

ChinaNet Online Holdings Reports Fiscal Year 2013 Financial Results

Expects to File Its 10-Q for the First Quarter of 2014 in July

BEIJING, June 17, 2014 (GLOBE NEWSWIRE) -- ChinaNet Online Holdings, Inc. ("ChinaNet" or the "Company") (Nasdaq:CNET), a leading B2B (business to business) Internet technology company providing online-to-offline ("O2O") sales channel expansion services for small and medium-sized enterprises (SMEs) and entrepreneurial management and networking services for entrepreneurs in the People's Republic of China, today announced financial results for the fiscal year 2013.

Summary Financials

Full Year 2013 Results (USD)			
	FY 2013	FY 2012	CHANGE
Sales	\$30.3 million	\$46.6 million	-35%
Gross Profit	\$13.7 million	\$15.0 million	-9%
Gross Margin	45.2%	32.2%	+40.4%
Net (Loss)/ Income Attributable to Common Stockholders	(\$0.2) million	\$3.0 million	
EPS (Diluted)	(\$0.01)	\$0.14	

Revenue for the fiscal year ended December 31, 2013 was \$30.3 million compared to \$46.6 million for the fiscal year ended December 31, 2012. Internet advertising, TV advertising, and brand management and sales channel building revenues were \$20.7 million, \$6.8 million, and \$2.6 million in fiscal year 2013, respectively.

Year Ended December 31, 2013 Revenue Breakdown by Business Unit (USD in thousands)

	FY 2013	%	FY 2012	%	% Change
Internet Advertisement	\$20,672	68%	\$21,366	46%	-3%
TV Advertisement	\$6,801	22%	\$20,454	44%	-67%
Bank Kiosk	\$251	1%	\$282	1%	-11%
Brand Mgmt. & Sales Channel Building	\$2,569	9%	\$4,498	10%	-43%

Gross profit and gross margin for the fiscal year ended December 31, 2013 were \$13.7 million and 45.2% compared to \$15.0 million and 32.2%, respectively, for the fiscal year ended December 31, 2012. The primary reason for the year-over-year increase in the gross margin was lower margin TV advertising revenues declining from 44% of total revenues in fiscal year 2012 to 22% in fiscal year 2013.

Operating expenses increased by 17% to \$12.3 million for the fiscal year ended December 31, 2013. General and administrative expenses and research and development expenses increased by 28% and 10% to \$7.7 million and \$2.0 million, respectively. ChinaNet generated \$1.5 million in operating income in 2013, down from \$4.5 million in 2012.

Net income attributable to ChinaNet common stockholders and net income per share were -\$0.2 million and -\$0.01 for the fiscal year ended December 31, 2013. The weighted average diluted shares outstanding was essentially flat year-over-year at 22.3 million shares.

Balance Sheet and Cash Flow

The Company had \$3.4 million in cash and cash equivalents as of December 31, 2013, compared to \$5.5 million as of December 31, 2012, working capital of \$24.0 million, compared to \$25.2 million as of December 31, 2012, and a current ratio of 3.3 to 1, compared 3.5 to 1 as of December 31, 2012. Total shareholders' equity of ChinaNet was \$45.0 million at December 31, 2013 compared to \$44.2 million at December 31, 2012.

The Company generated approximately \$2.8 million of cash flows from operations for the year ended December 31, 2013 compared to a \$5.0 million of cash inflows for the year ended December 31, 2012.

Guidance for 2014

Management anticipates releasing the revenues and net income guidance for fiscal year 2014 in July 2014.

Business Updates

The Company's brand consulting subsidiary, Quanzhou Zhilang Company ("Zhilang"), signed a brand promotion agreement with Beijing Daisy Corporation Ltd. ("Daisy") in March 2014, pursuant to which Zhilang agreed to offer comprehensive advertising, branding and marketing services to Daisy and its subsidiaries. Daisy is dedicated in providing solutions and recommendations to parents on child caring problems and has established a high reputation among Chinese consumers. It owns multiple brands and sells a variety of products and services including clothing, postpartum recovery center, baby haircut, toys, baby shampoo and baby photography.

ChinaNet's subsidiary <u>28.com</u> received a high credit rating by the Beijing Zhongguancun Enterprises Credit Promotion Association (ECPA) for 2014. Beijing Zhongguancun Enterprises Credit Promotion Association is an independent entity established by various high-tech enterprises in 2003 to promote members complying with the laws and regulations and national policies and to strengthen cooperation between members. The credit audit is conducted by Beijing Credit Ratings Co., Ltd, which is certified by the Beijing Zhongguancun government and covers the areas of internal controls, financial statements and credit and working capital management. This is the second consecutive year <u>28.com</u> received this prestigious recognition from the ECPA.

The Company was unable to file its Form 10-K for fiscal 2013 until June 16, 2014 due to the following facts and circumstances: (1) Mr. George Chu, its Chief Operating Officer and primary member of management responsible for the organization, coordination and supervision of its SEC reporting processes was hospitalized; (2) the Company had material balances and transactions, incurred during the year or carried forward from prior year, which its independent auditors needed additional time to verify; and (3) the additional audit procedures that were performed, as discussed above, resulted in an increase of internal documentation that needed to be generated by the Company and reviewed by the independent auditors in order to complete the related internal review procedures in accordance with the standards of the Public Company Accounting Oversight Board. Due to the significant amount of time and resources the Company needed to dedicate to complete the Form 10-K filing, it was unable to timely finalize its financial results as well as the disclosure requirements of the Form 10-Q for the three months ended March 31, 2014. The Company submitted to the NASDAQ Stock Market LLC a compliance plan with respect to the delinquent Form 10-Q on June 16, 2014. The Company is continuing to work diligently to complete and finalize the Form 10-Q. Based on discussions with the independent auditors, management expects to finalize and file the Form 10-Q in July 2014.

About ChinaNet Online Holdings, Inc.

ChinaNet Online Holdings, Inc., a parent company of ChinaNet Online Media Group Ltd., incorporated in the BVI, is a leading business to business Internet technology company focusing on providing online-to-offline sales channel expansion services for small and medium-sized enterprises and entrepreneurial management and networking services for entrepreneurs in China. Founded in 2003 and based in Beijing, PRC, the Company's services include its <u>28.com</u> portal to connect SME franchisors with new franchisees, Internet advertising and marketing with other value-added communication channels, brand management and sales channel solutions, and cloud-computing based management tools, expected to be officially commercialized in 2013. Website: http://www.chinanet-online.com.

Safe Harbor

This release contains certain "forward-looking statements" relating to the business of ChinaNet Online Holdings, Inc., which can be identified by the use of forward-looking terminology such as "believes," "expects," "anticipates," "estimates" or similar expressions. Such forward-looking statements involve known and unknown risks and uncertainties, including business uncertainties relating to government regulation of our industry, market demand, reliance on key personnel, future capital requirements, competition in general and other factors that may cause actual results to be materially different from those described herein as anticipated, believed, estimated or expected. Certain of these risks and uncertainties are or will be described in greater detail in our filings with the Securities and Exchange Commission. These forward-looking statements are based on ChinaNet's current expectations and beliefs concerning future developments and their potential effects on the Company. There can be no assurance that future developments affecting ChinaNet will be those anticipated by ChinaNet. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond the control of the Company) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. ChinaNet undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

-- FINANCIAL TABLES -

CHINANET ONLINE HOLDINGS, INC. CONSOLIDATED BALANCE SHEETS

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

Assets Current assets Carrent assets 3,44 5,48 Term depolit 3,64 3,54 3,64 <			As of December 31,	
Assets Curent assets: Cash and cash equivalents 3,467 3,587 Torm deposit 3,467 3,587 Accounts receivable, net 7,673 8,486 Other receivables, net 4,299 3,103 Prepayment and deposit to suppliers 16,909 2,210 Due from related parties 502 2,210 Other current assets 27 136 Deferred tax assets-current 15 5 Total current assets 3,25 3,242 Investment in and advance to equity investment affiliates 84 959 Property and equipment, net 1,057 1,636 Intangible assets, net 6,015 7,167 Deposit for purchasing of software technology 2,483 7,27 Goodwill 11,459 11,083 Deferred tax assets-non current 55,849 55,849 Total Assets 58,818 5,848 Current liabilities 81,85 5,848 Short-term bank loan 82,818 5,848		2013	2012	
Current assets: \$3,44 \$5,483 Term deposit 3,646 3,537 Accounts receivable, net 4,299 3,103 Other receivables, net 4,299 3,103 Prepayment and deposit to suppliers 14,692 14,596 Due from related parties 50 27 136 Other current assets 27 136 50 Deferred tax assets-current 15 5,00 50 Total current assets 34,25 35,21 50 Investment in and advance to equity investment affiliates 84 959 Property and equipment, net 1,057 1,636 Intagible assets, net 6,015 7,167 Deposit for purchasing of software technology 2,483 5,74 Goodwill 11,45 11,083 Deferred tax assets-non current 75 56,28 Total Assets 56,83 55,683 55,683 Total Assets 42 1,10 1,06 Accounts payable 42 1,10 1,06		(US \$)	(US \$)	
Cash and cash equivalents \$3,487 \$3,587 Term deposit 3,467 3,357 Accounts receivables, net 7,673 8,485 Other receivables, net 4,299 3,103 Prepayment and deposit to suppliers 14,699 3,103 Due from related parties 50 2,100 Other current assets 27 30 Deferred tax assets-current 1,051 36,00 Investment in and advance to equity investment affiliates 85 59 Property and equipment, net 1,057 1,636 Intangible assets, net 6,015 7,167 Deposit for purchasing of software technology 2,453 7 Goodwill 11,469 11,483 Deferred tax assets-non current 556,38 56,918 Total Assets 556,38 56,918 Total Assets 556,38 56,918 Liabilities and Equity 2 45,91 Current liabilities 81 5 Accounts payable 42 1,05 Accounts	Assets			
Term deposit 3,87 3,87 Accounts receivables, net 7,673 8,486 Other receivables, net 4,299 3,103 Prepayment and deposit to suppliers 14,599 14,590 Due from related parties 50 2 10 Other current assets 27 136 Deferred tax assets-current 15 3 Investment in and advance to equity investment affiliates 85 35,24 Property and equipment, net 1,057 1,636 Intangible assets, net 6,015 7,167 Deposit for purchasing of software technology 2,45 1,083 Offerred tax assets-non current 11,46 11,083 Deferred tax assets-non current 56,83 \$56,93 Total Assets \$56,93 \$56,93 Total Assets \$6,95 \$56,93 Total Assets \$6,95 \$56,93 Total Assets \$6,95 \$56,93 Total Assets \$6,95 \$56,93 Accounts payable 24 1,10 Accrued	Current assets:			
Accounts receivable, net 7,673 8,486 Other receivables, net 4,299 3,103 Prepayment and deposit to suppliers 16,592 14,593 Due from related parties 502 20 Other current assets 27 136 Deferred tax assets-current 15,3 50 Total current assets 34,255 34,21 Investment in and advance to equity investment affiliates 84 95 Property and equipment, net 1,05 1,636 Intagible assets, net 6,015 7,167 Deposit for purchasing of software technology 2,455 Goodwill 1,146 1,165 Deferred tax assets-non current 7,59 55,634 \$56,93 Total Assets \$56,834 \$56,93 \$56,93 Current liabilities \$56,834 \$56,93 Accounts payable 42 1,10 Accounts payable 42 1,10 Accured payroll and other accruals 67 9,26 Accured payroll and other accruals <t< td=""><td>Cash and cash equivalents</td><td>\$3,442</td><td>\$5,483</td></t<>	Cash and cash equivalents	\$3,442	\$5,483	
Other receivables, net 4,299 3,103 Prepayment and deposit to suppliers 14,696 21,506 Due from related parties 52 71 Other current assets 153 50 Deferred tax assets-current 153 50 Total current assets 34,255 35,421 Investment in and advance to equity investment affiliates 8 59 Property and equipment, net 1,057 1,636 Intangible assets, net 6,015 7,167 Deposit for purchasing of software technology 2,453 Goodwill 11,450 11,083 Deferred tax assets-non current 55 35 Total Assets \$56,33 \$56,935 Total Assets \$56,33 \$56,935 Total Assets \$818 \$- Current liabilities \$9 50 Current payable 4 10 Accrued payroll and other accruals 676 904 Payable for acquisition 7,068 6,83 Taxes payable	Term deposit	3,467	3,357	
Prepayment and deposit to suppliers 14,696 Due from related parties 502 Other current assets 27 Deferred tax assets-current 153 Total current assets 34,255 Investment in and advance to equity investment affiliates 845 Property and equipment, net 1,057 Intangible assets, net 6,015 Deposit for purchasing of software technology 2,453 Property and equipment, net 11,450 Deposit for purchasing of software technology 2,453 Goodwill 11,450 Deferred tax assets-non current 759 Total Assets 556,834 September 556,834 September 421 Intabilities and Equity 421 Current liabilities 818 Accounts payable 421 Accounts payable 421 Accounts payable for acquisition 95 Taxes payable 7,026 Taxes payable 7,026 Total current liabilities 288 Chop-term liabilities	Accounts receivable, net	7,673	8,486	
Due from related parties 502 210 Other current assets 27 136 Deferred tax assets-current 153 50 Total current assets 34,255 35,221 Investment in and advance to equity investment affiliates 845 959 Property and equipment, net 1,057 1,636 Intangible assets, net 6,015 7,167 Deposit for purchasing of software technology 2,453 Goodwill 11,450 11,830 Deferred tax assets-non current 556,34 556,94 Total Assets 556,83 556,94 556,94 Charment liabilities 881 8- Accounts payable 421 110 Advances from customers 995 1,056 Accrued payroll and other accruals 676 904 Payable for acquisition 2,26 904 Total current liabilities 1,26 904 Total current liabilities 1,26 904 Lon	Other receivables, net	4,299	3,103	
Other current assets 27 136 Deferred tax assets-current 153 50 Total current assets 34,255 35,21 Investment in and advance to equity investment affiliates 85 95 Property and equipment, net 1,057 1,636 Intangible assets, net 6,015 7,167 Deposit for purchasing of software technology 2,453 Goodwill 11,450 11,083 Deferred tax assets-non current 759 652 Total Assets \$56,832 \$56,932 Current liabilities Current liabilities Short-term bank loan \$818 \$- Accounts payable 421 110 Advances from customers 995 1,065 Accrued payroll and other accruals 676 904 Payable for acquisition 7,029 6,83 Taxes payable 7,029 6,83 Other payables 7,029 6,83 Total current liabilities 1,027 10,245	Prepayment and deposit to suppliers	14,692	14,596	
Deferred tax assets-current 150 50 Total current assets 34,255 35,242 Investment in and advance to equity investment affiliates 8.6 95 Property and equipment, net 1,056 1,636 Intangible assets, net 6,015 7,163 Deposit for purchasing of software technology 2,453 - Goodwill 11,450 11,838 Deferred tax assets-non current 759 652 Total Assets \$56,331 \$56,931 Current liabilities \$56,331 \$56,931 Current liabilities \$56,331 \$56,931 Accornus payable 421 11 Accornus payable 421 11 Accured payroll and other accruals 95 1,056 Accurage payable 7,026 6,035 Total current liabilities 2,28 2,27 Other payables 2,28 2,27 Total current liabilities 1,027 7,026 Current liabilities 1,027 7,026 Current liabi	Due from related parties	502	210	
Total current assets 34,255 35,421 Investment in and advance to equity investment affiliates 845 959 Property and equipment, net 1,057 1,636 Intangible assets, net 6,015 7,167 Deposit for purchasing of software technology 2,453 Goodwill 11,450 11,450 15,865 Deferred tax assets-non current 56,834 \$56,918 56,918 Total Assets \$56,834 \$56,918 \$56,918 \$56,918 Current liabilities: 2 \$56,834 \$56,918 \$56	Other current assets	27	136	
Investment in and advance to equity investment affiliates 845 959 Property and equipment, net 1,057 1,636 Intangible assets, net 6,015 7,167 Deposit for purchasing of software technology 2,453 - Goodwill 11,450 11,083 Deferred tax assets-non current 759 652 Total Assets \$56,83 \$56,918 Current liabilities *** *** Short-term bank loan \$818 \$-** Accounts payable 421 110 Advances from customers 995 1,065 Accrued payroll and other accruals 97 6,63 Taxes payable 7,029 6,683 Taxes payables 7,029 6,683 Other payables 28 217 Total current liabilities 10,227 10,245 Long-term liabilities 1,439 1,689 Long-term liabilities 1,439 1,689	Deferred tax assets-current	153	50	
Property and equipment, net 1,057 1,636 Intangible assets, net 6,015 7,167 Deposit for purchasing of software technology 2,453 Goodwill 11,450 11,083 Deferred tax assets-non current 759 652 Total Assets \$56,834 \$56,918 Liabilities and Equity Current liabilities Short-term bank loan \$10 \$10 Accounts payable 421 110 Advances from customers 995 1,065 Accrued payroll and other accruals 676 904 Payable for acquisition - 1,266 Taxes payable 7,029 6,683 Other payables 28 217 Total current liabilities 10,227 10,245 Long-term liabilities 1,439 1,889 Long-term borrowing from director 143 1,439	Total current assets	34,255	35,421	
Intangible assets, net 6,015 7,167 Deposit for purchasing of software technology 2,453 Goodwill 11,450 11,083 Deferred tax assets-non current 759 652 Total Assets \$56,834 \$56,918 Liabilities and Equity V V Current liabilities: Short-term bank loan \$818 \$- Accounts payable 421 110 Advances from customers 995 1,065 Accrued payroll and other accruals 676 904 Payable for acquisition - 1,266 Taxes payable 7,029 6,683 Other payables 28 217 Total current liabilities 10,27 10,245 Long-term liabilities: 1,439 1,689 Deferred tax liability-non current 1,439 1,689 Long-term borrowing from director 143 1,439 1,439	Investment in and advance to equity investment affiliates	845	959	
Deposit for purchasing of software technology 2,453	Property and equipment, net	1,057	1,636	
Goodwill 11,450 11,083 Deferred tax assets-non current 759 652 Total Assets \$56,834 \$56,918 Liabilities and Equity Current liabilities: Short-term bank loan \$818 \$- Accounts payable 421 110 Advances from customers 995 1,065 Accrued payroll and other accruals 676 904 Payable for acquisition 7,029 6,683 Taxes payable 7,029 6,683 Other payables 288 217 Total current liabilities 10,227 10,245 Long-term liabilities: 1,439 1,689 Deferred tax liability-non current 1,439 1,689 Long-term borrowing from director 143 139	Intangible assets, net	6,015	7,167	
Deferred tax assets-non current 759 652 Total Assets \$56,834 \$56,938 Liabilities and Equity Current liabilities: Short-term bank loan \$818 \$- Accounts payable 421 110 Advances from customers 995 1,065 Accrued payroll and other accruals 676 904 Payable for acquisition - 1,266 Taxes payable 7,029 6,683 Other payables 288 217 Total current liabilities 10,227 10,245 Long-term liabilities: 1,439 1,689 Deferred tax liability-non current 1,439 1,689 Long-term borrowing from director 143 139	Deposit for purchasing of software technology	2,453		
Liabilities and Equity Example of Equity Current liabilities: Short-term bank loan \$818 \$ Accounts payable 421 110 Advances from customers 995 1,065 Accrued payroll and other accruals 676 904 Payable for acquisition - 1,266 Taxes payable 7,029 6,683 Other payables 288 217 Total current liabilities 10,227 10,245 Long-term liabilities: 1,439 1,689 Deferred tax liability-non current 1,439 1,689 Long-term borrowing from director 143 139	Goodwill	11,450	11,083	
Liabilities and Equity Current liabilities: \$818 \$ Short-term bank loan \$818 \$ Accounts payable 421 110 Advances from customers 995 1,065 Accrued payroll and other accruals 676 904 Payable for acquisition 1,266 Taxes payable 7,029 6,683 Other payables 288 217 Total current liabilities 10,227 10,245 Long-term liabilities: 1,439 1,689 Deferred tax liability-non current 1,439 1,689 Long-term borrowing from director 143 139	Deferred tax assets-non current	759	652	
Current liabilities: Short-term bank loan \$818 \$ Accounts payable 421 110 Advances from customers 995 1,065 Accrued payroll and other accruals 676 904 Payable for acquisition 1,266 Taxes payable 7,029 6,683 Other payables 288 217 Total current liabilities 10,227 10,245 Long-term liabilities: 1,439 1,689 Long-term borrowing from director 143 139	Total Assets	<u>\$56,834</u>	\$56,918	
Short-term bank loan \$818 \$	Liabilities and Equity			
Accounts payable 421 110 Advances from customers 995 1,065 Accrued payroll and other accruals 676 904 Payable for acquisition 1,266 Taxes payable 7,029 6,683 Other payables 288 217 Total current liabilities 10,227 10,245 Long-term liabilities: 1,439 1,689 Long-term borrowing from director 143 139	Current liabilities:			
Advances from customers 995 1,065 Accrued payroll and other accruals 676 904 Payable for acquisition 1,266 Taxes payable 7,029 6,683 Other payables 288 217 Total current liabilities 10,227 10,245 Long-term liabilities: 1,439 1,689 Long-term borrowing from director 143 139	Short-term bank loan	\$818	\$	
Accrued payroll and other accruals 676 904 Payable for acquisition 1,266 Taxes payable 7,029 6,683 Other payables 288 217 Total current liabilities 10,227 10,245 Long-term liabilities: 1,439 1,689 Long-term borrowing from director 143 139	Accounts payable	421	110	
Payable for acquisition - 1,266 Taxes payable 7,029 6,683 Other payables 288 217 Total current liabilities 10,227 10,245 Long-term liabilities: 1,439 1,689 Long-term borrowing from director 143 139	Advances from customers	995	1,065	
Taxes payable 7,029 6,683 Other payables 288 217 Total current liabilities 10,227 10,245 Long-term liabilities: 1,439 1,689 Long-term borrowing from director 143 139	Accrued payroll and other accruals	676	904	
Other payables 288 217 Total current liabilities 10,227 10,245 Long-term liabilities: 1,439 1,689 Long-term borrowing from director 143 139	Payable for acquisition		1,266	
Total current liabilities10,22710,245Long-term liabilities:1,4391,689Long-term borrowing from director143139	Taxes payable	7,029	6,683	
Long-term liabilities:1,4391,689Deferred tax liability-non current1,43139Long-term borrowing from director143139	Other payables	288	217	
Deferred tax liability-non current1,4391,689Long-term borrowing from director143139	Total current liabilities	10,227	10,245	
Long-term borrowing from director143139	Long-term liabilities:			
· · · · · · · · · · · · · · · · · · ·	Deferred tax liability-non current	1,439	1,689	
		143	139	
		11,809		

Commitments and contingencies

Equity:

ChinaNet Online Holdings, Inc.'s stockholders' equity

Additional paid-in capital	19,870	20,008
Statutory reserves	2,602	2,296
Retained earnings	18,965	19,505
Accumulated other comprehensive income	3,689	2,393
Total ChinaNet Online Holdings, Inc.'s stockholders' equity	45,148	44,224
Noncontrolling interests	(123)	621
Total equity	45,025	44,845
Total Liabilities and Equity	\$56,834	\$56,918

CHINANET ONLINE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

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

(in thousands, shoopt for humber of shallos and per shallo sate)	Year Ended December 31,	
	2013	2012
	(US \$)	(US \$)
Sales		
From unrelated parties	\$29,932	\$46,403
From related parties	361	197
	30,293	46,600
Cost of sales	16,563	31,558
Gross margin	13,730	15,042
Operating expenses		
Selling expenses	2,574	2,683
General and administrative expenses	7,691	6,030
Research and development expenses	1,995	1,819
	12,260	10,532
Income from operations	1,470	4,510
Other income (expenses)		
Interest income	125	186
Interest expense	(26)	
Change in fair value of contingent consideration receivables		(160)
Loss on disposal of intangible asset	(315)	
Loss on disposal of subsidiaries	(543)	
Other income (expenses)	5	(150)
	(754)	(124)
Income before income tax expense, equity method investments and noncontrolling interests		
	716	4,386
Income tax expense	(816)	(529)
Loss/income before equity method investments and noncontrolling interests	(100)	3,857
Share of losses in equity investment affiliates	(183)	(449)
Net loss/income	(283)	3,408
Net loss/(income) attributable to noncontrolling interests	49	(412)
Net loss/income attributable to ChinaNet Online Holdings, Inc.	<u>\$(234)</u>	\$2,996
Loss/earnings per share		
Loss/earnings per common share		
Basic	\$(0.01)	\$0.14
Diluted	\$(0.01)	\$0.14

 Basic
 22,284,485
 22,185,556

 Diluted
 22,284,485
 22,185,556

CHINANET ONLINE HOLDINGS, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Year Ended Describer 1910 2013 2012 Cash flows from operating activities Net loss/income \$(283) \$3,408 Adjustments to reconcile net loss/income to net cash provided by operating activities Depreciation and amortization 1,637 1,637 Share-based compensation expenses 125 48 Change in fair value of contingent consideration receivable 2,702 1,141 Allowances for doubtful debts 2,702 1,141 Share of losses in equity investment affiliates 183 449 Loss on disposal of property and equipment 3 2 Loss on disposal of subsidiaries 343 3 Loss on disposal of intangible assets 345 3 Deferred taxes (486) (828) Changes in operating assets and liabilities Accounts receivable (3,676) (5,516) Other receivables 9 1,400 Prepayment and deposit to suppliers 38 882 Due from related parties (282) 117 Other current assets<	(iii tiiodsailus)	Voor Fridad Da	b 24
Cash flows from operating activities (US \$) (US \$) Net loss/income \$(283) \$3,408 Adjustments to reconcile net loss/income to net cash provided by operating activities 1,617 1,637 Depreciation and amortization 1,617 1,637 Share-based compensation expenses 125 48 Change in fair value of contingent consideration receivable 160 Allowances for doubtful debts 2,702 1,141 Share of losses in equity investment affiliates 183 449 Loss on disposal of property and equipment 3 2 Loss on disposal of subsidiaries 543 Loss on disposal of intangible assets 315 Deferred taxes (486) (828) Changes in operating assets and liabilities Accounts receivable (3,676) (5,516) Other receivables 98 1,400 Prepayment and deposit to suppliers 380 882 Due from related parties (282) 117 Other current assets 106 (5 <t< th=""><th></th><th></th><th></th></t<>			
Cash flows from operating activities Net loss/income \$(283) \$3,408 Adjustments to reconcile net loss/income to net cash provided by operating activities Depreciation and amortization 1,617 1,637 Share-based compensation expenses 125 48 Change in fair value of contingent consideration receivable 160 Allowances for doubtful debts 2,702 1,141 Share of losses in equity investment affiliates 183 449 Loss on disposal of property and equipment 3 2 Loss on disposal of subsidiaries 543 Loss on disposal of intangible assets 315 Deferred taxes (486) (828) Changes in operating assets and liabilities Accounts receivable (3,676) (5,516) Other receivables 98 1,400 Prepayment and deposit to suppliers 380 882 Due from related parties (282) 117 Other current assets 106 (5) Accounts payable 301 (158)			
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Adjustments to reconcile net loss/income to net cash provided by operating activities Depreciation and amortization 1,617 1,637 Share-based compensation expenses 125 48 Change in fair value of contingent consideration receivable 160 Allowances for doubtful debts 2,702 1,141 Share of losses in equity investment affiliates 183 449 Loss on disposal of property and equipment 3 2 Loss on disposal of subsidiaries 543 Loss on disposal of intangible assets 315 Deferred taxes (486) (828) Changes in operating assets and liabilities Accounts receivable (3,676) (5,516) Other receivables 98 1,400 Prepayment and deposit to suppliers 380 882 Due from related parties (282) 117 Other current assets 106 (5) Accounts payable 301 (158) Advances from customers (104) 335 Accrued payroll and other accruals <td></td> <td>((000)</td> <td>CO 400</td>		((000)	CO 400
Depreciation and amortization 1,617 1,637 Share-based compensation expenses 125 48 Change in fair value of contingent consideration receivable 160 Allowances for doubtful debts 2,702 1,141 Share of losses in equity investment affiliates 183 449 Loss on disposal of property and equipment 3 2 Loss on disposal of subsidiaries 543 Loss on disposal of intangible assets 315 Deferred taxes (486) (828) Changes in operating assets and liabilities 486 (828) Accounts receivables 98 1,400 Other receivables 98 1,400 Prepayment and deposit to suppliers 380 882 Due from related parties (282) 117 Other current assets 106 (5) Accounts payable 301 (158) Advances from customers (104) 335 Accrued payroll and other accruals (242) 285 Due to related parties		` '	\$3,408
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Net cash provided by operating activities 2,756 5,028 Cash flows from investing activities	Other payables	(69)	72
Cash flows from investing activities	Taxes payable	1,525	1,603
-	Net cash provided by operating activities	2,756	5,028
Purchases of vehicles and office equipment (79) (314)	Cash flows from investing activities		
	Purchases of vehicles and office equipment	(79)	(314)
Deposit for purchasing of software technology (2,420)	Deposit for purchasing of software technology	(2,420)	
Short-term loan to unrelated entities (790) (475)	Short-term loan to unrelated entities	(790)	(475)
Long-term investment in and advance to equity investment affiliates (40)	Long-term investment in and advance to equity investment affiliates	(40)	
Payment for acquisition of VIEs (2,258) (5,775)	Payment for acquisition of VIEs	(2,258)	(5,775)
Cash effect on disposal of VIEs (146)	Cash effect on disposal of VIEs	(146)	
Project development deposit to a third party (2,453)	Project development deposit to a third party		(2,453)
Refund of project development deposit from a third party 2,453	Refund of project development deposit from a third party		2,453
Placement of term deposit (3,355)	Placement of term deposit		(3,355)
Net cash used in investing activities (5,733) (9,919)	·	(5,733)	(9,919)
Cash flows from financing activities			

Proceeds from short-term bank loan	807	
Dividend paid to convertible preferred stockholders		(5)
Short-term loan borrowed from an equity investment affiliate		316
Short-term loan repaid to an equity investment affiliate		(538)
Repayment to legal (nominal) shareholders of Shanghai Jing Yang		(158)
Net cash provided by (used in) financing activities	807	(385)
Effect of exchange rate fluctuation on cash and cash equivalents	129	64
Net decrease in cash and cash equivalents	(2,041)	(5,212)
Cash and cash equivalents at beginning of the year	5,483	10,695
Cash and cash equivalents at end of the year	\$3,442	\$5,483

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