



August 23, 2010

## **CNinsure Reports Second Quarter and First Half 2010 Unaudited Financial Results**

**–Quarterly Earnings Exceed Prior Guidance– –Quarterly Basic and Diluted EPS up 40.2% and 35.9% Year-over-Year, Respectively – – 38% Year-over-Year Growth for Earnings Expected for Third Quarter 2010 –**

GUANGZHOU, August 23, 2010/ PRNewswire-Asia-FirstCall/-- CNinsure Inc., (Nasdaq: CISG), (the "Company" or "CNinsure"), a leading independent insurance intermediary company operating in China, today announced its unaudited financial results for the second quarter and first half 2010 ended June 30, 2010.

### **Financial Highlights:**

#### **Highlights for Second Quarter 2010**

–Total net revenues: RMB365.8 million (US\$53.9 million), representing an increase of 28.1% from the corresponding period of 2009.

–Income from operations: RMB107.2 million (US\$15.8 million), representing an increase of 30.1% from the corresponding period of 2009.

–Net income attributable to the Company's shareholders: RMB118.6 million (US\$17.5 million), representing an increase of 40.2% from the corresponding period of 2009, which exceeded the previous guidance of approximately 35% year-over-year growth.

–Basic and diluted net income per American Depositary Share ("ADS"): RMB2.600 (US\$0.383) and RMB2.494 (US\$0.368), respectively, representing an increase of 40.2% and 35.9%, respectively, from the corresponding period of 2009.

#### **Highlights for First Half 2010**

–Total net revenues: RMB647.8 million (US\$95.5 million), representing an increase of 29.2% from the corresponding period of 2009.

–Income from operations: RMB179.9 million (US\$26.5 million), representing an increase of 40.2% from the corresponding period of 2009.

–Net income attributable to the Company's shareholders: RMB186.0 million (US\$27.4 million), representing an increase of 42.9% from the corresponding period of 2009.

–Basic and diluted net income per ADS: RMB4.076 (US\$0.601) and RMB3.928 (US\$0.579), respectively, representing an increase of 42.9% and 38.6%, respectively, from the corresponding period of 2009.

"CNinsure reported another solid quarter and once again beat our previous guidance, with total net revenues and net income attributable to CNinsure's shareholders growing 28.1% and 40.2% year-over-year, respectively," commenting on the financial results, Mr. Yinan Hu, chairman and chief executive officer of CNinsure, stated. "We are thrilled to see that the strong growth momentum in our life insurance business continued into the second quarter, with life insurance growing over 138% year-over-year and accounting for 36.1% of our total net revenues, driven by the increases in first year commission rate, accumulation of renewal commissions and performance bonus. Meanwhile, the profitability and bargaining power of our P&C business was greatly enhanced by our initiatives to promote bundled sales, establish strategic partnership and co-develop customized products with more insurers and strengthen our insurance brokerage business to refine the mix of our P&C business which we believe will help improve our earnings stability in the long run."

Mr. Hu continued, "While continuing to grow our existing three businesses, we are gearing up to build groundwork for long-term growth by adding new profit centers. As of date, we have extended our service offerings to consumer credit brokerage business, established an insurance brokerage business unit to facilitate our expansion from retail to corporate insurance brokerage business, and recently acquired an e-commerce insurance service company in an effort to build a tri-dimensional distribution channel by combining the e-commerce platform with our existing nationwide distribution and service network. To fund the establishment of the new profit centers, CNinsure completed a follow-on public offering in July. Although the offering may lead to a dilution to our EPS in the short term, the management expects the Company will still be able to achieve the target of over 30% EPS growth for 2010."

"In the past decade, CNinsure has kept a successful track record of expanding into new areas and diversifying product offerings to fuel the Company's growth. We believe that the vision and strong execution of the management will make our aforementioned new initiatives another success. CNinsure, with its early-mover advantage, will continue to lead the insurance intermediary market in the years to come," Mr. Hu concluded.

### **Financial Results for the Second Quarter Ended June 30, 2010**

Total net revenues for the second quarter ended June 30, 2010 were RMB365.8 million (US\$53.9 million), representing an increase of 28.1% from RMB285.7 million for the corresponding period of 2009. The increase was primarily driven by the significant growth of the life insurance business as a result of the growth in sales volume, the increase in commission rate for new life insurance policies and the growth in renewal commissions.

Total operating costs and expenses were RMB258.6 million (US\$38.1 million) for the second quarter of 2010, representing an increase of 27.2% from RMB203.3 million for the corresponding period of 2009.

Commissions and fees expenses were RMB174.8 million (US\$25.8 million) for the second quarter of 2010, representing an increase of 23.7% from RMB141.4 million for the corresponding period of 2009. The increase was primarily due to sales growth and largely tracked the increase in net revenues from commissions and fees.

Selling expenses were RMB18.2 million (US\$2.7 million) for the second quarter of 2010, representing an increase of 57.1% from RMB11.6 million for the corresponding period of 2009, primarily due to sales growth and an increase in expenses incurred in connection with the establishment of new outlets.

General and administrative expenses were RMB65.5 million (US\$9.7 million) for the second quarter of 2010, representing an increase of 30.3% from RMB50.3 million for the corresponding period of 2009. The increase was primarily due to increases in the following non-cash items:

- (1) an increase of 84.9% in depreciation of fixed assets from RMB3.4 million for the second quarter of 2009 to RMB6.3 million (US\$0.9 million) for the second quarter of 2010, largely as a result of the operation of the upgraded IT system in more affiliated entities in the second quarter of 2010;
- (2) an increase of 88.1% in amortization of intangible assets from RMB2.8 million for the second quarter of 2009 to RMB5.3 million (US\$0.8 million) for the second quarter of 2010, largely as a result of the acquisitions that we made in 2010; and
- (3) an increase of 77.8% in share-based compensation expenses from RMB3.3 million for the second quarter of 2009 to RMB5.8 million (US\$0.9 million) for the second quarter of 2010, associated with the grant of options to various directors, officers and employees in February 2010.

As a result of the foregoing factors, income from operations was RMB107.2 million (US\$15.8 million) for the second quarter of 2010, representing an increase of 30.1% from RMB82.4 million for the corresponding period of 2009. Operating margin was 29.3% for the second quarter of 2010, compared to 28.8% for the corresponding period of 2009.

In the second quarter of 2010, the Company acquired an additional 41% equity interests in each of Ningbo Baolian Insurance Agency Co., Ltd. ("Ningbo Baolian") and Shangdong Fanhua Mintai Insurance Agency Co., Ltd ("Fanhua Mintai"), which increased its equity interests in both entities from 10% to 51%. As a result, the Company recognized RMB27.8 million (US\$4.1 million) investment income, representing gains from re-measuring the 10% equity interests formerly held by the Company in Ningbo Baolian and Fanhua Mintai. Meanwhile, the Company recognized a RMB7.0 million (US\$1.0 million) deferred income tax expense, which was included in income tax expense.

In the second quarter of 2009, the Company also recognized a RMB18.9 million investment income and a RMB4.7 million deferred income tax expense in relation to the re-measurement of the 10% and 5% equity interests formerly held by the Company in Hangzhou Fanhua Zhixin Insurance Agency Co., Ltd. ("Hangzhou Zhixin") and Zhengzhou Fanhua Anlian Insurance Agency Co., Ltd. ("Zhengzhou Anlian"), respectively, when it acquired additional 41% and 46% equity interests in the two entities, respectively, in the second quarter of 2009.

Interest income for the second quarter of 2010 was RMB6.1 million (US\$0.9 million), representing a decrease of 30.1% from RMB8.8 million for the corresponding period of 2009, primarily due to a decrease in bank deposits.

Income tax expense for the second quarter of 2010 was RMB27.8 million (US\$4.1 million), representing a decrease of 8.6% from RMB30.4 million for the corresponding period of 2009. The decrease was primarily attributable to a tax holiday enjoyed by an affiliated subsidiary of the Company. The effective income tax rate applicable to the Company was 19.7% for the second quarter of 2010, compared to 29.2% for the corresponding period of 2009.

Net income attributable to the Company's shareholders was RMB118.6 million (US\$17.5 million) for the second quarter of 2010, representing an increase of 40.2% from RMB84.6 million for the corresponding period of 2009.

Net margin was 32.4% for the second quarter of 2010 compared to 29.6% for the corresponding period of 2009.

Basic net income per ADS was RMB2.600 (US\$0.383) for the second quarter of 2010, representing an increase of 40.2% from RMB1.854 for the corresponding period of 2009. Fully diluted net income per ADS was RMB2.494 (US\$0.368) for the second quarter of 2010, representing an increase of 35.9% from RMB1.835 for the corresponding period of 2009.

As of June 30, 2010, the Company had RMB1,280.6 million (US\$188.8 million) in cash and cash equivalents.

#### **Financial Results for the First Half Ended June 30, 2010**

Total net revenues for the first half ended June 30, 2010 were RMB647.8 million (US\$95.5 million), representing an increase of

29.2% from RMB501.6 million for the corresponding period of 2009. The increase was primarily driven by the significant growth of the life insurance business, and the increase in performance bonuses paid by life insurers as a result of the growth in sales volume and more contracts entered into with life insurers at group levels.

Total operating costs and expenses were RMB467.9 million (US\$69.0 million) for the first half of 2010, representing an increase of 25.4% from RMB373.2 million for the corresponding period of 2009.

Commissions and fees expenses were RMB315.8 million (US\$46.6 million) for the first half of 2010, representing an increase of 20.1% from RMB263.0 million for the corresponding period of 2009. The increase was primarily due to sales growth and largely tracked the increase in net revenues from commissions and fees.

Selling expenses were RMB32.7 million (US\$4.8 million) for the first half of 2010, representing an increase of 68.9% from RMB19.4 million for the corresponding period of 2009, primarily due to sales growth and an increase in expenses incurred in connection with the establishment of new outlets.

General and administrative expenses were RMB119.4 million (US\$17.6 million) for the first half of 2010, representing an increase of 31.4% from RMB90.9 million for the corresponding period of 2009. The increase was primarily due to the following factors:

- (1) an increase of 85.3% in depreciation of fixed assets from RMB5.7 million for the first half of 2009 to RMB10.6 million (US\$1.6 million) for the first half of 2010, largely as a result of the operation of the upgraded IT system in more affiliated entities in the first half of 2010;
- (2) an increase of 116.8% in amortization of intangible assets from RMB4.1 million for the first half of 2009 to RMB8.9 million (US\$1.3 million) for the first half of 2010, largely as a result of the acquisitions that we made in 2010; and
- (3) an increase of 128.6% in share-based compensation expenses from RMB4.5 million for the first half of 2009 to RMB10.4 million (US\$1.5 million) for the first half of 2010, associated with the grant of options to various directors, officers and employees in February 2010.

As a result of the foregoing factors, income from operations was RMB179.9 million (US\$26.5 million) for the first half of 2010, representing an increase of 40.2% from RMB128.3 million for the corresponding period of 2009. Operating margin was 27.8% for the first half of 2010, compared to 25.6% for the corresponding period of 2009.

In the first half of 2010, the Company acquired an additional 41% of equity interests in each of Hebei Fanlian Insurance Agency Co., Ltd. ("Hebei Fanlian"), Ningbo Baolian and Fanhua Mintai, which increased its equity interests in each of these entities from 10% to 51%. As a result, the Company recognized RMB38.1 million (US\$5.6 million) investment income, representing gains from re-measuring the 10% equity interests formerly held by the Company in Hebei Fanlian, Ningbo Baolian and Fanhua Mintai. Meanwhile, the Company recognized a RMB9.5 million (US\$1.4 million) deferred income tax expense in relation to the investment income, which was included in income tax expense.

In the first half of 2009, the Company recognized a RMB18.9 million investment income and a RMB4.7 million deferred income tax expense in relation to the re-measurement of the 10% and 5% equity interests formerly held by the Company in Hangzhou Zhixin and Zhengzhou Anlian, respectively, when it acquired additional 41% and 46% equity interests in the two insurance agencies, respectively, in the second quarter of 2009.

Interest income for the first half of 2010 was RMB12.4 million (US\$1.8 million), representing a decrease of 33.0% from RMB18.6 million for the corresponding period of 2009, primarily due to a decrease in bank deposits.

Income tax expense for the first half of 2010 was RMB50.8 million (US\$7.5 million), representing an increase of 10.6% from RMB45.9 million for the corresponding period of 2009. The increase was primarily attributable to the increases of operating income and effective income tax rate in Shenzhen from 20% in 2009 to 22% in 2010. The effective income tax rate applicable to the Company was 22.0% for the first half of 2010, compared to 28.6% for the corresponding period of 2009, the decrease was primarily due to an income tax holiday enjoyed by an affiliated subsidiary of the Company starting from the second quarter of 2010.

Net income attributable to the Company's shareholders was RMB186.0 million (US\$27.4 million) for the first half of 2010, representing an increase of 42.9% from RMB130.1 million for the corresponding period of 2009.

Net margin was 28.7% for the first half of 2010, compared to 25.9% for the corresponding period of 2009.

Basic net income per ADS was RMB4.076 (US\$0.601) for the first half of 2010, representing an increase of 42.9% from RMB2.852 for the corresponding period of 2009. Fully diluted net income per ADS was RMB3.928 (US\$0.579) for the first half of 2010, representing an increase of 38.6% from RMB2.835 for the corresponding period of 2009.

#### **Recent developments:**

- In August 2010, CNinsure and China Pacific Property Insurance Co., Ltd. ("China Pacific"), introduced a co-branded homeowner insurance product, which is the first customized product developed by China Pacific for CNinsure's exclusive

distribution, following the announcement of a strategic partnership in November 2009. As of date, CNinsure has worked with seven insurance companies for the exclusive sales of eight customized products.

- On July 29, 2009, CNinsure announced the acquisition of 65.1% equity interest in InsCom Holding Limited ("InsCom"), which beneficially owns 100% equity interest in Shenzhen InsCom E-commerce Co., Ltd. Meanwhile, CNinsure's equity interests in six of its affiliated property & casualty insurance agencies will be transferred to an affiliated subsidiary of InsCom in exchange for preference shares newly issued by InsCom. With the holding of the preference shares, CNinsure is entitled to all of the profits of InsCom for a certain period and reserves the right to require InsCom to redeem the preference shares.
- On July 15, 2010, CNinsure announced the closing of its follow-on public offering of 4,600,000 American depositary shares, each representing 20 ordinary shares of the Company. The net proceeds received by CNinsure, in an amount of approximately \$109.6 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company, will be used to fund the establishment of four new profit centers.
- On July 6, 2010, CNinsure announced the acquisition of an additional 45% equity interest in Henan Zhongrui Insurance Agency Co., Ltd., bringing its total shareholding from 10% to 55%.
- As of June 30, 2010, CNinsure's distribution and service network consisted of 49 insurance agencies, three insurance brokerages and three claims adjusting firms with 576 sales and services outlets operating in 23 provinces, compared to 45 insurance agencies, five insurance brokerages and four claims adjusting firms with 408 sales and service outlets operating in 22 provinces as of June 30, 2009. CNinsure had 46,857 sales agents and 1,358 professional claims adjustors as of June 30, 2010, compared to 34,276 sales agents and 1,262 professional claims adjustors as of June 30, 2009.
- On June 1, 2010, CNinsure announced the establishment of a corporate insurance brokerage business unit, in an effort to expand its product offerings from retail to commercial lines. The insurance brokerage team will focus on providing corporate clients with property and casualty insurance, liability insurance, employee benefits and specialty risk insurance and reinsurance services, etc.
- On May 27, 2010, CNinsure signed strategic partnership agreement with Taiping General Insurance Co., Ltd. for product distribution, development of custom-designed insurance products, data sharing and the outsourcing of claims adjusting service. This is the sixth strategic partnership agreement CNinsure has signed with property and casualty insurance companies at the group level.
- Net revenues from commissions and fees derived from the property and casualty insurance, life insurance and claims adjusting businesses for the second quarter of 2010 each contributed 52.9%, 36.1% and 11.0% of the Company's total net revenues, respectively, compared to 69.2%, 19.4%, 11.4%, respectively, for the same period of 2009.

## Business Outlook

CNinsure expects its net income attributable to the Company's shareholders to grow by approximately 38% for the third quarter 2010 compared to the corresponding period of 2009. This forecast reflects CNinsure's current and preliminary view, which is subject to change.

## Conference Call

The Company will host a conference call to discuss the second quarter and first half 2010 results at

Time: 9:00 pm Eastern Daylight Time on August 23, 2010  
or 9:00 am Beijing/Hong Kong Time on August 24, 2010

The dial-in numbers:

United States:	+1-866-549-1292
United Kingdom:	0808-234-6305
Canada:	+1-866-8691-825
Singapore:	800-852-3576
Taiwan:	0080-185-6004
Hong Kong & Other Areas:	+852-3005-2050
China (Mainland):	400-681-6949

Password: 885507#

A replay of the call will be available for 30 days as follows:

+852-3005-2020 (Hong Kong & other areas)

PIN number: 142589#

Additionally, a live and archived web cast of this call will be available at: <http://www.corpasia.net/us/CISG/irwebsite/index.php?mod=event>

**About CNinsure Inc.**

CNinsure is a leading independent intermediary company operating in China. CNinsure's distribution network reaches many of China's most economically developed regions and affluent cities. The Company distributes a wide variety of property and casualty and life insurance products underwritten by domestic and foreign insurance companies operating in China, and provides insurance claims adjusting as well as other insurance-related services.

**Forward-looking Statements**

This press release 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 these forward-looking statements by terminology such as "will," "expects," "believes," "anticipates," "intends," "estimates" and similar statements. Among other things, the management's quotations and the Business Outlook section contain forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties and are based on current expectations, assumptions, estimates and projections about CNinsure and the industry. Potential risks and uncertainties include, but are not limited to, those relating to CNinsure's limited operating history, especially its limited experience in selling life insurance products, its ability to attract and retain productive agents, especially entrepreneurial agents, its ability to maintain existing and develop new business relationships with insurance companies, its ability to execute its growth strategy, its ability to adapt to the evolving regulatory environment in the Chinese insurance industry, its ability to compete effectively against its competitors, quarterly variations in its operating results caused by factors beyond its control and macroeconomic conditions in China and their potential impact on the sales of insurance products. All information provided in this press release is as of August 23, 2010, and CNinsure undertakes no obligation to update any forward-looking statements to reflect subsequent occurring events or circumstances, or to changes in its expectations, except as may be required by law. Although CNinsure believes that the expectations expressed in these forward-looking statements are reasonable, it cannot assure you that its expectations will turn out to be correct, and investors are cautioned that actual results may differ materially from the anticipated results. Further information regarding risks and uncertainties faced by CNinsure is included in CNinsure's filings with the U.S. Securities and Exchange Commission, including its annual report on Form 20-F.

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[IR-086](#)