

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 21, 2014

ChinaNet Online Holdings, Inc.
(Exact Name of Registrant as Specified in Charter)

Nevada
(State or Other Jurisdiction of Incorporation)

001-34647
(Commission File Number)

20-4672080
(IRS Employer Identification No.)

No. 3 Min Zhuang Road, Building 6,
Yu Quan Hui Gu Tuspark, Haidian District, Beijing, PRC 100195
(Address of Principal Executive Offices and Zip Code)

Registrant's telephone number, including area code: +86-10-51600828

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On August 21, 2014, ChinaNet Online Holdings, Inc., a Nevada corporation (the “Company”), issued a press release containing certain financial results for its second fiscal quarter and first half year of fiscal 2014. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and incorporated herein by reference.

As provided in General Instruction B.2 of SEC Form 8-K, such information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and it shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or under the Exchange Act, whether made before or after the date hereof, except as expressly set forth by specific reference in such filing to this Current Report on Form 8-K.

Item 8.01. Other Events.

Attached as Exhibit 99.2 is a slideshow presentation containing information about the Company’s business and certain other financial information that will be made available to investors participating in the Company’s conference call to be held on August 21, 2014.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>No.</u>	<u>Description</u>
99.1	Press Release dated August 21, 2014.
99.2	Corporate Presentation.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: August 21, 2014

ChinaNet Online Holdings, Inc.

By: /s/ Handong Cheng

Name: Handong Cheng

Title: Chief Executive Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated August 21, 2014.
99.2	Corporate Presentation.

ChinaNet Online Holdings Reports Second Quarter 2014 Financial Results

BEIJING, Aug. 21, 2014 (GLOBE NEWSWIRE) – ChinaNet Online Holdings, Inc. (Nasdaq:CNET) ("ChinaNet" or the "Company"), 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 second fiscal quarter of 2014.

Summary Financials

Second quarter 2014 Results (USD) (Unaudited)			
	Q2 2014	Q2 2013	CHANGE
Sales	\$10.4 million	\$8.9 million	+17%
Gross Profit	\$1.7 million	\$3.6 million	-53%
Gross Margin	16.4%	40.5%	-60%
Net (Loss)/Income Attributable to ChinaNet	(\$1.3) million	0.4 million	--
EPS (Diluted)	(\$0.06)	\$0.02	--

Second Quarter 2014 Financial Results

Revenues for the three months ended June 30, 2014 were \$10.4 million compared to \$8.9 million for the three months ended June 30, 2013, representing a 17% increase. New revenues from search engine marketing services, an integrated internet marketing service, offset declines in internet advertising, TV advertising and brand management and sales channel building services.

Second quarter 2014 Revenue Breakdown by Business Unit (USD in thousands)

	Q2 2014	%	Q2 2013	%	% Change
Internet Advertisement and Related Services	\$8,228	79%	\$5,436	61%	+51%
TV Advertisement	\$1,812	18%	\$2,489	28%	-27%
Bank Kiosks	\$67	1%	\$71	1%	-6%
Brand Mgmt. & Sales Channel Building	\$254	2%	\$896	10%	-72%

Revenue from internet advertisements, search engine marketing and other related technical services for the three months ended June 30, 2014 increased by 51% to \$8.2 million compared to the same period a year ago. Search engine marketing services, designed to help customers optimize their online search marketing effectiveness and maximize the sales leads generated from our integrated internet marketing solutions, generated approximately \$3.1 million of revenues in the second quarter of 2014. Management believes this service will help raise overall customer satisfaction, thereby increasing recurring revenues and market share from online advertising and marketing services in the future. Internet advertising revenues fell by 7% to \$5 million due to fewer SME customers using its services as a result of slowing economic growth in China.

TV advertising revenue decreased by 27% to \$1.8 million for the three months ended June 30, 2014 from \$2.5 million for the same period in 2013. The decrease in TV advertising revenue was primarily due to the adoption of a restriction notice to TV shopping infomercials broadcasted in provincial satellite television stations, issued by the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China (the "SARFT") in October 2013, which further restricts the content, air time and duration of these infomercials. In response to these restrictions, management plans to cooperate with the television stations to develop and produce new forms of TV program which will replace TV shopping infomercials to help clients raise their brand and product awareness, and to develop non-TV shopping advertising customers. In addition, in response to uncertain business environment and policies, management shifted more resources into the online advertising business while maintaining the ongoing business relationship with some selected provincial satellite television stations.

Gross profit for the three months ended June 30, 2014 was \$1.7 million compared to \$3.6 million for the same period in 2013. Gross margin was 16%, down from 41% in the second quarter of 2013. This decrease is a direct result of the decrease in the gross margin of the internet advertising business to 23% from 51% for the same period last year and lower margins for the new search engine marketing services.

Operating expenses increased by 6% to \$3.0 million compared to \$2.8 million for the second quarter of 2013. General and administrative expenses decreased by 41% to \$1.0 million as a result of decrease in allowance for doubtful accounts and overall cost reduction plan executed by management during the period. Selling expenses increased to \$1.5 million from \$0.6 million for the second quarter of 2013, which was primarily due to the increase in brand building expenses for promoting our websites and services to enhance brand awareness. The Company incurred an operating loss of \$1.3 million for the three months ended June 30, 2014 compared to an operating profit of \$0.8 million in the same period a year ago.

Net loss attributable to ChinaNet for the three months ended June 30, 2014 was \$1.3 million and loss per share was \$0.06, compared to a net income of \$0.4 million and earnings per share of \$0.02 in the second quarter of 2013.

Second Half 2014 Financial Results

Revenues for the six months ended June 30, 2014 were \$15.5 million, a decrease of 2% from \$15.9 million for the same period a year ago. New revenues from search engine marketing services offset declines in sales from internet advertising, TV advertising and brand channel management.

Gross profit and gross profit margin was \$3.1 million and 19.7%, respectively, for the first six months of 2014. Operating expenses fell by 8% to

\$5 million compared to \$5.4 million for the first six months of 2013. The Company reported an operating loss of \$1.9 million in the first half of 2014.

Net loss attributable to ChinaNet common shareholders and net loss per share was \$2.0 million and \$0.09 for the six months ended June 30, 2014. The weighted average diluted shares outstanding were 22.4 million shares.

Balance Sheet and Cash Flow

The Company had \$2.7 million in cash and cash equivalents as of June 30, 2014, compared to \$3.4 million as of December 31, 2013, working capital of \$21.5 million, compared to \$24.0 million as of December 31, 2013, and a current ratio of 2.9 to 1, compared to 3.3 to 1 as of December 31, 2013. Accounts receivable net balance decreased by 33% to \$5.2 million as of June 30, 2014, compared to \$7.7 million as of December 31, 2013. Total shareholders' equity of ChinaNet was \$42.9 million at June 30, 2014 compared to \$45.1 million at December 31, 2013.

The Company had a \$0.9 million of cash outflows from operations in the six months ended June 30, 2014 compared to a \$0.02 million of cash outflows in the first six months of 2013. The increase in cash outflows from operations was primarily due to the increase in deposit and prepayment to internet resource suppliers as a result of expanded cooperation with the key search engine in China.

Business Updates

ChinaNet regained compliance with NASDAQ's filing requirements set forth in Listing Rule 5250(c)(1) on July 24, 2014 after it filed its Form 10-Q for the period ended March 31, 2014 on July 17, 2014.

ChinaNet cooperates with the major search engines to perform search engine marketing and related value-added services for its clients. In order to secure and further enhance the business relationship with Baidu, Inc. ("Baidu"), China's largest online search engine, the Company signed a one-year agreement with Baidu for approximately \$29 million to optimize the search advertising campaigns run on behalf of ChinaNet's clients through Baidu's search engine.

Liansuo.com, one of ChinaNet's online advertising portals, collaborated with Entrepreneur Magazine to host the "2014 Franchise China 50" conference in Beijing, China on August 5, 2014. This conference gathered executives and management from premier franchise enterprises and investors across the country to share their experience and elect the 50 fastest growth enterprises. This was a great platform for Liansuo.com to expand its brand awareness in China franchise industry. Liansuo also took this opportunity to introduce more ChinaNet clients to the market and investors.

Conference Call

Management will host a conference call with investors at 8:30 am ET on August 21, 2014.

Date: Thursday, August 21, 2014
Time: 8:30 a.m. Eastern Time
Conference Line (U.S.): 1-888-455-2263
International Dial-In: 1-719-457-2664
Conference ID: 6502897
Webcast: <http://public.viavid.com/index.php?id=110668>

A power point presentation will be available for downloading on the date of the conference call on ChinaNet's corporate website www.chinanet-online.com under Investor Relations-News/Events-Events and Presentations.

Please dial in at least 10 minutes before the call to ensure timely participation.

A playback of the call will be available until 11:59 pm Eastern Time on September 4, 2014. To listen, call 1-877-870-5176 within the United States or 1-858-384-5517 when calling internationally. Please use the replay pin number 6502897.

About ChinaNet Online Holdings, Inc.

The Company, a parent company of ChinaNet Online Media Group Ltd., incorporated in the BVI ("ChinaNet"), is a leading B2B (business to business) Internet technology company focusing on providing O2O (online to offline) sales channel expansion service for small and medium-sized enterprises (SMEs) and entrepreneurial management and networking service for entrepreneurs in China. The Company, through certain contractual arrangements with operating companies in the PRC, provides Internet advertising and other services for Chinese SMEs via its portal websites, 28.com and Liansuo.com, TV commercials and program production via China-Net TV, and offline brand management and sales channel building services. 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.

CHINANET ONLINE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

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

	June 30,	December
	2014	31,
	(US \$)	2013
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$2,723	\$3,442
Term deposit	3,443	3,467
Accounts receivable, net	5,169	7,673
Other receivables, net	2,603	4,299
Prepayment and deposit to suppliers	18,041	14,692
Due from related parties	412	502
Other current assets	88	27
Deferred tax assets-current	168	153
Total current assets	32,647	34,255
Investment in and advance to equity investment affiliates	781	845
Property and equipment, net	875	1,057
Intangible assets, net	5,447	6,015
Deposit and prepayment for purchasing of software technology	3,281	2,453
Goodwill	11,368	11,450
Deferred tax assets-non current	881	759
Total Assets	\$55,280	\$56,834
Liabilities and Equity		
Current liabilities:		
Short term bank loan *	\$812	\$818
Accounts payable *	412	421
Advances from customers *	1,012	995
Accrued payroll and other accruals *	523	676
Due to noncontrolling interest of VIE *	715	--
Taxes payable *	7,152	7,029
Other payables *	526	288
Total current liabilities	11,152	10,227
Long-term liabilities:		
Deferred tax liability-non current *	1,317	1,439
Long-term borrowing from director	142	143
Total Liabilities	12,611	11,809
Commitments and contingencies		
Equity:		
ChinaNet Online Holdings, Inc.'s stockholders' equity		
Common stock (US\$0.001 par value; authorized 50,000,000 shares; issued and outstanding 22,376,540 shares at June 30, 2014 and December 31, 2013)	22	22
Additional paid-in capital	19,887	19,870
Statutory reserves	2,602	2,602
Retained earnings	16,966	18,965
Accumulated other comprehensive income	3,407	3,689
Total ChinaNet Online Holdings, Inc.'s stockholders' equity	42,884	45,148
Noncontrolling interests	(215)	(123)
Total equity	42,669	45,025
Total Liabilities and Equity	\$55,280	\$56,834

CHINANET ONLINE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS)/INCOME
(In thousands, except for number of shares and per share data)

	<u>Six Months Ended June 30,</u>		<u>Three Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>(US \$)</u>	<u>(US \$)</u>	<u>(US \$)</u>	<u>(US \$)</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Sales				
From unrelated parties	\$15,361	\$15,767	\$10,179	\$8,777
From related parties	183	174	182	115
	<u>15,544</u>	<u>15,941</u>	<u>10,361</u>	<u>8,892</u>
Cost of sales	<u>12,487</u>	<u>9,757</u>	<u>8,665</u>	<u>5,290</u>
Gross margin	<u>3,057</u>	<u>6,184</u>	<u>1,696</u>	<u>3,602</u>
Operating expenses				
Selling expenses	2,095	1,390	1,506	602
General and administrative expenses	2,009	3,146	1,022	1,744
Research and development expenses	892	912	442	463
	<u>4,996</u>	<u>5,448</u>	<u>2,970</u>	<u>2,809</u>
(Loss)/income from operations	<u>(1,939)</u>	<u>736</u>	<u>(1,274)</u>	<u>793</u>
Other income (expenses)				
Interest income	60	64	29	32
Interest expense	(32)	--	(16)	--
Other expenses	(3)	(2)	(2)	(1)
	<u>25</u>	<u>62</u>	<u>11</u>	<u>31</u>
(Loss)/income before income tax expense, equity method investments and noncontrolling interests	<u>(1,914)</u>	<u>798</u>	<u>(1,263)</u>	<u>824</u>
Income tax expense	<u>(120)</u>	<u>(268)</u>	<u>(72)</u>	<u>(354)</u>
(Loss)/income before equity method investments and noncontrolling interests	<u>(2,034)</u>	<u>530</u>	<u>(1,335)</u>	<u>470</u>
Share of losses in equity investment affiliates	<u>(58)</u>	<u>(125)</u>	<u>(43)</u>	<u>(54)</u>
Net (loss)/income	<u>(2,092)</u>	<u>405</u>	<u>(1,378)</u>	<u>416</u>
Net loss attributable to noncontrolling interests	<u>93</u>	<u>59</u>	<u>47</u>	<u>18</u>
Net (loss)/income attributable to ChinaNet Online Holdings, Inc.	<u>(1,999)</u>	<u>464</u>	<u>(1,331)</u>	<u>434</u>
Net (loss)/income	(2,092)	405	(1,378)	416
Foreign currency translation (loss)/gain	(281)	828	43	613
Comprehensive (Loss)/income	<u>\$ (2,373)</u>	<u>\$ 1,233</u>	<u>\$ (1,335)</u>	<u>\$ 1,029</u>
Comprehensive loss attributable to noncontrolling interests	<u>92</u>	<u>47</u>	<u>47</u>	<u>9</u>
Comprehensive (loss)/income attributable to ChinaNet Online Holdings, Inc.	<u>\$ (2,281)</u>	<u>\$ 1,280</u>	<u>\$ (1,288)</u>	<u>\$ 1,038</u>
(Loss)/earnings per share				
(Loss)/earnings per common share				
Basic	<u>\$ (0.09)</u>	<u>\$ 0.02</u>	<u>\$ (0.06)</u>	<u>\$ 0.02</u>
Diluted	<u>\$ (0.09)</u>	<u>\$ 0.02</u>	<u>\$ (0.06)</u>	<u>\$ 0.02</u>
Weighted average number of common shares outstanding:				
Basic	<u>22,376,540</u>	<u>22,193,391</u>	<u>22,376,540</u>	<u>22,200,166</u>
Diluted	<u>22,376,540</u>	<u>22,193,391</u>	<u>22,376,540</u>	<u>22,200,166</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Six Months Ended June 30,

	2014	2013
	(US \$)	(US \$)
	(Unaudited)	(Unaudited)

Cash flows from operating activities

Net (loss)/income	\$ (2,092)	\$405
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Adjustments to reconcile net (loss)/income to net cash used in operating activities

Depreciation and amortization	715	840
Share-based compensation expenses	17	21
Allowances for doubtful accounts	(30)	787
Share of losses in equity investment affiliates	58	125
Deferred taxes	(257)	(437)

Changes in operating assets and liabilities

Accounts receivable	2,484	(1,781)
Other receivables	1,285	(701)
Prepayment and deposit to suppliers	(3,460)	258
Due from related parties	86	(160)
Other current assets	(62)	32
Accounts payable	(6)	142
Advances from customers	24	(274)
Accrued payroll and other accruals	(151)	32
Other payables	271	(45)
Taxes payable	174	736

Net cash used in operating activities

	(944)	(20)
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Cash flows from investing activities

Purchases of vehicles and office equipment	(15)	(60)
Prepayment/deposit for purchasing of software technology	(846)	(800)
Repayment of short-term loan from unrelated entities	390	--
Payment for acquisition of VIEs	--	(1,280)

Net cash used in investing activities

	(471)	(2,140)
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Cash flows from financing activities

Short-term loan from noncontrolling interest of VIE	717	--
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Net cash provided by financing activities

	717	--
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Effect of exchange rate fluctuation on cash and cash equivalents	(21)	69
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Net decrease in cash and cash equivalents

	(719)	(2,091)
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Cash and cash equivalents at beginning of the period	3,442	5,483
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Cash and cash equivalents at end of the period	\$2,723	\$3,392
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 Direct: +1-760-755-2716
 Email: thaberfield@mzgroup.us
 Web: www.mzgroup.us

ChinaNet Online Holdings, Inc.

(Nasdaq: CNET)

2014 Q2 Corporate Presentation

August 21, 2014 8:30 a.m. Eastern Time U.S.A.



Safe Harbor

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Index

- 2014 Q2 and Year-to-Date Results
- Q2 Business Operations Update
- 2014 Full Year Forecast and Future Initiatives

2014 Q2 and Year-to-Date Results

CHINANET ONLINE HOLDINGS, INC.



Financial Highlights

Ticker Symbol	NASDAQ: CNET
Fiscal Year	December 31
Stock Price (as of market close on August 19, 2014)	\$1.10
Shares Outstanding- common shares	22.42M
Market Capitalization (as of market close on August 19, 2014)	\$24.66M
Management Ownership	35%
Revenue Q2 2014(unaudited)	\$10.36M
Net loss attributable to ChinaNet Online Holdings, Inc. Q2 2014 (unaudited)	\$1.33 M
Weighted average common shares outstanding Q2 2014 (unaudited) ⁽¹⁾	22.38 M

(1) Weighted average share count will vary from quarter-to-quarter due to GAAP Treasury Method accounting for warrants and options outstanding. As of June 30, 2014, the Company had 2.4 M warrants outstanding with a weighted average exercise price of \$3.52 and 0.94 M options outstanding with a weighted average exercise price of \$1.42.

2014 Q2 Results (USD in thousands)

	2014Q2	2013Q2	Change%
Revenue	10,361	8,892	+17%
COGS	8,665	5,290	+64%
Gross Profit	1,696	3,602	-53%
Net (Loss)/Income	(1,378)	416	--
Net (Loss)/Income Attributable to ChinaNet	(1,331)	434	--

1. The reason for increase in revenue and cost of revenue was primarily due to the launching of new internet search engine marketing services;
2. General and administrative expenses decreased by 41% to \$1.0 million as a result of decrease in allowance for doubtful accounts and overall cost reduction plan executed by management during the period;
3. Selling expenses increased to \$1.5 million from \$0.6 million for the second quarter of 2013, which was primarily due to the increase in brand building expenses for the promotion of our websites and services to enhance brand awareness.



2014 Q2 Results (USD in thousands)

	2014 Q2				2013 Q2			
	Internet	TV	Bank Kiosk	BMSCB	Internet	TV	Bank Kiosk	BMSCB
Revenue	8,228	1,812	67	254	5,436	2,489	71	896
COGS	6,853	1,677	5	130	2,620	2,243	-	427
Gross Profit	1,375	135	62	124	2,816	246	71	469

1. Internet revenue increased by 51% and 130% as compared to 2013 Q2 and 2014 Q1, respectively;
2. Cash position: \$6.17 million as of June 30, 2014 (including \$3.44 million of term deposit);
3. Accounts receivable, net: \$5.17 million as of June 30, 2014, decreased by 33% as compared to \$7.67 million as of December 31, 2013.

2014 Year-to-Date Results (USD in thousands)

	2014 YTD	2013 YTD	Change %
Revenue	15,544	15,941	-2%
COGS	12,487	9,757	+28%
Gross Profit	3,057	6,184	-51%
Net (Loss)/Income	(2,092)	405	--
Net (Loss)/Income Attributable to ChinaNet	(1,999)	464	--

	2014 YTD				2013 YTD			
	Internet	TV	Bank Kiosk	BMSCB	Internet	TV	Bank Kiosk	BMS CB
Revenue	11,808	2,994	138	604	9,247	5,127	140	1,427
COGS	9,395	2,772	5	315	4,264	4,743	-	750
Gross Profit	2,413	222	133	289	4,983	384	140	677

Balance Sheets

	As of December 31,					As of June 30,
	2009 US\$('000)	2010 US\$('000)	2011 US\$('000)	2012 US\$('000)	2013 US\$('000)	2014 \$('000) (unaudited)
Cash and cash equivalents (including term deposit)	13,917	15,590	10,695	8,840	6,909	6,166
Accounts receivable, net	3,173	4,319	4,444	8,486	7,673	5,169
Other receivables, net	2,636	7,811	3,631	3,103	4,299	2,603
Prepayment and deposit to suppliers	4,111	3,325	15,360	14,596	14,692	18,041
Investment in and advance to equity investment affiliates	-	7,162	1,396	959	845	781
Deposit and prepayment –Long term	-	-	-	-	2,453	3,281
Property and equipment, net	1,355	2,010	1,902	1,636	1,057	875
Intangible assets, net	-	51	8,151	7,167	6,015	5,447
Goodwill	-	-	10,999	11,083	11,450	11,368
Total assets	25,764	41,996	57,282	56,918	56,834	55,280

Balance Sheets

	As of December 31,					As of June 30,
	2009 US\$('000)	2010 US\$('000)	2011 US\$('000)	2012 US\$('000)	2013 US\$('000)	2014 US\$('000) (unaudited)
Total liabilities	14,631	6,285	9,728	12,073	11,809	12,611
Preferred stock and Common Stock	20	20	22	22	22	22
Additional paid-in capital	10,574	18,614	20,747	20,008	19,870	19,887
Statutory reserves	372	1,587	2,117	2,296	2,602	2,602
Retained earnings	50	14,630	16,688	19,505	18,965	16,966
Accumulated other comprehensive income	117	930	2,132	2,393	3,689	3,407
Noncontrolling interest	-	(70)	5,848	621	(123)	(215)
Total equity	11,133	35,711	47,554	44,845	45,025	42,669

Cash Flows Statements

	Year ended December 31,					Six Months Ended June 30,	
	2009 US\$('000)	2010 US\$('000)	2011 US\$('000)	2012 US\$('000)	2013 US\$('000)	2014 US\$('000) (unaudited)	2013 US\$('000) (unaudited)
Net cash provided by (used in) Operation Activities	4,617	11,582	(603)	5,028	2,756	(944)	(20)
Net cash provided by (used in) Investing Activities	(930)	(9,373)	(6,084)	(9,919)	(5,733)	(471)	(2,140)
Net cash provided by (used in) Financing Activities	7,544	(767)	1,482	(385)	807	717	-
Effect of exchange rates changes	7	231	310	64	129	(21)	69
Net Change in Cash & Cash Equivalents	11,238	1,673	(4,895)	(5,212)	(2,041)	(719)	(2,091)

Q2 Business Operations Update

CHINANET ONLINE HOLDINGS, INC.



ZW ChinaNet
Online

2014 Q2 Updates

- 28.com was awarded a high credit rating by the Beijing Zhongguancun Enterprises Credit Promotion Association (ECPA) for 2014. This is the second consecutive year 28.com has received this prestigious recognition from the ECPA.
- Executives of ChinaNet participated in international brands curriculum "Systematic Creates Wealth" in Anhui Province, China on June 17th and 18th, 2014 to help train and promote entrepreneurs and franchise owners in the food industry. This activity was jointly organized by the Restaurant Association and "Discover China's Good Projects". The Company created "Discover China's Good Projects" in March 2013 to promote and support new projects and businesses.
- Liansuo.com has signed fifty-five new customers in the second quarter of 2014, such as Pure Fishing Inc. (<http://www.purefishingchina.com>), a leading provider of fishing equipment, and a subsidiary of Jarden Corporation and O.C.T. Mami (<http://www.octmami.com>), a leading retail apparel brand owned by Shanghai Uki Company.

Competitors and Their Associated Websites-2014.08.20

Classification	Web Portal	IP (Daily avg.)	PV (Daily avg.)	ALEX Ranking	Baidu Index	Attraction Index
ChinaNet	28.com (2003)	678,000	8,000,400	1,333	1,597	11.8
	Liansuo.com (2011)	114,000	1,824,000	5,616	160	16
	Chuangye.com (2011)	2,400	3,600	995,201	5,459	1.5
	Sooe.cn (2011)	3,600	3,600	325,216	137	1
Direct Competitor	78.cn	342,000	1,333,800	3,644	1,711	3.9
	3158.com	8,400	28,560	77,468	302	3.4
	Jiameng.com	768,000	11,750,400	1,342	411	15.3
	Jmw.com.cn	330,000	5,247,000	2,649	752	15.9
	51jam.com	33,600	265,440	23,311	178	7.9
Potential Competitor	Entrepreneur	2,058,000	4,301,220	629	1,532	2.09
	Alibaba (entrepreneur)	10,860,000	71,350,200	66	145,366	6.57

Note: The IP and PV of Alibaba is consolidated, including entrepreneurial channels.

2014 Q3 Updates

- Liansuo.com, one of ChinaNet's online advertising portals, collaborated with Entrepreneur Magazine to host the "2014 Franchise China 50" conference in Beijing, China on August 5, 2014. This conference gathered executives and management from premier franchise enterprises and investors across the country to share their experience and elect the 50 fastest growth enterprises. This was a great platform for Liansuo.com to expand its brand awareness in China franchise industry. Liansuo also took this opportunity to introduce more ChinaNet clients to the market and investors.
- ChinaNet cooperates with the major search engines to perform search engine marketing and related value-added services for its clients. In order to secure and further enhance the business relationship with Baidu, Inc. ("Baidu"), China's largest online search engine, the Company signed a one-year agreement with Baidu for approximately \$29 million to optimize the search advertising campaigns run on behalf of ChinaNet's clients through Baidu's search engine.

Market Challenges to ChinaNet

- More keen competition from major competitors
- Increasing cost from major search engines
- Sliding profit margin for basic internet business
- Slowing economy with declining customer spending, due to government's adjusting macro-economy policy and tightening monetary control, which have resulted in slower consumer consumption and shortage of capitals
- Uprising human resource cost for talents and hostile recruits from competitors

2014 Second Half Year Action Plan

- Increasing marketing expenses to improve market awareness and traffic optimization
- Optimizing SEM bidding system to improve sales-leads conversion efficiency and developing more analytical tools
- Launching new value-added services to diversify the source of revenue and enhance profit margin in the long run
- Bridging technology and information know-how with key search engines in China
- Increasing partnerships with 2nd-tier internet portals
- Setting up sales representative office in the 3rd and 4th tier cities
- Setting up a call centre in Hefei during Q3 2014
- Setting up big-data analysis center for further mining of sales leads generated

2014 Second Half Year Action Plan

“Joint-Product Development with Baidu” - Omni-Channel Management Console



In the second half year of 2014, we will bridge and leverage more resources into ChinaNet.

2014 Second Half Year Action Plan

Technology Acquisitions: We will closely monitor the progress of this acquisition. The management has updated the plan to deploy demo version of the software to the customers by the end of this year and will have the full version running online early next year.

Technology Acquisition Categories	Categories description
Mobile Cloud Dealer Management System	Including dealer franchisees, tracking order payment case, and other functions
Mobile Cloud Sales Management Solution	The new generation of framework free POS management system on mobile, e.g. the IPAD as the POS front desk program, and combined with the cloud management system
Mobile Cloud Membership Bonus System	The cloud consumer bonus Member program, you can operate it cross-shop and cross-industry.
Mobile Cloud Ordering System Solution	Combined with smartphones, it can order everywhere and serve in the shop .

2014 Full Year Forecast and Future Initiatives

CHINANET ONLINE HOLDINGS, INC.



2014 Full Year Guidance with Operational Initiatives

	2014 (Estimated)
Revenues	39 million

- Focusing on increasing internet segment turnover, at least 50% increase compared to 2013
- Strategic cooperation with major search engine service providers, such as: Baidu, Qihu360, Sohu
- Continuous increase in selling and marketing expenses to enhance our internet segment market shares and brand awareness
- Improving internal management on cost control, expect to further reduce administrative expenses
- Developing new core business, integration of acquired technology to come up with the simplest POS ONEBOX solution in the world, which will perfectly match the need and size of our SME clients
- Further improving accounts receivable collectability and turnover rate
- Strengthen cash flow control, positive operating cashflow by 2015

Thank you !

