Damages after becoming aware of any event which could reasonably be expected to give rise to any Damages.

(e) The amount of Damages subject to indemnification under Section 11.02 or Section 11.03 shall be calculated net of (i) any Tax Benefit actually recognized by the Indemnified Party on account of such Damages on or prior to the indemnification payment date (as determined in good faith by the Indemnified Party), (ii) any reserves set forth in the Management Accounts relating to such Damages and (iii) any insurance proceeds (net of any costs associated therewith and any increases in insurance premium caused thereby) actually received by the Indemnified Party on account of such Damages on or prior to the indemnification payment date. An Indemnified Party shall use its commercially reasonable efforts to pursue full recovery under all insurance policies with respect to any Damages to the same extent as it would if such Damages were not subject to indemnification hereunder. If an Indemnified Party receives insurance proceeds in connection with Damages for which it has received indemnification, such party shall refund to the Indemnifying Party the amount of such insurance proceeds when received (net of any increases in insurance premium caused thereby), up to the amount of indemnification received. If the Indemnified Party determines in good faith that it has received a Tax Benefit on account of such Damages after an indemnification payment is made to it, the Indemnified Party shall promptly pay to the Person or Persons that made such indemnification payment the amount of such Tax Benefit at such time or times as and to the extent that such Tax Benefit is recognized by the Indemnified Party, up to the amount of indemnification received. Except to the extent that such refund has been previously taken into account pursuant to the foregoing, in the event that a Buyer Indemnitee receives a partial or total refund of any Taxes for which it has been indemnified under this Article 11, Buyer shall transfer that amount to Seller within 30 days of receipt. For purposes hereof, "**Tax Benefit**" shall mean any refund of Taxes paid or reduction in the amount of Taxes which otherwise would be owed by the Indemnified Party.

(f) Notwithstanding anything to the contrary in this Agreement, if a Buyer Indemnitee has been fully compensated by a party hereto pursuant to Section 11.02 or Section 11.03, such Buyer Indemnitee shall not be entitled to get indemnity for the same Damages from another party hereto under Section 11.02 or Section 11.03, as applicable.

(g) All payments made pursuant to this Article 11 shall be treated as an adjustment to the Purchase Price for Tax purposes unless otherwise required by Applicable Law.

(h) Subject to Section 11.04(b), any indemnity payment made by a Group Company to a Buyer Indemnitee shall be grossed up to take into account the amount of such payment that would be indirectly be borne by such Buyer Indemnitee by reason of its direct or indirect ownership interest in such Group Company; *provided* that, with respect to each such payment, the gross up shall occur only once.

Section 11.05. *Third Party Claim Procedures.* (a) The party seeking indemnification under Section 11.02 or Section 11.03 (the “**Indemnified Party**”) agrees to give prompt notice in writing to the party against whom indemnity is to be sought (the “**Indemnifying Party**”) of the assertion of any claim or the commencement of any suit, action or proceeding by any third party against the Indemnified Party (a “**Third Party Claim**”) in respect of which indemnity may be sought under such Section. Such notice shall set forth in reasonable detail such Third Party Claim and the basis for indemnification (taking into account the information then available to the Indemnified Party) and attach a copy of any summons, complaint or other pleading served upon the Indemnified Party. The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have materially prejudiced the Indemnifying Party.

(b) The Indemnifying Party shall be entitled to participate in the defense of any Third Party Claim and, subject to the limitations set forth in this Section, shall be entitled at its discretion to elect to assume and control the defense of such Third Party Claim, in each case, at its own expense, which defense shall be prosecuted diligently by the Indemnifying Party to a final conclusion or settled in accordance with Section 11.05(d); *provided* that prior to assuming control of such defense, the Indemnifying Party must furnish the Indemnified Party with reasonable evidence that the Indemnifying Party has adequate resources to defend the Third Party Claim and fulfill its indemnity obligations hereunder.

(c) The Indemnifying Party shall not be entitled to assume or maintain control of the defense of any Third Party Claim if (i) the Indemnifying Party does not assume such control in accordance with Section 11.05(b) within 45 days of receipt of notice of the Third Party Claim pursuant to Section 11.05(a), (ii) the Third Party Claim relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation, (iii) the Third Party Claim seeks an injunction or equitable relief against the Indemnified Party or any of its Affiliates, (iv) the Indemnifying Party has failed or is failing to prosecute or defend diligently the Third Party Claim or (v) the Third Party Claim is one in which the Indemnifying Party is also a party and joint representation would be inappropriate (based on written advice of outside counsel) or there may be legal defenses available to the Indemnified Party which are different from or additional to those available to the Indemnifying Party. With respect to any Third Party Claim that is the subject of this Section 11.05(c), (x) the Indemnified Party shall diligently prosecute the defense of such Third Party Claim to a final conclusion or settlement and (y) the Indemnifying Party shall have the right to retain its own counsel at the Indemnifying Party’s sole expense and participate therein; *provided, however*, that the Indemnified Party shall obtain the prior written consent of the Indemnifying Party before entering into any settlement of such Third Party Claim, if indemnification is to be sought hereunder, which consent shall not be unreasonably withheld or delayed.

(d) If the Indemnifying Party shall assume the control of the defense of any Third Party Claim in accordance with the provisions of this Section 11.05, the Indemnifying Party shall obtain the prior written consent of the Indemnified Party before entering into any settlement of such Third Party Claim, which consent shall not be unreasonably withheld or delayed.

(e) In circumstances where the Indemnifying Party is controlling the defense of a Third Party Claim in accordance with paragraphs (b) and (c) above, the Indemnified Party shall be entitled to participate in (but not control) the defense of such Third Party Claim and to employ separate counsel of its choice for such purpose, in which case the fees and expenses of such separate counsel shall be borne by the Indemnified Party; *provided* that in such event the Indemnifying Party shall pay the fees and expenses of such separate counsel reasonably incurred by the Indemnified Party if representation of both the Indemnifying Party and the Indemnified Party by the same counsel would create a conflict of interest, unless otherwise agreed to by the Indemnified Party.

(f) The Indemnified Party (or, if the Indemnified Party is conducting the defense against any Third Party Claim, the Indemnifying Party) shall cooperate, and cause their respective Affiliates to cooperate, in the defense or prosecution of any Third Party Claim and shall furnish or cause to be furnished such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested by the Indemnifying Party (or, if the Indemnified Party is conducting the defense against any Third Party Claim, the Indemnified Party) in connection therewith.

Section 11.06. *Direct Claim Procedures.* In the event an Indemnified Party has a claim for indemnity under Section 11.02 or Section 11.03 against an Indemnifying Party that does not involve a Third Party Claim, the Indemnified Party agrees to give prompt notice in writing of such claim to the Indemnifying Party. Such notice shall set forth in reasonable detail such claim and the basis for indemnification (taking into account the information then available to the Indemnified Party). The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have materially prejudiced the Indemnifying Party. If the Indemnifying Party disputes its indemnity obligation for any Damages with respect to such claim, the parties shall proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved pursuant to Section 13.06. If the Indemnifying Party does not notify the Indemnified Party within 60 days following the receipt of a notice with respect to any such claim that the Indemnifying Party disputes its indemnity obligation to the Indemnified Party for any Damages with respect to such claim, such dispute shall be resolved pursuant to Section 13.06.

ARTICLE 12  
Termination

Section 12.01. *Grounds for Termination.* This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement of CNI and Buyer;

(b) by Seller, if the Closing is not consummated within two (2) Business Days after the date hereof; or

(c) by either CNI or Buyer if there shall be any Applicable Law that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited or if consummation of the transactions contemplated hereby would violate any nonappealable final order, decree or judgment of any Governmental Authority having competent jurisdiction.

The party desiring to terminate this Agreement pursuant to Section 12.01(b) or (c) shall give notice of such termination to the other party.

Section 12.02. *Effect of Termination.* If this Agreement is terminated as permitted by Section 12.01, such termination shall be without liability of any party (or any shareholder, director, officer, employee, agent, consultant or representative of such party) to any other party to this Agreement; *provided* that if such termination shall result from the willful (i) failure of a party to fulfill a condition to the performance of the obligations of another party, (ii) failure to perform a covenant of this Agreement or (iii) breach by a party hereto of any representation or warranty or agreement contained herein, such party shall be fully liable for any and all Damages incurred or suffered by the other parties as a result of such failure or breach. The provisions of this Section 12.02 and Sections 8.01, 13.01, 13.03, 13.05 and 13.06 shall survive any termination hereof pursuant to Section 12.01.

Section 12.03. *Reversal of Transfer of Onshore Interest.* If this Agreement is terminated as permitted by Section 12.01 and the transactions contemplated by the Onshore SPA have been completed by such termination, Buyer shall cause the Buyer Designee to transfer back to Meidiya such shares and interests promptly after such termination.

ARTICLE 13  
Miscellaneous

Section 13.01. *Notices.* All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission and

electronic mail (“e-mail”) transmission, so long as a receipt of such e-mail is requested and received) and shall be given,

if to Buyer, to:

Winner Sight Global Limited  
c/o Warburg Pincus Asia LLC  
Suite 6703, Two IFC  
Hong Kong  
Attention: Andrew Chan

with a copy to:

Davis Polk & Wardwell LLP  
26th Floor, Twin Tower West  
B12, Jian Guo Men Wai Avenue  
Chaoyang District  
Beijing 100022  
People’s Republic of China  
Attention: Howard Zhang  
Tel.: 86-10-8567-5000  
Fax: 86-10-8567-5123

if to any Seller Company, to:

c/o CNinsure Inc.  
22F Yin Hai Building  
No. 299 Yanjiang Zhong Rd.  
Guangzhou 510110  
People’s Republic of China  
Attention: Jason Zhu

with a copy to:

Latham & Watkins  
41<sup>st</sup> Floor, One Exchange Square  
8 Connaught Place, Central  
Hong Kong  
Attention: David T. Zhang  
Tel.: 852-2912-2503  
Fax: 852-2522-7006

if to the Founder, to:

22F Da Cheng Plaza  
127 Xuan Wu Men West Ave  
Xi Cheng District  
Beijing 100031  
People's Republic of China  
Tel.: 86-10-5738-2828  
Fax: 86-10-5738-2777

or such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. in the place of receipt and such day is a Business Day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding Business Day in the place of receipt.

Section 13.02. *Amendments and Waivers.* (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 13.03. *Expenses.* All costs and expenses (including fees, costs and expenses of legal counsel, investment bankers, brokers or other representatives and consultants and appraisal fees, costs and expenses) incurred in connection with this Agreement shall be borne by the party incurring such cost or expense.

Section 13.04. *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto; except that Buyer may transfer or assign its rights and obligations under this Agreement, to (i) one or more of its Affiliates at any time and (ii) to any Person upon written notice to the Founder and Seller; *provided* that no such transfer or assignment shall relieve Buyer of its obligations hereunder or enlarge, alter or change any obligation of any other party hereto or due to Buyer.

Section 13.05. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice or conflict of laws provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

Section 13.06. *Arbitration.* Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination and the parties' rights and obligations hereunder (each, a "**Dispute**") shall be referred to and finally resolved by arbitration (the "**Arbitration**") in the following manner:

(a) The Arbitration shall be administered by the Hong Kong International Arbitration Centre ("**HKIAC**");

(b) The Arbitration shall be procedurally governed by the UNCITRAL Arbitration Rules as in force at the date on which the claimant party notifies the respondent party in writing (such notice, a "**Notice of Arbitration**") of its intent to pursue Arbitration, which are deemed to be incorporated by reference and may be amended by this Section 13.06;

(c) The seat and venue of the Arbitration shall be Hong Kong and the language of the Arbitration shall be English;

(d) A Dispute subject to an Arbitration shall be determined by a panel of three (3) arbitrators (the "**Tribunal**"). One (1) arbitrator shall be nominated by the claimant party (and to the extent that there is more than one claimant party, by mutual agreement among the claimant parties) and one (1) arbitrator shall be nominated by the respondent party (and to the extent that there is more than one respondent party, by mutual agreement among the respondent parties). The third arbitrator shall be jointly nominated by the claimant party's and respondent party's respectively nominated arbitrators and shall act as the presiding arbitrator. If the claimant party or the respondent party fails to nominate its arbitrator within thirty (30) days from the date of receipt of the Notice of Arbitration by the respondent party or the claimant and respondent parties' nominated arbitrators fail to jointly nominate the presiding arbitrator within thirty (30) days of the nomination of the respondent-nominated arbitrator, either party to the Dispute may request the Chairperson of the HKIAC to appoint such arbitrator; and

(e) The parties agree that all documents and evidence submitted in the Arbitration (including any statements of case and any interim or final award, as well as the fact that an arbitral award has been made) shall remain confidential both during and after any final award that is rendered unless the parties otherwise agree in writing. The arbitral award is final and binding upon the parties to the Arbitration

Section 13.07. *Counterparts; Effectiveness; Third Party Beneficiaries.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto. Until and unless each party has received a counterpart hereof signed by all of the other parties hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication). No provision of this Agreement is intended to confer any rights, benefits, remedies, obligations, or liabilities hereunder upon any Person other than the parties hereto and their respective successors and assigns.

Section 13.08. *Entire Agreement.* This Agreement and other Transaction Documents constitute the entire agreement among the parties with respect to the subject matter of this Agreement and supersede all prior agreements and understandings, both oral and written, among the parties with respect to the subject matter of this Agreement.

Section 13.09. *Severability.* If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 13.10. *Specific Performance.* The parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 13.11. *Joint Drafting.* Each party hereto has participated in the drafting of this Agreement, which each party acknowledges is the result of extensive negotiations among and joint drafting by the parties. If an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision.

Section 13.12. *Share Subscription Agreement.*

(a) With respect to the transactions contemplated by the Share Subscription Agreement, each of Seller and Buyer agrees that in connection, and concurrently, with the Closing, Seller shall assign to Buyer, and Buyer shall accept, all rights and obligations attaching to the CISG Shares (as defined in the Share Subscription Agreement) (including Seller's payment obligation in respect of the CISG Purchase Price).

(b) The Company agrees and acknowledges the assignment and transfer by Seller to Buyer of all rights and obligations attaching to the CISG Shares (including Seller's payment obligation in respect of the CISG Purchase Price). The Company further acknowledges and agrees that (i) the CISG Shares shall have been paid in full upon receipt of the CISG Purchase Price and (ii) the WS Shares shall have been paid in full upon receipt of the WS Purchase Price, in each case, by the Company from Buyer.

(c) Each of Seller, Buyer, Mr. Lin and Company agrees that the Closing (as defined in the Share Subscription Agreement) shall take place on the Closing Date.

(d) After giving effect to subclauses (a), (b) and (c) above, each party to the Share Subscription Agreement agrees and acknowledges that effective upon the Closing, all references to "Subscribers" therein shall refer to Buyer only.

(e) Each of Seller, Buyer, Mr. Lin and Company agrees that except as expressly set forth in preceding subclauses (a) through (d) above, the Share Subscription Agreement shall remain in full force and effect on the terms set forth therein (after giving effect to subclauses (a) through (d) above).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

**WINNER SIGHT GLOBAL LIMITED**

By: /s/ Timothy J. Curt  
Name: Timothy J. Curt  
Title: Authorized Signatory

**CNINSURE INC.**

By: /s/ Hu Yinan  
Name: Hu Yinan  
Title: Chairman and CEO

**CISG HOLDINGS LTD.**

By: /s/ Hu Yinan  
Name: Hu Yinan  
Title: Chairman and CEO

**GUANGDONG MEIDIYA INVESTMENT CO., LTD.**

By: /s/ Lai Qiuping  
Name: Lai Qiuping  
Title: President & Director

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In his personal capacity:

/s/ Keping Lin

**KEPING LIN**

**EXPERT CENTRAL LIMITED**

By: /s/ Lin Keping

Name: Lin Keping

Title: Director

**MANCINI HOLDINGS LIMITED**

By: /s/ Lin Keping

Name: Lin Keping

Title: Director

**DATONG INTERNATIONAL HOLDINGS LIMITED**

By: /s/ Lin Keping

Name: Lin Keping

Title: Director

**DATONG GROUP LIMITED**

By: /s/ Lin Keping

Name: Lin Keping

Title: Director

**北京大华融金信息科技有限公司**

By: /s/ Lin Keping

Name: Lin Keping

Title: Director

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**BEIJING FANHUA DATONG INVESTMENT  
MANAGEMENT CO., LTD.**

By: /s/ Lin Keping  
Name: Lin Keping  
Title: Chief Director

**大童保险销售服务有限公司**

By: /s/ Lin Keping  
Name: Lin Keping  
Title: Executive Director

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ONSHORE SUBSIDIARIES

1. **大童保险销售服务有限公司**  
(Datong Insurance Sales & Service Company Limited)
  2. **广州大童保险代理有限公司**  
(Guangzhou Datong Insurance Agency Co., Ltd.)
  3. **四川大童保险代理有限公司**  
(Sichuan Datong Insurance Agency Co., Ltd.)
  4. **辽宁大童保险代理有限公司**  
(Liaoning Datong Insurance Agency Co., Ltd.)
  5. **湖南大童保险代理有限公司**  
(Hunan Datong Insurance Agency Co., Ltd.)
  6. **河南大童保险代理有限公司**  
(Henan Datong Insurance Agency Co., Ltd.)
  7. **陕西大童保险代理有限公司**  
(Shaanxi Datong Insurance Agency Co., Ltd.)
  8. **山东大童保险代理有限公司**  
(Shandong Datong Insurance Agency Co., Ltd.)
  9. **河北大童保险代理有限公司**  
(Hebei Datong Insurance Agency Co., Ltd.)
  10. **江苏大童保险代理有限公司**  
(Jiangsu Datong Insurance Agency Co., Ltd.)
  11. **海南大童保险代理有限公司**  
(Hainan Datong Insurance Agency Co., Ltd.)
  12. **云南大童保险代理有限公司**  
(Yunnan Datong Insurance Agency Co., Ltd.)
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SELLER DISCLOSURE SCHEDULES

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FORM OF SUPPLEMENTAL MINORITY INTERESTS HOLDING AGREEMENT

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EXCLUSIVE SERVICE AGREEMENT

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**EQUITY PLEDGE AGREEMENT**

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EXCLUSIVE PURCHASE OPTION AGREEMENT

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VOTING RIGHTS PROXY AGREEMENT

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OPINION OF CAYMAN ISLANDS COUNSEL

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OPINION OF BRITISH VIRGIN ISLANDS COUNSEL

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OPINION OF PRC COUNSEL

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FORM OF SETTLEMENT AGREEMENT

SHARE TRANSFER AGREEMENT

by and between

Guangdong Meidiya Investment Co., Ltd.

and

Beijing Min Si Lian Hua Investment Management Co., Ltd.

Regarding

Beijing Fanhua Datong Investment Management Co., Ltd.

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This Agreement is entered into by and among the following parties on March 24, 2011, in Beijing.

Transferor: Guangdong Meidiya Investment Co., Ltd. ("**Guangdong Meidiya**" or the "**Transferor**")

Address: Room 603, Xiangkang Commercial Building, No. 11 Sanyuanli Boulevard, Baiyun District, Guangzhou

Transferee: Beijing Min Si Lian Hua Investment Management Co., Ltd. ("**Min Si Lian Hua**" or the "**Transferee**")

Address: Room 1004, Qing Yun Dang Dai Building, Block 9, Man Ting Fang Yuan Zone, Qing Yun Li, Haidian District, Beijing

Third Party: Keping Lin (the "**Third Party**")

ID Card No.: 432901195707202037

Address: Unit 5, Shiji Jinyuan International Apartment, No. 69 Banjing Road, Haiding District, Beijing

**Whereas:**

1. Beijing Fanhua Datong Investment Management Co., Ltd. ("**Datong Investment**") is a limited liability company jointly invested and established by the Transferor and Keping Lin under the laws of the People's Republic of China (the "**PRC**") and was duly incorporated on July 8, 2008, with a registered capital of RMB20 million, of which RMB11 million were contributed by Guangdong Meidiya, representing 55% of the equity interests in Datong Investment, and RMB9 million were contributed by Keping Lin, representing 45% of the equity interests in Datong Investment.
2. Guangdong Meidiya agrees to transfer all of its 55% equity interests in Datong Investment to Min Si Lian Hua (the "**Equity Transfer**"). Min Si Lian Hua agrees to accept the transfer of such equity interests. Keping Lin, the Third Party, agrees to waive the right of first refusal in respect of the Equity Transfer.

**NOW, THEREFORE, the parties hereby agree to enter into this Agreement in respect of the Equity Transfer as follows for mutual observance:**

**1. Equity Transfer**

- 1.1 The Transferor agrees to transfer all of its 55% equity interests in Datong Investment to the Transferee, and the Transferee agrees to accept the transfer of the said equity interests, at an equity transfer price of RMB11 million (the "**Equity Transfer Price**").
- 1.2 Keping Lin, the Third Party, agrees to waive the right of first refusal in respect of the Equity Transfer.
- 1.3 The Transferor and the Transferee shall cooperate with each other to complete the transfer of any equity interests under the Equity Transfer and the payment of the Equity Transfer Price pursuant to this Agreement.
- 1.4 Upon completion of the Equity Transfer, the Transferee and Keping Lin, the Third Party, shall hold 55% and 45% equity interests in Datong Investment, respectively.

**2. Representations and Warranties of the Transferor**

- 2.1 The Transferor is a limited company duly incorporated and validly existing under the PRC laws, which has full capacity for civil conduct, and has full capacity to undertake civil liabilities under the PRC laws. This Agreement, once executed by the parties hereto, constitutes its lawful, valid and binding obligations and is enforceable against the Transferor.

- 2.2 The Transferor has obtained appropriate internal approval for the Equity Transfer in accordance with this Agreement. The execution and performance of this Agreement by the Transferor will not breach any agreements executed with any third parties.
- 2.3 The Transferor has full, valid and sufficient rights to own and dispose of any equity interest transferred to the Transferee hereunder, and no pledge, security interest or third party interest has been created over such equity interests.
- 2.4 The Transferor shall be liable for any loss suffered by the Transferee in connection with any inconsistency between their representations and warranties mentioned above and the facts.

### **3. Representations and Warranties of the Transferee**

- 3.1 The Transferee is a limited company duly incorporated and validly existing under the PRC laws, which has full capacity for civil conduct, and has full capacity to undertake civil liabilities under the PRC laws. This Agreement, once executed by the parties hereto, constitutes its lawful, valid and binding obligations and is enforceable against the Transferee.
- 3.2 Party B has obtained appropriate internal approval for the Equity Transfer pursuant to this Agreement. The execution and performance of this Agreement by the Transferee will not breach any agreements executed with any third parties.
- 3.3 The Transferee shall be liable for any loss suffered by the Transferee in connection with any inconsistency between their representations and warranties mentioned above and the facts.

### **4. Payment of the Equity Transfer Price**

- 4.1 The Transferee shall pay the Equity Transfer Price of RMB11 million to the Transferor on the second working days after the satisfaction of all of the following conditions (the “Closing”):
  - (1) this Agreement has been duly executed; and
  - (2) other documents that shall be signed by the Transferor for the change of registration with the industrial and commercial administration department in respect of the Equity Transfer, including but not limited to the shareholders’ resolution adopted by the original shareholders’ meeting of Datong Investment for the approval of the Equity Transfer, have been duly executed.

### **5. Obligations of Each Party**

- 5.1 The Transferor shall, on the date of receiving the Equity Transfer Price from the Transferee, issue written confirmation for the receipt of payment to the Transferee, and shall issue an invoice of the said payment to the Transferee within 5 days.
- 5.2 The parties hereto confirm and agree that they shall work together and cooperate with each other to execute other documents with respect to the Equity Transfer on the date hereof, including but not limited to, the new articles of association of Datong Investment signed between the Transferee and the Third Party, its amendments and the shareholders’ resolution of Datong Investment signed between the Transferee and the Third Party with respect to the matters such as election of directors.
- 5.3 The parties hereto confirm and agree that they shall exert their utmost efforts to ensure Datong Investment to complete the all formalities in relation to the application for change of registration to the relevant industrial and commercial departments in respect of the Equity Transfer and the change of Datong Investment’s directors on the Closing date of the Equity Transfer.

- 5.4 The parties hereto confirm and agree that they shall work together to cause all filing and registration formalities in relation to the change of Datong Investment's shareholders and its board members with respect to the Equity Transfer to be completed within forty-five days from the Closing date hereof.
- 5.5 The parties hereto confirm and agree that the beneficial owner of the 55% equity interests in Datong Investment shall be changed from the Transferor to the Transferee from the Closing date of the Equity Transfer. This means that the Transferee shall become the beneficial owner of the 55% equity interests of Datong Investment from the above date.

**6. Undertaking of Taxes**

All relevant taxes arising from the Equity Transfer shall be borne by the parties hereto, respectively.

**7. Confidentiality**

Each party hereto shall keep confidential any information it obtains from any of the other parties in connection with this Agreement and the Equity Transfer.

**8. Governing Law and Dispute Settlement**

- 8.1 This Agreement shall be governed by the PRC laws.
- 8.2 Any dispute arising out of this Agreement shall be resolved by the parties through amicable negotiation. If the parties cannot resolve the dispute through amicable negotiation within thirty days after the occurrence thereof, either party shall have the right to submit such dispute to the China International Economic and Trade Arbitration Commission, Beijing Branch, for arbitration (by a panel of three arbitrators) according to its arbitration rules then in effect at the time of applying for arbitration. The party that initiates the arbitration and the other party to the dispute shall be entitled to appoint an arbitrator and the third arbitrator shall be appointed by the China International Economic and Trade Arbitration Commission, Beijing Branch. The arbitral award is final and binding upon all parties hereto. In the course of arbitration, the parties shall continue to perform their respective obligations hereunder, except for those matters or obligations in dispute that have been submitted for arbitration.

**9. Liability for Breach and Termination of this Agreement**

- 9.1 Within forty-five days after the Closing hereof and to the extent that the Transferee has fully paid the Equity Transfer Price to the Transferor, if Datong Investment fails to complete the formalities in relation to the change of filing for the Equity Transfer with the industrial and commercial administration department for whatever reasons, the Transferee shall be entitled to terminate this Agreement unilaterally. If the Transferee chooses to terminate this Agreement, the parties hereto shall exert their utmost efforts to restore all issues relating to this Agreement to their original status.
- 9.2 Under the circumstance set forth in Article 9.1 above, if the Transferee chooses not to terminate this Agreement, the parties hereto shall exert their utmost efforts to complete the formalities in relation to the change of filing for the Equity Transfer with the industrial and commercial administration department.
- 9.3 If the Equity Transfer hereunder cannot be completed due to the occurrence of any other matters, the parties hereto shall use their best effort to restore all issues relating to this Agreement to their original status.
- 9.4 If any party hereto does not actually perform its obligations hereunder and thus causes losses to other parties, the breaching party shall indemnify the non-breaching party against all actual losses suffered by it.

#### **10. Miscellaneous**

This Agreement shall become effective once it is signed by the parties hereto. This Agreement is executed in six originals. Each party shall keep one original, and the remaining originals shall be used for the completion of change of registration with the industrial and commercial administration department and other filing procedures of the government. Each original shall have equal legal effect.

[The remainder of this page is intentionally left blank. This page is the signature page of the Share Transfer Agreement by and among Guangdong Meidiya Investment Co., Ltd., Beijing Min Si Lian Hua Investment Management Co., Ltd. and Keping Lin regarding Beijing Fanhua Datong Investment Management Co., Ltd.]

Guangdong Meidiya Investment Co., Ltd. (Chop)

*[Chop affixed]*

Legal Representative (or Authorized Representative): /s/ Qiuping Lai

Beijing Min Si Lian Hua Investment Management Co., Ltd. (Chop)

*[Chop affixed]*

Legal Representative (or Authorized Representative): /s/ Ling Yang

Keping Lin (Signature): /s/ Keping Lin

**English Translation for Reference**

Supplemental Agreement

to

Share Transfer Agreement

by and between

Guangdong Meidiya Investment Co., Ltd.

and

Beijing Min Si Lian Hua Investment Management Co., Ltd.

Regarding

Beijing Fanhua Datong Investment Management Co., Ltd.

---

This Supplemental Agreement to the Share Transfer Agreement (“**this Agreement**”) is made by the following parties in Beijing on March 24, 2011.

Transferor: Guangdong Meidiya Investment Co., Ltd. (“**Guangdong Meidiya**” or the “**Transferor**”)  
Address: Room 603, Xiangkang Commercial Building, No. 11 Sanyuanli Boulevard, Baiyun District, Guangzhou

Transferee: Beijing Min Si Lian Hua Investment Management Co., Ltd. (“**Min Si Lian Hua**” or the “**Transferee**”)  
Address: Room 1004, Qing Yun Dang Dai Building, Block 9, Man Ting Fang Yuan Zone, Qing Yun Li, Haidian District, Beijing

Third Party: Keping Lin (the “**Third Party**”)  
ID Card No.: 432901195707202037  
Address: Unit 5, Shiji Jinyuan International Apartment, No. 69 Banjing Road, Haiding District, Beijing

The three parties mentioned above are referred to collectively as the “**Parties**”.

WHEREAS:

1. In accordance with the Share Transfer Agreement signed by the Parties on the same date of this Agreement, the Transferor agrees to transfer to the Transferee, and the Transferee agrees to accept the transfer from the Transferor all of its 55% equity interest in Beijing Fanhua Datong Investment Management Co., Ltd. (“**Datong Investment**”) (the “**Equity Transfer**”).
2. The Parties agree to enter into the following supplemental agreement in respect of the effectiveness and termination of the Share Transfer Agreement mentioned above.

**NOW, THEREFORE**, it is unanimously agreed as follows:

1. The Share Transfer Agreement shall automatically terminate and become invalid if one of the following circumstances occurs:
    - (i) if the Transferee fails to pay to the Transferor the Equity Transfer Price of RMB11 million in full within two working days from the execution of the Share Transfer Agreement; or
    - (ii) if the Closing of the Share Purchase Agreement entered into by and among Winner Sight Global Limited, CNinsure Inc., CISG Holdings Ltd., Guangdong Meidiya Investment Co., Ltd., Keping Lin, Expert Central Limited, Mancini Holdings Limited, Datong International Holdings Limited, Datong Group Limited, Beijing Dahua Rongjin Information Technology Co., Ltd., Beijing Fanhua Datong Investment Management Co., Ltd. and Datong Insurance Sales & Service Company Limited in relation to the trading of Class B common shares of Datong International Holdings Limited does not take place within two working days from the execution of the Share Transfer Agreement.
  2. If the Share Transfer Agreement automatically terminates pursuant to the above requirements:
    - (i) the Parties shall use their best effort to offer cooperation to cause the equity interest of the Transferor in Datong Investment to resume to its original status, and the actions to be taken shall include but not limit to withdrawing any application documents submitted to the relevant industrial and commercial administrative bureau with respect to the Equity Transfer;
    - (ii) to the extent that the Share Transfer Agreement terminates due to the occurrence of the circumstance described in paragraph 1(ii) above, if the Transferee has paid the Equity Transfer Price of RMB11 million, the Transferor shall return the full amount of payment to the Transferee within two working days of the receipt of such payment.
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3. Unless otherwise herein required, the other provisions of the Share Transfer Agreement shall remain unchanged.
4. This Agreement and the dispute resolution in connection therewith shall be governed by Article 8 of the Share Transfer Agreement.
5. This Agreement is written in Chinese and shall become effective once it is signed by the Parties on the date as first written above. This Agreement is executed in four originals with each of the Parties and Datong Investment holding one original. All of them shall have the same legal effect.

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[The remainder of this page is intentionally left blank. This page is the signature page of the Supplemental Agreement to the Share Transfer Agreement by and among Guangdong Meidiya Investment Co., Ltd., Beijing Min Si Lian Hua Investment Management Co., Ltd. and Keping Lin regarding Beijing Fanhua Datong Investment Management Co., Ltd.]

Guangdong Meidiya Investment Co., Ltd. (Chop)

*[Chop affixed]*

Legal Representative (or Authorized Representative): /s/ Qiuping Lai

Beijing Min Si Lian Hua Investment Management Co., Ltd. (Chop)

*[Chop affixed]*

Legal Representative (or Authorized Representative): /s/ Ling Yang

Keping Lin (Signature): /s/ Keping Lin

**SETTLEMENT AGREEMENT**  
**(SHAREHOLDERS AGREEMENT)**

This Settlement Agreement (this “**Agreement**”) is entered into by and among the following parties on March 24, 2011, in Beijing City.

Party A: Guangdong Meidiya Investment Co., Ltd.

Address: Room 603, Xiangkang Commercial Building, No. 11 Sanyuanli Boulevard, Baiyun District, Guangzhou

Party B: Keping Lin

ID No.: 432901195707202037

Address: Unit 5, Shiji Jinyuan International Apartment, No. 69 Banjing Road, Haiding District, Beijing

Party C: Beijing Fanhua Datong Investment Management Co., Ltd.

Address: 22/F, Dacheng Building, No. A127, West Avenue of Xuanwumen, Xicheng District, Beijing

The three parties mentioned above are referred to collectively as the “**Parties**”.

**WHEREAS:**

1. Party C (or “**Datong Investment**”) is a limited liability company jointly invested by Party A and Party B and duly incorporated under the laws of the People’s Republic of China (the “**PRC**”) on July 8, 2008, with a registered capital of RMB20 million, of which RMB11 million were contributed by Party A, representing 55% of the equity interests in Datong Investment, and RMB9 million were contributed by Party B, representing 45% of the equity interests in Datong Investment;
2. Party A and Party B have executed several agreements (“**Original Shareholders Agreements**”) in respect of the rights and obligations between Datong Investment and Party A and Party B;
3. Party A intends to transfer all of its 55% equity interests in Datong Investment to Beijing Min Si Lian Hua Investment Management Co., Ltd. (“**Min Si Lian Hua**”) (“**Equity Transfer**”), and Min Si Lian Hua agrees to acquire the said equity interests;
4. CISG Holdings Ltd., the affiliated company of Party A, Winner Sight Global Limited, the affiliated company of Min Si Lian Hua, and other related parties execute a SHARE PURCHASE AGREEMENT (“**Offshore Agreement**”) on the date hereof in respect of the transfer by CISG Holdings Ltd. of its equity interests in Datong International Holdings Limited to Winner Sight Global Limited.

**NOW, THEREFORE, the Parties hereto agree to enter into this Agreement as follows for mutual observance:**

**Article 1 Current Account**

The Parties hereto unanimously agree that Party A and Party B shall guarantee to settle all the current accounts between Party A and its affiliated companies, and Datong Investment and its affiliated companies before the closing of the Equity Transfer.

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## **Article 2 Return of Security Deposit**

Pursuant to the Original Shareholders Agreements, Party B has provided a security deposit of RMB180 million to Party A as the guarantee for its operating result. As of the date of this Agreement, Party A has returned part of the security deposit to Party B in an amount of RMB106.3 million in accordance with the standards of operating result as specified herein. In respect of returning the remaining security deposit of RMB73.7 million, the Parties agree unanimously as follows:

1. Party A shall return RMB69.7 million in the remaining security deposit to the account designated by Party B after receiving the full payment made by Min Si Lian Hua with respect to the Equity Transfer; the security deposit of RMB4 million shall be returned to the account designated by Party B within ten (10) working days upon the completion of the 2010 annual audit of CNinsure Inc., the affiliated company of Party A, or on May 31, 2011, whichever is earlier.
2. Party B and Party C undertake as follows:
  - (1) to fully cooperate with CNinsure Inc, the affiliated company of Party A, in preparing for the 2010 annual audit on Datong Investment and its subsidiaries;
  - (2) to fully cooperate with the auditors engaged by CNinsure Inc., the affiliated company of Party A, in completing the 2010 annual audit on Datong Investment and its subsidiaries;
  - (3) to provide Party A with the financial statements of Datong Investment and its subsidiaries for January 2011 for its review.

## **Article 3 Termination of the Obligation to Make Capital Reserve**

In accordance with the Original Shareholders Agreements, Party B undertakes unilaterally to invest an additional RMB20 million to Datong Investment as capital reserve. The Parties hereto unanimously agree that the obligation of Party B to make capital reserve of RMB20 million to Datong Investment as set forth in the Original Shareholders Agreement shall be terminated in all aspects upon the effectiveness of this Agreement, and Party B shall cease to have any obligation to make capital reserve of RMB20 million to Datong Investment.

## **Article 4 Profits Distribution**

1. The Parties hereto unanimously agree that Datong Investment shall pay RMB10 million to Party A as dividend distribution and shall make such payment to Party A before December 31, 2012. Notwithstanding the foregoing, Datong Investment did not distribute and will not distribute any dividends to Party A, and Datong Investment bears no obligation to distribute dividends to Party A in the past or in the future.
2. The Parties hereto further agree that if Datong Investment, Datong International Holdings Limited and its subsidiaries raise funds through issuing shares publicly or by private placement before December 31, 2012 (not including any funds raised through equity financing or by the issuance of shares in any form in connection with the incentive of staff) and the raised fund is more than USD15 million, Datong Investment shall distribute the dividend of RMB10 million to Party A within 10 working days after the raised fund has been transferred to the accounts of Datong Investment, Datong International Holdings Limited and its subsidiaries.

3. In accordance with the Original Shareholders Agreements, Party A shall be entitled to all consolidated net profits (book value) of Datong Investment from January 1, 2009 to December 31, 2012, and 80% of its consolidated net profits (book value) for the year 2013. Meanwhile, Party B shall assume all losses incurred by Datong Investment from January 1, 2009 to December 31, 2013, and shall be entitled to 20% of the consolidated net profits (book value) of Datong Investment for the year 2013. The Parties hereto unanimously agree that the aforementioned shall be terminated in all aspects as of the date of the effectiveness of this Agreement.

#### **Article 5 Video Equipment**

The Parties hereto unanimously confirm that Datong Investment will cease to use any video equipment provided by the affiliated company of Party A, Fanhua XinLian Information Technology Consulting (Shenzhen) Co., Ltd., to Datong Investment and its subsidiaries/branches (for the list of video equipment, please refer to Exhibit 1 of this Agreement). Party B guarantees that Datong Investment and its subsidiaries/branches shall hand over all video equipment to the affiliated company of Party A before February 28, 2011.

#### **Article 6 Non-solicitation**

The Parties unanimously agree that to maintain a good competitive market environment, none of the Parties shall, as of the date of this Agreement and within one year thereafter, directly or indirectly solicit the officers, employees, sales agents of the other Party as its own officers, employees, sales agents, or induce, intend to induce the aforementioned persons to terminate their employment with the other Party. However, such restriction shall not preclude any Party from recruiting employees through general recruitment advertisements targeting at non-specified persons (which mean the advertisements which do not directly target at the officers, employees and sales agents of the other Party).

#### **Article 7 Confidentiality**

The Parties hereto agree that they shall at all times keep confidential this Agreement and any matters in connection with this Agreement, unless with proper causes.

#### **Article 8 Effectiveness**

This Agreement shall become effective on the closing date of the Offshore Agreement.

#### **Article 9 Miscellaneous**

This Agreement is an agreement entered into by and among Party A, Party B Party C (i.e. Datong Investment) and their respective affiliates for the purpose of settling the problems between Party A and Party B (as the original shareholders of Datong Investment) when Party A transfer its equity interests in Datong Investment to Min Si Lian Hua. Unless otherwise provided in this Agreement, all the rights and obligations set forth in all documents, such as shareholders agreement, supplementary agreements, agreements and undertakings, executed by and bound upon the Parties hereto and their respective affiliates prior to the execution hereof, shall, if not performed, cease to be performed and, if being performed, be terminated automatically. The Parties hereto agree to engage in further negotiations on issues not mentioned herein, and enter into a supplemental agreement, after the execution of this Agreement.

**Article 10 Counterpart**

This Agreement is made in four originals. Each Party and Min Si Lian Hua shall keep one original. Each original shall have equal legal effect.

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SIGNATURE PAGE

**IN WITNESS WHEREOF**, the Parties have executed this Agreement on the date first written above.

Guangdong Meidiya Investment Co., Ltd. (Chop)

Legal Representative (or Authorized Representative): /s/ Qiuping Lai

Keping Lin: /s/ Keping Lin

Beijing Fanhua Datong Investment Management Co., Ltd. (Chop)

Legal Representative (or Authorized Representative): /s/ Keping Lin

**FORM OF CONSULTING AND SERVICE AGREEMENT**

THIS CONSULTING AND SERVICE AGREEMENT (hereinafter referred to as “this Agreement”) is entered into on \_\_\_\_\_ by and between the following two parties:

**Party A: Fanhua Xinlian Information Technology Consulting (Shenzhen) Co., Ltd.**

Address: Rooms E2, F1, Tower Building, Times Fortune Building, Fuhua 3<sup>rd</sup> Road, Futian District, Shenzhen

**Party B:** \_\_\_\_\_

Address: \_\_\_\_\_

**WHEREAS:**

- (1) Party A is an enterprise duly incorporated under the laws of the People’s Republic of China (hereinafter referred to as the “PRC”) with expertise in the technological development of IT platform equipment, economic information consulting service and training, and has a team of professionals in areas such as insurance technology, risk consulting, risk assessment and risk management, and has extensive experience in the organization and management of enterprises, as well as their operation and planning.
- (2) Party B is an insurance intermediary firm duly incorporated under the PRC laws and the relevant regulations of the China Insurance Regulatory Commission (hereinafter referred to as “CIRC”), which is engaged in the provision of insurance intermediary services.
- (3) Based on their respective industry advantages and needs, Party A and Party B agree to sign a written agreement to define their respective rights and obligations with respect to the provision by Party A of the training service in relation to IT platform and the internal control and compliance consulting service to Party B.

**NOW THEREFORE**, both parties hereto unanimously agree as follows through consultation:

**1. Consulting and Service: Sole and exclusive interest**

- 1.1 During the term of this Agreement, Party A agrees to, as the provider of IT platform training and internal control and compliance consulting service to Party B, provide the IT platform training, and internal control and compliance consulting service to Party B (the details of which are set forth in the annex attached hereto) subject to the terms and conditions hereof. If Party B makes a request and such request is approved by Party A, Party A may provide Party B with any other consulting and services beyond the scope set out in the annex hereto.
  - 1.2 Party B agrees to accept the training and consulting service provided by Party A, and Party B further agrees that, during the term of this Agreement, it will not accept any technology consulting and service in relation to the aforesaid business provided by any third party without the prior written consent of Party A.
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## **2. Calculation and Payment of Training and Consulting Service Fee (hereinafter referred to as the “Consulting Service Fee”)**

- 2.1 Both parties agree that the Consulting Service Fee under this Agreement shall be calculated and paid in the manner set forth in the annex hereto.
- 2.2 Both parties agree that if Party B requests Party A to provide any services not covered in the annex hereto, both parties may determine the sum of the Consulting Service Fee through consultation according to the scope of specific service and the market condition.
- 2.3 Both parties agree to negotiate the scope of specific service, as well as the calculation and payment method of the Consulting Service Fee every three months based on the market situation and their business development. Appropriate adjustments can be made if both parties reach an agreement through consultation.

## **3. Intellectual Property Rights**

- 3.1 Party A shall be entitled to any copyrights in connection with the consulting and training services and IT platform provided by Party B, as well as the intellectual property rights of all research and development products obtained by Party A through research and development due to its performance of this Agreement and/or other agreements jointly signed by both parties, and any rights derived therefrom shall belong to Party A. The rights described above shall include but not limit to patent application right, copyrights or other intellectual property rights of the software, technical files and materials as carrier and the right to license or transfer such intellectual properties, etc.
- 3.2 During the performance of this Agreement, if Party B needs to use Party A's software programs or systems, both parties will separately agree on the scope of the relevant software licenses, their form and license fees by agreement.

## **4. Representations and Warranties**

- 4.1 Party A hereby represents and warrants as follows:
    - 4.1.1 Party A is a consulting service enterprise duly incorporated and validly existing under the PRC laws;
    - 4.1.2 The execution and performance of this Agreement by Party A are within its corporate power and business scope. Party A has adopted all requisite corporate actions and authorization and has obtained all necessary consents and approvals from third parties and government departments, and this Agreement is not in violation of the legal and contractual restrictions binding upon or influencing Party A;
    - 4.1.3 Once executed, this Agreement will constitute its legal, valid and binding obligation and shall be enforceable against Party A in accordance with the provisions hereof.
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4.2 Party B hereby represents and warrants as follows:

- 4.2.1 Party B is an investment intermediary firm duly incorporated and validly existing under the PRC laws and the relevant regulations of the CIRC;
- 4.2.2 The execution and performance of this Agreement by Party B are within its corporate power and business scope. Party B has adopted all requisite corporate actions and authorization and has obtained all necessary consents and approvals from third parties and government departments, and this Agreement is not in violation of the legal and contractual restrictions binding upon or influencing Party B;
- 4.2.3 Once executed, this Agreement will constitute its legal, valid and binding obligation and shall be enforceable against Party B in accordance with the provisions hereof.

## **5. Confidentiality**

- 5.1 Party A and Party B undertake that they will use their best effort to take all reasonable measures to keep confidential any confidential data and information of the other party known to or given access to them due to the provision or acceptance of consulting and service to and from the other party (hereinafter referred to as the "Confidential Information"). No party shall disclose, give or transfer any such Confidential Information to any third party without the prior written consent of the other party. Once this Agreement terminates, the parties shall, at the request of the other party, return to the other party or destroy by themselves all documents, materials or software containing the Confidential Information, and delete any Confidential Information from all related memory devices, and shall not continue to use such Confidential Information.
- 5.2 The parties hereto acknowledge and confirm that any oral or written materials exchanged between them in connection with this Agreement shall be confidential information. Each party shall keep confidential all such information, and shall not disclose any of the information to any third party without the prior written consent of the other party, except for the following: (a) the information that is or will be known to the public (provided that it is not disclosed to the public without authorization by the information receiving party); (b) the information required to be disclosed by applicable laws or stock exchange's rules or regulations; or (c) the information required to be disclosed by either party to its legal or financial advisors with respect to the transaction contemplated under this Agreement, for which such legal or financial advisors shall also comply with the confidentiality obligations similar to those as stated in this Article. Any divulgence of confidential information by any personnel of either party or any institutions engaged by it shall be deemed as the divulgence of confidential information by such party, and such party shall be liable for such breach pursuant to this Agreement.
- 5.3 Both parties agree that this Article 5 shall survive regardless of whether this Agreement is invalid, changed, discharged, terminated or cannot be operated.

## **6. Indemnification**

Party B shall indemnify and hold harmless Party A from and against any loss, damage, liability or expenses resulting from any litigation, claims or other requests made against Party A arising out of or caused by the scope of consulting and service requested by Party B.

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## **7. Effectiveness and Term**

- 7.1 This Agreement shall be signed or sealed and become effective as of the date first above written.
- 7.2 The term of this Agreement shall be one (1) year unless it is early terminated in accordance with the provisions of this Agreement or the relevant agreements separately entered into by both parties.
- 7.3 With the written consent of Party A and Party B, this Agreement may be extended upon its expiration, and the extension thereof shall be determined by the parties through consultation. If both parties fail to reach an agreement on such extension, this Agreement shall be extended for one (1) year automatically upon its expiration (including expiration of any extension), unless Party A gives a written notice not to extend the term of this Agreement prior to the expiration hereof.
- 7.4 If the operation term (including any extension thereof) of either party expires or either party terminates for other reasons within the term set forth in Articles 7.2 and 7.3 hereof, this Agreement shall be terminated at the time of the termination of such party, unless such party has assigned its rights and obligations in accordance with Article 13 hereof.

## **8. Termination**

- 8.1 **Termination upon Expiration.** This Agreement shall be terminated on its expiry date, unless it is extended in accordance with the relevant provisions hereof.
- 8.2 **Early Termination.** During the term of this Agreement, Party B shall not terminate this Agreement prior to its expiry date, unless Party A is involved in any gross negligence, fraud or other illegal acts or goes bankrupt. Notwithstanding the foregoing, Party A shall have the right to terminate this Agreement at any time by giving a prior written notice of thirty (30) days to Party B. If, during the term of this Agreement, Party B breaches this Agreement and fails to cure its breach within fourteen (14) days upon receipt of Party A's written notice regarding such breach, Party A may inform Party B in writing to terminate this Agreement.
- 8.3 **Survival.** The rights and obligations of both parties under Articles 5, 10 and 12 shall survive the termination of this Agreement.

## **9. Governing Law**

The performance, interpretation and enforceability of this Agreement shall be governed by the PRC laws.

## **10. Settlement of Disputes**

Any dispute arising from the interpretation and performance of the provisions of this Agreement shall be settled by both parties through amicable negotiation. In case no settlement can be reached by both parties within thirty (30) days after either party makes a request for dispute resolution through negotiation, either party may refer such dispute to China International Economic and Trade Arbitration Commission for arbitration in accordance with its arbitration rules then in effect. The seat of arbitration shall be Beijing and the language of proceedings shall be Chinese. The arbitral award shall be final and binding upon both parties.

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## **11. Force Majeure**

- 11.1 “Force Majeure” means any event that is beyond the reasonable control of either party and unavoidable or unpreventable after it gives reasonable attention, including but not limited to government act, act of God, fire, explosion, storm, flood, earthquake, tide, lightning or war, but shortage of credit, funds or financing shall not be deemed to be the event beyond the reasonable control of either party. The party seeking the exemption from its liabilities under this Agreement due to the effect of the “Force Majeure” shall inform the other party as soon as possible of such event and the steps that need to be taken to perform its liabilities.
- 11.2 Should the performance of this Agreement be delayed or prevented due to any “Force Majeure” defined above, the party who is affected by the “Force Majeure” shall not be required to assume any liabilities hereunder to the extent that it is within the scope of the delay or prevention. The party so affected shall take appropriate measures to minimize or eliminate the impact of “Force Majeure”, and make endeavors to resume the performance of the obligations delayed or prevented by the “Force Majeure”. Both parties agree to make their best effort to resume the performance of this Agreement once the “Force Majeure” is eliminated.

## **12. Notices**

Any notice or other communications required to be given by either party pursuant to this Agreement shall be written in English or Chinese and delivered to the address(es) of the relevant party or the parties by hand delivery, registered mail or postage prepaid mail, or a recognized courier service or facsimile transmission. Such notice shall be deemed to be actually received: (a) if by hand delivery, on the date of delivery; (b) if by mail, on the tenth (10<sup>th</sup>) day after the date of posting (as indicated on the postmark) of air registered mail (postage prepaid), or if by courier service, on the fourth (4<sup>th</sup>) day after being delivered to an internationally recognized courier service; or (c) if by fax, at the receiving time as indicated in the transmission confirmation of relevant document.

## **13. Assignment of this Agreement**

- 13.1 Party B shall not assign any of its rights or obligations under this Agreement to any third party unless with the prior written consent of Party A.
- 13.2 Party B hereby agrees that Party A may assign any of its rights and obligations under this Agreement to any other third parties when necessary. Party A shall only be required to serve written notice to Party B when such transfer is made, and no consent shall be further required from Party B in respect of such transfer.

## **14. Integrity of this Agreement**

Notwithstanding Article 7.1 hereof, both parties acknowledge that once this Agreement becomes effective, it shall constitute the entire agreement and understanding between both parties with respect to the subject matter hereof and supersede all prior oral and/or written agreements and understandings reached by both parties with respect to the subject matter hereof.

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**15. Severability of this Agreement**

Should any provision of this Agreement be held invalid or unenforceable due to its inconsistency with the relevant laws, such provision shall be deemed to be invalid only to the extent within the scope of the related jurisdiction, and shall not affect the legal effect of the other provisions hereof

**16. Amendment and Supplement to this Agreement**

The parties hereto may make amendments or supplements to this Agreement by written agreement. All amendment agreements and supplemental agreements in relation to this Agreement that are duly signed by both parties shall form an integral part of this Agreement, and shall have the same legal effect as this Agreement.

**17. Counterparts**

This Agreement is executed in two originals, with each party holding one original. All originals shall have the same legal effect.

IN WITNESS WHEREOF, both parties hereto have caused this Agreement to be duly executed by their respective legal representatives or authorized representatives as of the date first above written.

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**Party A:**

(Chop)

Legal Representative/Authorized Representative: \_\_\_\_\_

**Party B:**

(Chop)

Legal Representative/Authorized Representative: \_\_\_\_\_

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Annex: Scope of consulting and service and calculation and payment method of the Consulting Service Fee

(1) Scope of consulting and service, and calculation of the Consulting Service Fee

Scope of Service	Basis for Pricing	Calculation Standard
Internal control and compliance consulting fee	To be charged at a ratio of the total operating revenue to the total revenue	20%
Training fee	To be charged at a ratio of the total operating revenue to the total revenue	10%

(2) Payment method

1. Party A shall prepare, on a quarterly basis, a settlement list based on the scope of service provided to Party B and deliver it to Party B in written form. Party B shall verify and confirm the service according to the settlement list of Party A.
2. Party B shall pay the Consulting Service Fee to the account designated by Party A within the payment term indicated by Party A in the settlement list.
3. For any other services requested by Party B, the service fees shall be determined by Party A and Party B through consultation.

**FORM OF CONSULTING AND SERVICE AGREEMENT**

THIS CONSULTING AND SERVICE AGREEMENT (hereinafter referred to as “this Agreement”) is entered into in on \_\_\_\_\_ by and between the following two parties:

**Party A: Fanhua Zhongnlian Enterprise Image Planning (Shenzhen) Co., Ltd.**

Address: Room E1, E4 and E6, 22/F, Tower Building, Times Fortune Building, Fuhua 3<sup>rd</sup> Road, Futian District, Shenzhen

**Party B:** \_\_\_\_\_

Address: \_\_\_\_\_

**WHEREAS:**

- (1) Party A is an enterprise duly incorporated under the laws of the People’s Republic of China (hereinafter referred to as the “PRC”) with expertise in the technological development of computer hardware and technological consulting service, and has a team of professionals in areas such as insurance technology, finance, taxation and management, and has extensive experience in the organization and management of enterprises, as well as their operation and planning. It is also engaged in the corporate image design and planning, design of industrial products and economic information consulting. In addition, it owns the right to use the “Fanhua” brand.
- (2) Party B is an insurance intermediary firm duly incorporated under the PRC laws and the relevant regulations of the China Insurance Regulatory Commission (hereinafter referred to as “CIRC”), which is engaged in the provision of insurance intermediary services.
- (3) Based on their respective industry advantages and needs, Party A and Party B agree to sign a written agreement to define their respective rights and obligations with respect to the grant by Party A to Party B of the right to use Party A’s brand, and the provision of the relevant services such as consulting service and training on finance and taxation to Party B.

**NOW THEREFORE**, both parties hereto unanimously agree as follows through consultation:

**1. Consulting and Service**

- 1.1 During the term of this Agreement, Party A agrees to, as the brand and consulting service provider of Party B, provide the related brand and consulting service to Party B (the details of which are set forth in the annex attached hereto) subject to the terms and conditions hereof. If Party B makes a request and such request is approved by Party A, Party A may provide Party B with any other consulting and services beyond the scope set out in the annex hereto.
  - 1.2 Party B agrees to use “Fanhua” brand and accept the consulting and service provided by Party A, and Party B further agrees that, during the term of this Agreement, it will not use brands of any third parties, nor accept any consulting and service in relation to the aforesaid business provided by any third party without the prior written consent of Party A.
-

**2. Calculation and Payment of Brand License Fee, and Consulting and Service Fee (hereinafter referred to as the “Consulting Service Fee”)**

- 2.1 Both parties agree that the brand license fee and the Consulting Service Fee under this Agreement shall be calculated and paid in the manner set forth in the annex.
- 2.2 Both parties agree that if Party B requests Party A to provide any services not covered in the annex hereto, both parties may determine the sum of the Consulting Service Fee through consultation according to the scope of specific service and the market condition.
- 2.3 Both parties agree to negotiate the scope of specific service, as well as the calculation and payment method of the Consulting Service Fee every three months based on the market situation and their business development. Appropriate adjustments can be made if both parties reach an agreement through consultation.

**3. Intellectual Property Rights**

- 3.1 All trademark rights of Party A and the copyrights of its technology information, as well as the intellectual property rights of all research and development products obtained by Party A through research and development due to its performance of this Agreement and/or other agreements jointly signed by both parties, and any rights derived therefrom shall belong to Party A. The rights described above shall include but not limit to patent application right, copyrights or other intellectual property rights of the software, technical files and materials as carrier and the right to license or transfer such intellectual properties, etc.
- 3.2 During the performance of this Agreement, if Party B needs to use Party A's software programs or systems, both parties will separately agree on the scope of the relevant software licenses, their form and license fees by agreement.

**4. Representations and Warranties**

- 4.1 Party A hereby represents and warrants as follows:
    - 4.1.1 Party A is a consulting service enterprise duly incorporated and validly existing under the PRC laws;
    - 4.1.2 The execution and performance of this Agreement by Party A are within its corporate power and business scope. Party A has adopted all requisite corporate actions and authorization and has obtained all necessary consents and approvals from third parties and government departments, and this Agreement is not in violation of the legal and contractual restrictions binding upon or influencing Party A;
    - 4.1.3 Once executed, this Agreement will constitute its legal, valid and binding obligation and shall be enforceable against Party A in accordance with the provisions hereof.
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4.2 Party B hereby represents and warrants as follows:

- 4.2.1 Party B is an investment intermediary firm duly incorporated and validly existing under the PRC laws and the relevant regulations of the CIRC;
- 4.2.2 The execution and performance of this Agreement by Party B are within its corporate power and business scope. Party B has adopted all requisite corporate actions and authorization and has obtained all necessary consents and approvals from third parties and government departments, and this Agreement is not in violation of the legal and contractual restrictions binding upon or influencing Party B;
- 4.2.3 Once executed, this Agreement will constitute its legal, valid and binding obligation and shall be enforceable against Party B in accordance with the provisions hereof.

## **5. Confidentiality**

- 5.1 Party A and Party B undertake that they will use their best effort to take all reasonable measures to keep confidential any confidential data and information of the other party known to or given access to them due to the provision or acceptance of consulting and service to and from the other party (hereinafter referred to as the "Confidential Information"). No party shall disclose, give or transfer any such Confidential Information to any third party without the prior written consent of the other party. Once this Agreement terminates, the parties shall, at the request of the other party, return to the other party or destroy by themselves all documents, materials or software containing the Confidential Information, and delete any Confidential Information from all related memory devices, and shall not continue to use such Confidential Information.
  - 5.2 The parties hereto acknowledge and confirm that any oral or written materials exchanged between them in connection with this Agreement shall be confidential information. Each party shall keep confidential all such information, and shall not disclose any of the information to any third party without prior the written consent of the other party, except for the following: (a) the information that is or will be known to the public (provided that it is not disclosed to the public without authorization by the information receiving party); (b) the information required to be disclosed by applicable laws or stock exchange's rules or regulations; or (c) the information required to be disclosed by either party to its legal or financial advisors with respect to the transaction contemplated under this Agreement, for which such legal or financial advisors shall also comply with the confidentiality obligations similar to those as stated in this Article. Any divulgence of confidential information by any personnel of either party or any institutions engaged by it shall be deemed as the divulgence of confidential information by such party, and such party shall be liable for such breach pursuant to this Agreement.
  - 5.3 Both parties agree that this Article 5 shall survive regardless of whether this Agreement is invalid, changed, discharged, terminated or cannot be operated.
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## 6. Indemnification

Party B shall indemnify and hold harmless Party A from and against any loss, damage, liability or expenses resulting from any litigation, claims or other requests made against Party A arising out of or caused by the scope of consulting and service requested by Party B.

## 7. Effectiveness and Term

- 7.1 This Agreement shall be signed or sealed and become effective as of the date first above written.
- 7.2 The term of this Agreement shall be one (1) year unless it is early terminated in accordance with the provisions of this Agreement or the relevant agreements separately entered into by both parties.
- 7.3 With the written consent of Party A and Party B, this Agreement may be extended upon its expiration, and the extension thereof shall be determined by both parties through consultation. If both parties fail to reach an agreement on such extension, this Agreement shall be extended for one (1) year automatically upon its expiration (including expiration of any extension), unless Party A gives a written notice not to extend the term of this Agreement prior to the expiration hereof.
- 7.4 If the operation term (including any extension thereof) of either party expires or either party terminates for other reasons within the term set forth in Articles 7.2 and 7.3 hereof, this Agreement shall be terminated at the time of the termination of such party, unless such party has assigned its rights and obligations in accordance with Article 13 hereof.

## 8. Termination

- 8.1 **Termination upon Expiration.** This Agreement shall be terminated on its expiry date, unless it is extended in accordance with the relevant provisions hereof.
- 8.2 **Early Termination.** During the term of this Agreement, Party B shall not terminate this Agreement prior to its expiry date, unless Party A is involved in any gross negligence, fraud or other illegal acts or goes bankrupt. Notwithstanding the foregoing, Party A shall have the right to terminate this Agreement at any time by giving a prior written notice of thirty (30) days to Party B. If, during the term of this Agreement, Party B breaches this Agreement and fails to cure its breach within fourteen (14) days upon receipt of Party A's written notice regarding such breach, Party A may inform Party B in writing to terminate this Agreement.
- 8.3 **Survival.** The rights and obligations of both parties under Articles 5, 10 and 12 shall survive the termination of this Agreement.

## 9. Governing Law

The performance, interpretation and enforceability of this Agreement shall be governed by the PRC laws.

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## **10. Settlement of Disputes**

Any dispute arising from the interpretation and performance of the provisions of this Agreement shall be settled by both parties through amicable negotiation. In case no settlement can be reached by both parties within thirty (30) days after either party makes a request for dispute resolution through negotiation, either party may refer such dispute to China International Economic and Trade Arbitration Commission for arbitration in accordance with its arbitration rules then in effect. The seat of arbitration shall be Beijing and the language of proceedings shall be Chinese. The arbitral award shall be final and binding upon both parties.

## **11. Force Majeure**

11.1 "Force Majeure" means any event that is beyond the reasonable control of either party and unavoidable or unpreventable after it gives reasonable attention, including but not limited to government act, act of God, fire, explosion, storm, flood, earthquake, tide, lightning or war, but shortage of credit, funds or financing shall not be deemed to be the event beyond the reasonable control of either party. The party seeking the exemption from its liabilities under this Agreement due to the effect of "Force Majeure" shall inform the other party as soon as possible of such event and the steps that need to be taken to perform its liabilities.

11.2 Should the performance of this Agreement be delayed or prevented due to any "Force Majeure" defined above, the party who is affected by the "Force Majeure" shall not be required to assume any liabilities hereunder to the extent that it is within the scope of the delay or prevention. The party so affected shall take appropriate measures to minimize or eliminate the impact of "Force Majeure", and make endeavors to resume the performance of the obligations delayed or prevented by the "Force Majeure". Both parties agree to make their best effort to resume the performance of this Agreement once the "Force Majeure" is eliminated.

## **12. Notices**

Any notice or other communications required to be given by either party pursuant to this Agreement shall be written in English or Chinese and delivered to the address(es) of the relevant party or the parties by hand delivery, registered mail or postage prepaid mail, or a recognized courier service or facsimile transmission. Such notice shall be deemed to be actually received: (a) if by hand delivery, on the date of delivery; (b) if by mail, on the tenth (10<sup>th</sup>) day after the date of posting (as indicated on the postmark) of air registered mail (postage prepaid), or if by courier service, on the fourth (4<sup>th</sup>) day after being delivered to an internationally recognized courier service; or (c) if by fax, at the receiving time as indicated in the transmission confirmation of relevant document.

## **13. Assignment of this Agreement**

13.1 Party B shall not assign any of its rights or obligations under this Agreement to any third party unless with the prior written consent of Party A.

13.2 Party B hereby agrees that Party A may assign any of its rights and obligations under this Agreement to any other third parties when necessary. Party A shall only be required to serve written notice to Party B when such transfer is made, and no consent shall be further required from Party B in respect of such transfer.

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**14. Integrity of this Agreement**

Notwithstanding Article 7.1 hereof, both parties acknowledge that once this Agreement becomes effective, it shall constitute the entire agreement and understanding between both parties with respect to the subject matter hereof and supersede all prior oral and/or written agreements and understandings reached by both parties with respect to the subject matter hereof.

**15. Severability of this Agreement**

Should any provision of this Agreement be held invalid or unenforceable due to its inconsistency with the relevant laws, such provision shall be deemed to be invalid only to the extent within the scope of the related jurisdiction, and shall not affect the legal effect of the other provisions hereof.

**16. Amendment and Supplement to this Agreement**

The parties hereto may make amendments or supplements to this Agreement by written agreement. All amendment agreements and supplemental agreements in relation to this Agreement that are duly signed by both parties shall form an integral part of this Agreement, and shall have the same legal effect as this Agreement.

**17. Counterparts**

This Agreement is executed in two originals, with each party holding one original. All originals shall have the same legal effect.

IN WITNESS WHEREOF, both parties hereto have caused this Agreement to be duly executed by their respective legal representatives or authorized representatives as of the date first above written.

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[The remainder of this page is intentionally left blank]

**Party A:**

(Chop)

Legal Representative/Authorized Representative: \_\_\_\_\_

**Party B:**

(Chop)

Legal Representative/Authorized Representative: \_\_\_\_\_

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**Annex: Brand license fee, scope of consulting and service, and calculation and payment method of the Consulting Service Fee**

(1) Scope of consulting and service, and calculation of the Consulting Service Fee

Scope of Service	Basis for Pricing	Calculation Standard
Brand license fee	To be charged at a ratio of the total operating revenue to the total revenue	10%
Consulting fee in relation to finance/taxation	To be charged at a ratio of the total operating revenue to the total revenue	20%

(2) Payment method

1. Party A shall prepare, on a quarterly basis, a settlement list based on the scope of service provided to Party B and deliver it to Party B in written form. Party B shall verify and confirm the service according to settlement list of Party A.
2. Party B shall pay the related Fees to the account designated by Party A within the payment term indicated by Party A in the settlement list.
3. For any other services requested by Party B, the service fees shall be determined by Party A and Party B through consultation.

**FORM OF IT PLATFORM SERVICE AGREEMENT**

Party A: \_\_\_\_\_ (hereinafter referred to as "Party A")

Party B: Litian Zhuoyue Software (Beijing) Co., Ltd. (hereinafter referred to as "Party B")

Pursuant to the requirements of the *Contract Law of the People's Republic of China* and other relevant laws and regulations, and based on the principles of equality and mutual benefit, Party A and Party B hereby enter into this Agreement in respect of the service of system platform and jointly observe the following terms:

**1. Service items**

During the term of the system platform service, Party A shall be entitled to the following services:

- (1) Service for the provision of spaces: Party B shall provide spaces for system operation and data storage to Party A's system platform so as to ensure the smooth operation of Party A's system within reasonable space;
- (2) Data maintenance service: It shall include the daily maintenance and backup of data, as well as the specific data maintenance service provided by Party B's specialists with expertise in technologies in connection with any data errors caused by Party A due to whatever reasons during its use of the system platform.
- (3) Service in relation to the system safety and efficiency: Party B shall provide operation and maintenance services for the operating system, high availability cluster multi-processing (HACMP), database, middleware and backup software on which the platform system of the customer runs in order to improve the safety, stability, efficiency and rationality of the system platform of Party A;
- (4) On-site support service: Party A may enjoy on-site support service provided by the technical advisors of Party B;
- (5) Software maintenance of the system platform: It shall include maintenance services, such as optimizing some functions of the system, adding minor functions and making minor adjustments to the operation and operating process etc.

**2. Term of service**

The term for the operation service provided by Party B to Party A shall commence from January 2011 and end in December 2011. After the expiration of the term of service, Party A shall execute a separate IT platform service agreement if it still requires such service.

**3. Service fees**

The system platform service fees shall be charged at 15% of the monthly operating revenue of Party A.

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#### **4. Settlement of service fees**

Party B shall confirm the service fees with Party A at the end of each month in accordance with the charge rate set forth herein, and Party A shall provide the *Service Fees Confirmation*, which shall then be signed by both parties for confirmation.

#### **5. Payment method**

Party A shall pay the system platform service fees to Party B once at the end of each quarter.

#### **6. Liabilities of Party A**

1. Party A shall ensure the use and management of the system platform. It shall also ensure the safety of the permitted operation environment (including computers, printers and other related hardware equipments), which will provide a safeguard for the normal operation of the system platform;
2. Party A shall regularly back up any data in the system and keep them properly;
3. When Party B provides the system platform service, Party A shall designate its employees to cooperate with Party B and provide necessary equipment according to the requirements of Party B;
4. When Party B completes the system platform service, Party A shall cooperate with Party B to check if the operation of the system is normal.

#### **7. Liabilities of Party B**

Party B shall provide the service for the system platform to Party A in accordance this Agreement.

#### **8. Amendment, termination and discharge of this Agreement**

1. After this Agreement comes into effect, neither party shall at its own discretion amend, terminate and discharge this Agreement without a unanimous agreement between the parties through consultation.
2. This Agreement may be amended or discharged after a unanimous agreement is made by the parties through consultation, and a supplemental agreement shall be signed in respect thereof.

#### **9. Liabilities for breach**

1. After this Agreement comes into effect, Party A and Party B shall fully perform their respective obligations hereunder. Any party who breaches this Agreement shall indemnify the other party against all losses resulting from such breach.
  2. If Party A fails to pay the contractual sum of this Agreement as scheduled, Party B shall be entitled to request Party A to make such payment at once.
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#### 10. Miscellaneous

1. Any disputes between Party A and Party B in connection with this Agreement shall be settled by both parties hereto through consultation, and if no settlement can be reached through consultation, any party may bring a legal action in the court at the place where the defendant is domiciled and the disputes shall be judged pursuant to the laws of the PRC.
2. This Agreement shall become effective once it is signed or sealed by the legal representative or authorized representative of the parties.
3. This Agreement is executed in two originals, with each of Party A and Party B holding one original.

Party A: \_\_\_\_\_

Party B: Litian Zhuoyue Software (Beijing)  
Co., Ltd.

Representative: \_\_\_\_\_

Representative: \_\_\_\_\_

Date: \_\_\_\_ (mm) \_\_\_\_ (dd) \_\_\_\_ (yy)

Date: \_\_\_\_ (mm) \_\_\_\_ (dd) \_\_\_\_ (yy)

**EXHIBIT 8.1**

**List of Subsidiaries and Consolidated Affiliated Entities**  
**(As of April 8, 2011)**

<b>Subsidiaries</b>	<b>Percentage attributable to our company</b>	<b>Place of incorporation</b>
1. CISG Holdings Ltd.	100%	BVI
2. CNinsure Holdings Ltd.	100%	BVI
3. Intense Rise Limited	100%	Hong Kong
4. Fanhua Zhonglian Enterprise Image Planning (Shenzhen) Co., Ltd. (formerly known as Haidileji Enterprise Image Planning (Shenzhen) Co., Ltd.).	100%	PRC
5. Fanhua Xinlian Information Technology Consulting (Shenzhen) Co., Ltd. (formerly known as Yiqiman Enterprise Management Consulting (Shenzhen) Co., Ltd.)	100%	PRC
6. Shenzhen Fanhua Nanfeng Investment Holding Co., Ltd. (formerly known as Shenzhen Fanhua Nanfeng Enterprise Management Consulting Co., Ltd.)	100%	PRC
7. Guangzhou Zhongqi Enterprise Management Consulting Co., Ltd.	100%	PRC
8. Beijing Ruisike Management Consulting Co., Ltd.	100%	PRC
9. Beijing Fanlian Investment Co., Ltd.	100%	PRC
10. Litian Zhuoyue Software (Beijing) Co., Ltd.	100%	PRC
11. Sincere Fame International Limited	18.16%	BVI
12. Fanhua Puyi Investment Management Co., Ltd.	19.48%	PRC
13. InsCom Holdings Limited	65.1%	BVI
14. InsCom Group Limited <sup>(1)</sup>	65.1%	BVI
15. InsCom HK Limited <sup>(1)</sup>	65.1%	Hong Kong
16. Ying Si Kang Information Technology (Shenzhen) Co., Ltd. <sup>(1)</sup>	65.1%	PRC
17. Shenzhen Bangbang Auto Services Co., Ltd.	100%	PRC

<b>Consolidated Affiliated Entities</b>	<b>Percentage attributable to Yihe Investment, Meidiya Investment and/or Xinbao Investment</b>	<b>Place of incorporation</b>
1. Guangdong Meidiya Investment Co., Ltd.	—	PRC
2. Sichuan Yihe Investment Co., Ltd.	—	PRC
3. Shenzhen Xinbao Investment Management Co., Ltd.	—	PRC
4. Shenzhen InsCom E-commerce Co., Ltd.(2)	100%	PRC
5. Fujian Fanhua Investment Co., Ltd.	100%	PRC
6. Shijiazhuang Fanhua Anxin Investment Co., Ltd.	55%	PRC
7. Guangdong Fanhua Fangzhong Investment Management Co. Ltd. (formerly known as Guangdong Fangzhong Insurance Surveyors & Loss Adjustors Co., Ltd.)	51%	PRC
8. Shenzhen Fanhua Software Co., Ltd. (3)	51%	PRC
<b>Claims Adjusting Firms</b>		
9. Fanhua Insurance Surveyors & Loss Adjustors Co., Ltd. (formerly known as Shenzhen Khubon Insurance Surveyors & Loss Adjustors Co., Ltd.) (4)	51%	PRC
10. Shanghai Fanhua Teamhead Insurance Loss & Adjustors Co., Ltd. (formerly known as Shanghai Teamhead Insurance Loss & Adjustors Co., Ltd.) (3)	51%	PRC
11. Shenzhen Fanhua Property and Casualty Insurance Surveyors & Loss Adjustors Co., Ltd. (formerly known as Shenzhen Hongzhengda Insurance Surveyors & Loss Adjustors Co., Ltd.) (3)	51%	PRC
<b>Life Insurance Agencies</b>		
12. Fujian Fanhua Xinheng Insurance Agency Co., Ltd. (formerly known as Fujian Xinheng Insurance Agency Co., Ltd.)	100%	PRC
13. Fuzhou Fanhua Lianxin Insurance Agency Co., Ltd. (5)	51%	PRC
14. Nanping Fanhua Jinying Insurance Agency Co., Ltd.(5)	51%	PRC
15. Sichuan Fanhua Xintai Insurance Agency Co., Ltd. (formerly known as Sichuan Xintai Insurance Agency Co., Ltd.)	70%	PRC
16. Chengdu Fanhua Dezhong Insurance Agency Co., Ltd. (formerly known as Suining Fanhua Insurance Agency Co., Ltd.) (6)	39%	PRC

<b>Consolidated Affiliated Entities</b>	<b>Percentage attributable to Yihe Investment, Meidiya Investment and/or Xinbao Investment</b>	<b>Place of incorporation</b>
17. Hebei Fanhua Anxin Insurance Agency Co., Ltd. (formerly known as Hebei Anxin Insurance Agency Co., Ltd.) (7)	55%	PRC
18. Hunan Fanhua Insurance Agency Co., Ltd.	55%	PRC
19. Jiangsu Fanhua Lianchuang Insurance Agency Co., Ltd.	70%	PRC
20. Shandong Fanhua Xintai Insurance Agency Co., Ltd.	63%	PRC
21. Jinan Fanhua Rongtai Insurance Agency Co., Ltd. (formerly known as Jinan Fanrong Insurance Agency Co., Ltd.) (8)	35%	PRC
22. Liaoning Fanhua Gena Insurance Agency Co., Ltd.	60%	PRC
23. Zhejiang Fanhua Tongchuang Insurance Agency Co., Ltd.	60%	PRC
24. Hubei Fanhua East Century Insurance Agency Co., Ltd. (formerly known as Hubei East Century Insurance Agency Co., Ltd.)	60%	PRC
25. Shanghai Fanhua Guosheng Insurance Agency Co., Ltd.	55%	PRC
26. Jiangxi Fanhua Insurance Agency Co., Ltd.	70%	PRC
27. Fanhua Lianxing Insurance Sales Co., Ltd.	100%	PRC
28. Shenyang Fanhua Rongcheng Insurance Agency Co., Ltd. (9)	33%	PRC
29. Huaihua Jixiang Insurance Agency Co., Ltd. (10)	30%	PRC
<b>P&amp;C Insurance Agencies and Brokerage Firms</b>		
30. Beijing Fanhua Insurance Agency Co., Ltd.	100%	PRC
31. Beijing Fanlian Insurance Agency Co., Ltd.	100%	PRC
32. Beijing Fanhua Fumin Insurance Agency Co., Ltd. (formerly known as Beijing Fumin Insurance Agency Co., Ltd.)	100%	PRC
33. Guangdong Fanhua Nanfeng Insurance Agency Co., Ltd. (formerly known as Guangdong Nanfeng Insurance Agency Co., Ltd.)	100%	PRC
34. Guangdong Fanhua Kafusi Insurance Brokerage Co., Ltd. (formerly Known as Guangdong Kafusi Insurance Brokerage Co., Ltd.)	100%	PRC
35. Guangzhou Desheng Insurance Brokerage Co., Ltd.	51%	PRC

<b>Consolidated Affiliated Entities</b>	<b>Percentage attributable to Yihe Investment, Meidiya Investment and/or Xinbao Investment</b>	<b>Place of incorporation</b>
36. Guangzhou Fanhua Insurance Agency Co., Ltd. (formerly known as Guangzhou Xiangxing Insurance Agency Co., Ltd.)	100%	PRC
37. Guangzhou Fanhua Yian Insurance Agency Co., Ltd. (formerly known as Guangzhou Yian Insurance Agency Co., Ltd.)	100%	PRC
38. Shenzhen Fanhua Nanfeng Insurance Agency Co., Ltd. (formerly known as Shenzhen Nanfeng Insurance Agency Co., Ltd.)(11)	100%	PRC
39. Dongguan Nanfeng Jiayu Insurance Agency Co., Ltd.	100%	PRC
40. Foshan Tuohua Insurance Agency Co., Ltd.	100%	PRC
41. Jiangmen Fanhua Zhicheng Insurance Agency Co., Ltd.	70%	PRC
42. Sichuan Fanhua Insurance Agency Co., Ltd.	100%	PRC
43. Fanhua Bocheng Insurance Brokerage Co., Ltd (formerly known as Sichuan Fanhua Bocheng Insurance Brokerage Co., Ltd.)	100%	PRC
44. Hebei Lianda Insurance Agency Co., Ltd. (12)	39%	PRC
45. Hebei Fanlian Insurance Agency Co., Ltd.	51%	PRC
46. Shandong Fanhua Mintai Insurance Agency Co., Ltd.	51%	PRC
47. Shenyang Fangda Insurance Agency Co., Ltd.	51%	PRC
48. Fujian Fanhua Guoxin Insurance Agency Co., Ltd. (formerly known as Fuzhou Guoxin Insurance Agency Co., Ltd.)(13)	70%	PRC
49. Henan Fanhua Anlian Insurance Agency Co., Ltd. (formerly known as Zhengzhou Fanhua Anlian Insurance Agency Co., Ltd.)(14)	51%	PRC
50. Changsha Lianyi Insurance Agency Co., Ltd.(13)	70%	PRC
51. Hangzhou Fanhua Zhixin Insurance Agency Co., Ltd.(14)	51%	PRC
52. Ningbo Baolian Insurance Agency Co., Ltd. (14)	51%	PRC
53. Tianjin Fanhua Xianghe Insurance Agency Co., Ltd. (13)	70%	PRC

- 
- (1) 100% of the equity interests in each of these companies are held directly by InsCom Holdings Limited
  - (2) 100% of the equity interests in this company are held directly by Shenzhen Xinbao Investment Management Co., Ltd.
  - (3) 100% of the equity interests in each of these companies are held directly by Fanhua Insurance Surveyors & Loss Adjustors Co., Ltd. (formerly known as Shenzhen Khubon Insurance Surveyors & Loss Adjustors Co., Ltd.), which is 100% owned by Guangdong Fanhua Fangzhong Investment Management Co. Ltd.
  - (4) 100% of the equity interests in this company are held by Guangdong Fanhua Fangzhong Investment Management Co. Ltd., which is 51% owned by Guangdong Meidiya Investment Co., Ltd.
  - (5) 51% of the equity interests in each of these companies are held directly by Fujian Fanhua Investment Co., Ltd.
  - (6) 55% of the equity interests in this company are held directly by Sichuan Fanhua Xintai Insurance Agency Co., Ltd.
  - (7) 100% of the equity interests in this company are held directly by Shijiazhuang Fanhua Anxin Investment Co., Ltd.
  - (8) 55% of the equity interests in this company are directly by Shandong Fanhua Xintai Insurance Agency Co., Ltd.
  - (9) 55% of the equity interests in this company are held directly by Liaoning Fanhua Gena Insurance Agency Co., Ltd.
  - (10) 55% of the equity interests in this company are held directly by Hunan Fanhua Insurance Agency Co., Ltd.
  - (11) 100% of the equity interests in this company are held directly by Guangdong Fanhua Nanfeng Insurance Agency Co., Ltd.
  - (12) 70% of the equity interests in this company are directly held by Shijiazhuang Fanhua Anxin Investment Co., Ltd.
  - (13) 70% of the equity interests in each of these companies are held directly by Shenzhen Xinbao Investment Management Co., Ltd.
  - (14) 51% of the equity interests in each of these companies are held directly by Shenzhen Xinbao Investment Management Co., Ltd.

**Certification by the Chief Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Yinan Hu, certify that:

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

Date: May 4, 2011

By: /s/ Yinan Hu  
Name: Yinan Hu  
Title: Chief Executive Officer

**Certification by the Chief Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Peng Ge, certify that:

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

Date: May 4, 2011

By: /s/ Peng Ge

Name: Peng Ge

Title: Chief Financial Officer

**Certification by the Chief Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of CNinsure Inc. (the "Company") on Form 20-F for the year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yinan Hu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Date: May 4, 2011

By: /s/ Yinan Hu

Name: Yinan Hu

Title: Chief Executive Officer

**Certification by the Chief Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of CNinsure Inc. (the "Company") on Form 20-F for the year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peng Ge, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Date: May 4, 2011

By: /s/ Peng Ge

Name: Peng Ge

Title: Chief Financial Officer

**[Letterhead of Maples and Calder]**

**Our ref** VZL\628018\4489002v1  
**Direct tel** +852 2971 3095  
**Email** valerie.law@maplesandcalder.com

CNinsure Inc.  
22/F, Yin Hai Building  
No. 299 Yanjiang Zhong Road  
Guangzhou, Guangdong 510110  
People's Republic of China

4 May 2011

Dear Sirs

**Re: CNinsure Inc. (the “Company”)**

We consent to the reference to our firm under the headings “Cayman Islands Taxation” and “Corporate Governance” in the Company’s Annual Report on Form 20-F for the year ended December 31, 2010, which will be filed with the Securities and Exchange Commission in the month of May 2011.

Yours faithfully

/s/ Maples and Calder  
Maples and Calder

# 通商律師事務所

## Commerce & Finance Law Offices

6F NCI Tower, A12 Jianguomenwai Avenue,  
Chaoyang District, Beijing, PRC; Postcode: 100022  
Tel: (8610) 65693399 Fax: (8610) 65693838, 65693836, 65693837, 65693839

E-mail Add: [beijing@tongshang.com](mailto:beijing@tongshang.com) Website: [www.tongshang.com.cn](http://www.tongshang.com.cn)

May 4, 2011

To: CNinsure Inc.

22/F, Yinhai Building  
No. 299 Yanjiang Zhong Road  
Guangzhou, Guangdong 510110  
People's Republic of China

Dear Sirs,

We hereby consent to the reference to our firm under the headings "Risk Factors", "Regulation" and "Organizational Structure" in CNinsure Inc.'s Annual Report on Form 20-F for the year ended December 31, 2010, which will be filed with the Securities and Exchange Commission in May 2011.

Yours faithfully,

/s/ Commerce & Finance Law Offices

Commerce & Finance Law Offices

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements No. 333-156486 and No. 333-151271 on Form S-8 and in Registration Statements No. 333-162895 and No. 333-168009 on Form F-3 of our reports dated May 4, 2011, relating to the consolidated financial statements and financial statement schedule of CNinsure Inc., its subsidiaries and variable interest entities (collectively the “Group”) (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the translation of Renminbi amounts into U.S. dollar amounts for the convenience of the readers) and the effectiveness of the Group’s internal control over financial reporting, appearing in the Annual Report on Form 20-F of the Group for the year ended December 31, 2010.

/s/ Deloitte Touche Tohmatsu

**Deloitte Touche Tohmatsu**

Hong Kong

May 4, 2011