

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): December 30, 2011

ChinaNet Online Holdings, Inc.

(Exact Name of Registrant as Specified in Charter)

Nevada
(State or Other Jurisdiction of Incorporation)

000-52672
(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))
-

Item 7.01. Regulation FD Disclosure.

ChinaNet Online Holdings, Inc. (the "Company") has prepared a PowerPoint presentation for prospective investors, which was posted on the Company's website at <http://www.chinanet-online.com> on December 30, 2011. The presentation relates to the challenges for small and medium sized enterprises in China.

A copy of the PowerPoint presentation is attached to this report as Exhibit 99.1 and is incorporated by reference into this Item 7.01. In accordance with General Instruction B.2 to the Form 8-K, the information under this Item 7.01 and the PowerPoint presentation attached to this Form 8-K as Exhibit 99.1 shall be deemed to be "furnished" to the SEC and not deemed to be "filed" with the SEC 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.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

<u>No.</u>	<u>Description</u>
99.1	PowerPoint 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: January 4, 2012

ChinaNet Online Holdings, Inc.

By: /s/ Handong Cheng
Name: Handong Cheng
Title: Chief Executive Officer

EXHIBIT INDEX

Exhibit No.
99.1

Description
PowerPoint Presentation

Challenges for Small to Medium Sized Enterprises (SMEs) in China



Contents

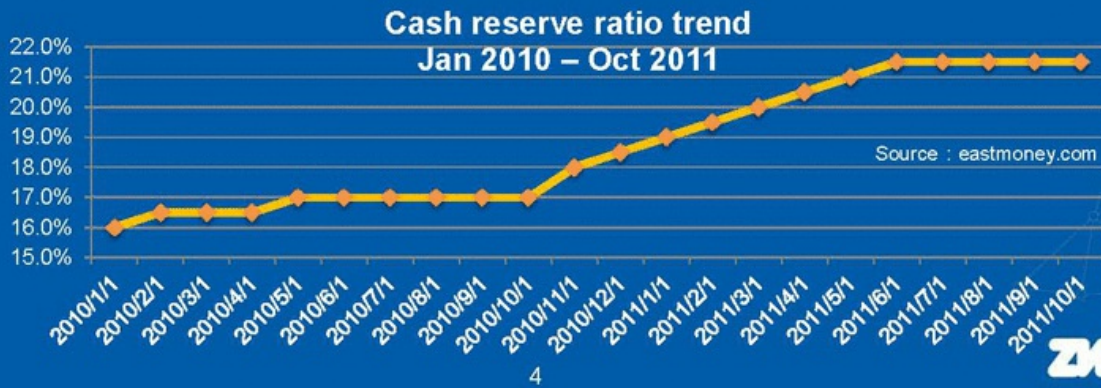
- Overview
- Factors leading to current conditions
 - Macro-control economic environment
 - Operating conditions of SMEs
- Conclusion

Overview

- With several business owners in Wenzhou leaving the country, SMEs have clearly suffered with unmet capital needs and reduced profitability. The majority of ChinaNet clients are currently SMEs, with the economic environment trend creating significant, but temporary, negative impact on ChinaNet's business.

The Macro-economic Control Policy

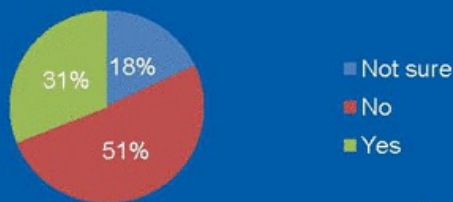
- In order to curb inflation and increase macro-economic, from Jan 21 of 2010 to June of 2011, the central bank has raised the deposit reserve ratio 12 times, adjusted to 21.5% from 16%, representing an increase of 5.5%.
- RMB 4 trillion (USD615 billion) in capitals flow was taken out from the financial system, so borrowing from the normal financial channels becomes harder.



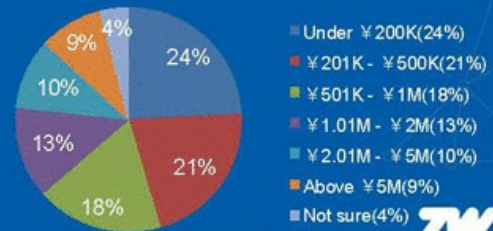
The SMEs' Loan Demand

- In 2010, about 31% SMEs had loan demands.
 - In average, each SME needs a loan of RMB ¥ 1.3 million (USD200,000).
 - With an estimated 6 million operating SMEs, the financing gap is RMB 2.5 trillion.
 - 45% of SMEs need loans below RMB ¥ 500,000, 63% need loans below RMB ¥ 100 million or less.

Financing demand of SMEs (2010)



SMEs' demand of financial amount



Source : Alibaba.com

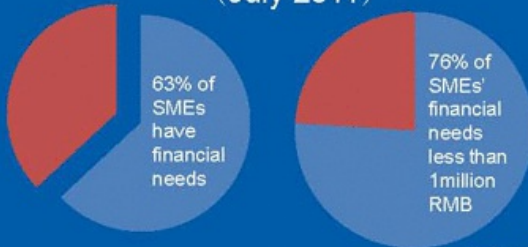
ZW ChinaNet Online

Status of SMEs Under Macro-control

Example: Wenzhou

- The President of Wenzhou SMEs Development Association, Mr. Zhou Dewen, said the current Wenzhou private lending interest rate is at the highest level in history. The existing monthly interest rate is 2% to 6%, up to 15% per month, representing an annual interest rate of 180%. One business owner said that the industrial gross margin of most SMEs will not exceed 10% and the highest is between 3% to 5%. Such high rates of private lending make it easy to push companies off the cliff.

Financing needs and financial channels
(July 2011)



Source : Alibaba.com

Annual interest rate trend of private lending in Wenzhou



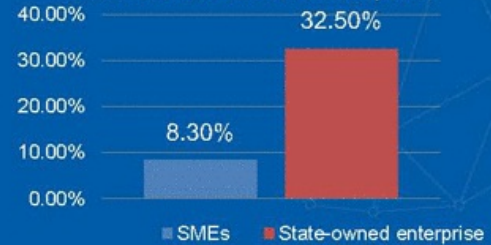
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SMEs Underperformed State-owned Corporations

- In 2010, SMEs underperformed state-owned corporations, far below their economic development:
 - Exporting SME revenue grew by 7.3%, slightly lower than the growth of first half year GDP.
 - Overall SME revenue grew 3.7%, an increase over the first half year decrease of 3%. In the future they may fall further.
 - 2010 China GDP growth rate was 9.9%, of which state-owned enterprise revenue grew 32.5%, and SMEs only grew by 8.3% - just one quarter of state-owned enterprises.



Revenue growth year on year in 2010 (SMEs vs. State-owned enterprise)



Source : Alibaba.com

ZW ChinaNet Online

Bank Lending Policies Under Macro-control

Banks reduce lending to SMEs based on the principles of drawing on the advantages and avoiding risk

- The principle of drawing on the advantages
 - Because of microfinance loans and high frequency of SMEs and high cost of banking services, banks are reluctant to make loans for SMEs.
- The principle of avoiding risk
 - Most SMEs are private enterprises and the financial management is not standardized. Bank lending to SMEs is therefore very cautious.
 - Mortgages and guarantees are important tools to protect bank interests when they loan to the enterprises with a lack of information. But most SMEs have few assets, and generally lack available collateral assets such as land or real estate.

Financing object of bank



Financing cost comparison
(average annual interest)

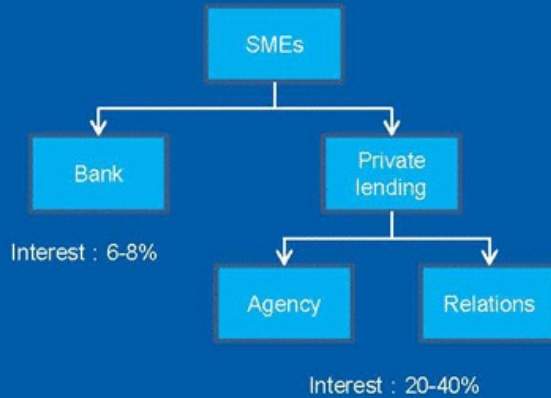


Source : Alibaba.com

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SMEs Capital Chain Status

Bank borrowing is difficult and rare for SMEs, leading them mainly to private loans. Private borrowing cost is very high, it results in tremendous survival pressure on SMEs.



Annual interest rate trend of private lending in Wenzhou



Source : Alibaba.com

ZW ChinaNet Online

FACTORS THAT LEAD TO BUSINESS CHALLENGES



Revenue Challenges

High degree of industrial concentration, competition with low profit margins and close product homogeneity are the main reasons for the challenge of SME revenues. Advertising expenditure is often the first budget expense to cut.

- According to a survey by the Chinese Academy of Sciences, after the financial crisis, 40% of SMEs filed bankruptcy, another 40% are struggling, and only about 20% were in normal operation.
- Facing low profit margins in general, SMEs will seek alternatives to enhance the profit, and in-house marketing is one of the choices.

Economic crisis influence on China SMEs



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Net profit rate of SMEs



Source : An Investigation on the Status of Medium and Small Enterprises

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SME Revenue Challenges

- In 2010, SMEs operation faced the survival test
 - SMEs profitability continued to decline, profit margins fell by more than 10%, representing the biggest drop since 2009.
 - Economies continues to be polarized, the SMEs are under sever situation in comparison with state owned enterprises.

Net profit rate of SMEs year on year
2009 - 2010



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Net profit year on year(2010)
(SMEs vs. State-owned enterprise)

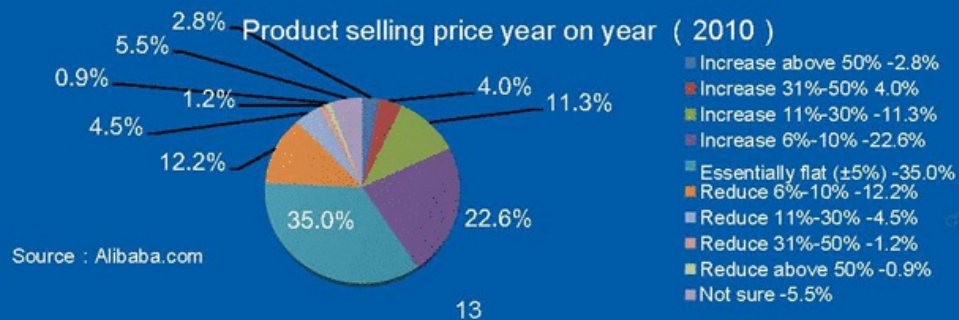


Source : Alibaba.com



Changes in Product Sales Price

- In 2010, the product sales prices of SMEs rose only 4.5% y-o-y:
 - Despite the pressure of rising costs, strong competition restricted sales price increases.
 - Because the products and services provided by SMEs are closest to the final consumption, we estimate that 2010 CPI will rise 4.5%.



FACTORS THAT LEAD TO BUSINESS CHALLENGES: COSTS





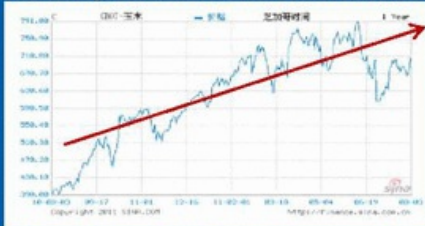
RAW MATERIAL COSTS ARE INCREASING

15

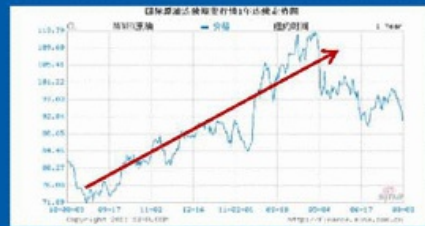
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Cost of Raw Material

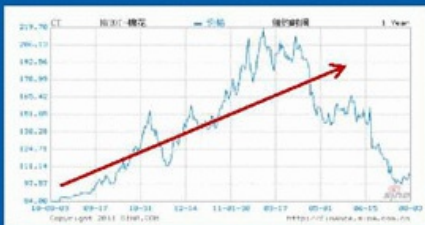
Facing shrinking profits against foreign brands and domestic retailers, coupled with rising costs, SME performance has suffered.



Agricultural products (corn) futures prices trend

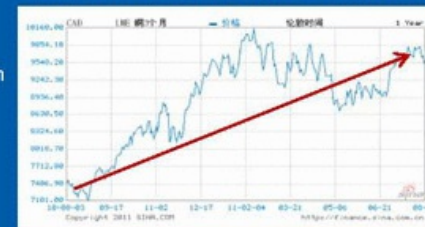


Cotton futures price trend (recent retreat)



International crude oil futures prices trend

Source : Sina.com



Metals (copper) futures prices trend

Inventory Level of Raw Materials

- Because of cost pressure from increases of raw materials, more than 53% of manufacturing SMEs are storing raw materials for more than six months.

Status of raw material inventory
End of Dec 2010



Source : Alibaba.com

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EXCHANGE RATE AND FIXED ASSET COSTS INCREASING

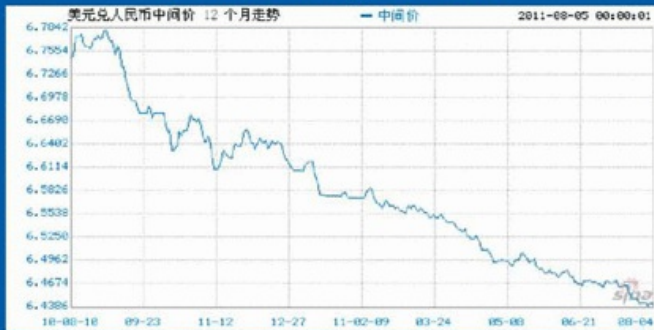
SME Cost Increases

Rising Exchange Rate against US and Increasing fixed asset costs

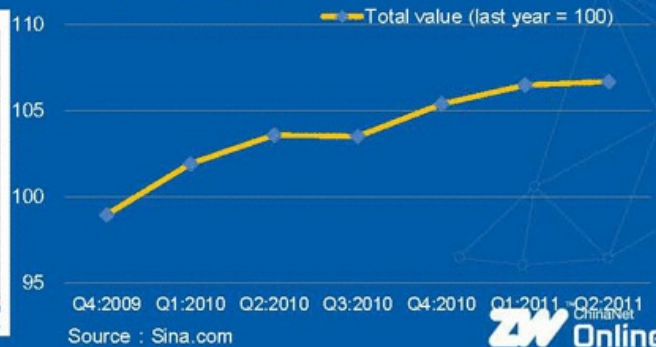
The Dollar has continued to fall, resulting in appreciation of RMB. Because international trade is usually in U.S. dollars, the exchange cost of export-oriented enterprises has been increased.

Fixed asset prices rose rapidly in 2009, such as Construction equipment, leading to increased pressure on SMEs.

US dollar exchange RMB trend



Fixed assets investment price index



Source : Sina.com

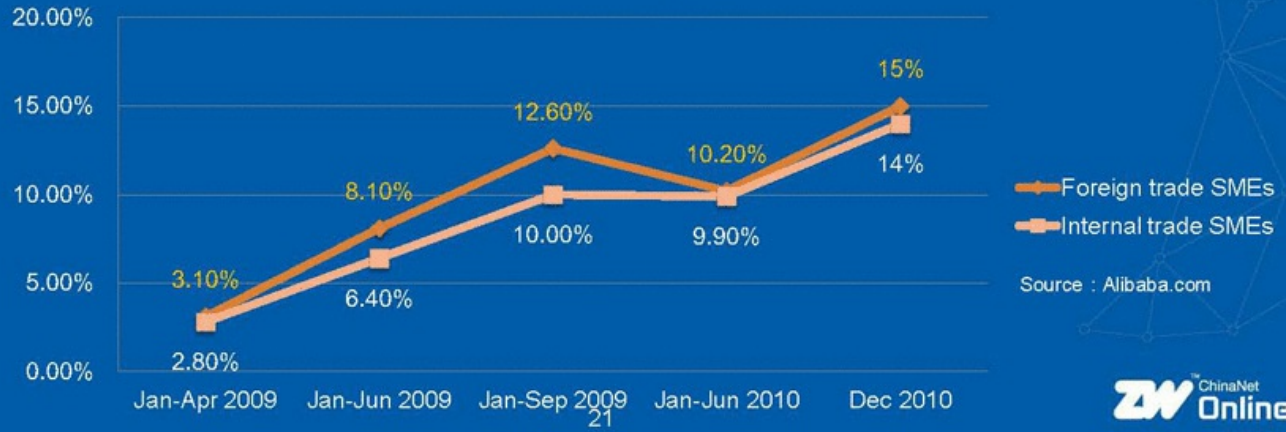
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HR COSTS INCREASING

2009-2010 SME HR Cost Trend

The rise of HR costs in 2010 hit a new high after the financial crisis, reaching 14.8%

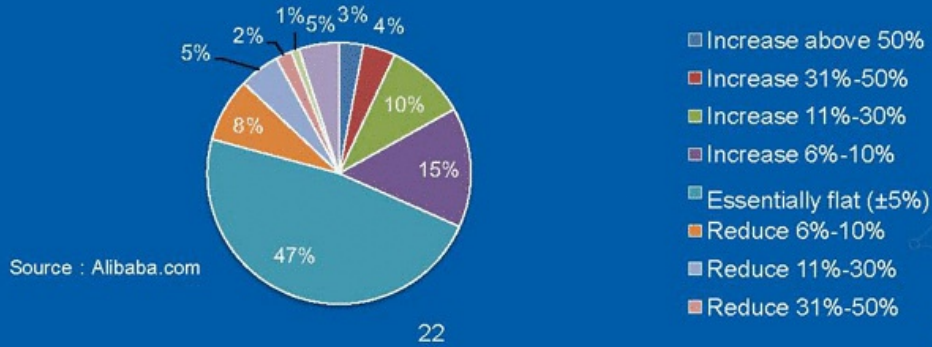
SMEs labor cost year over year
2009 - 2010



Employee Numbers

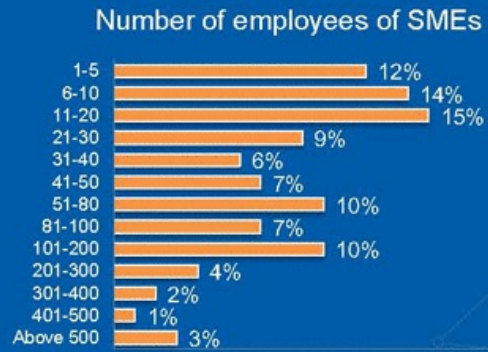
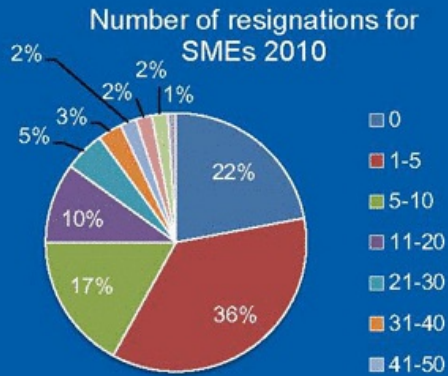
- Despite the pressure of rising costs, the number of SME employees in 2010 grew 4.3% year-over-year. Business owners remain optimistic about their long-term development.

Number of employees of SMEs y.o.y
(2010)



Number of Employees

- The employee resignation rate for SMEs in 2010 was 13.6%.
- Average number of resignation for each SME is 10.4 people.
- Average number of employees for each SME is 76.3 people.



0% 5% 10% 15% 20%

Source : Alibaba.com

20% ChinaNet
ZW Online

CONCLUSION



The Severity of the Crisis

- State Ministry statistics show the first two months of this year, a loss of the operating conditions of above-scale SMEs reached 15.8%, up 0.3% over the period. The loss amounted to a growth rate of 22.3%. This is only the operating conditions of larger SMEs. The Ministry said that the loss of smaller businesses may be more serious.
- Premier Wen Jiabao recently visited Wenzhou. He stressed that the financial support for SMEs should follow market principles, to reduce administrative intervention, market risk and moral hazard.
- Zhejiang provincial government said: study and plan to implement solutions to SME financing difficulties and stabilize the financial order. The government introduced more than 20 specific initiatives, and set up 11 provincial service groups to help SMEs solve practical problems.
- Wenzhou government coordinated with 25 banks in Wenzhou and issued a statement saying that “do not draw money, do not push loans”, to support the plight of SMEs and stabilize entrepreneur sentiment.
- Treasury Department data shows that in August, the increase of enterprise income tax (reflecting the economic efficiency of enterprises) significantly declined, from July's 34.4% down to 17.9%. If the large state-owned enterprises can support the state's corporate income tax revenue ratio, the corporate income tax can not decline 50% in August. It is undeniable that SMEs are in a challenging position.

Source : people.com.cn, xinhua.com, Ministry of Industry and Information Technology

Current Situation of SMEs

SME operation issues :

Higher financing costs

Lower net profit

Higher Operation cost



The reasons :

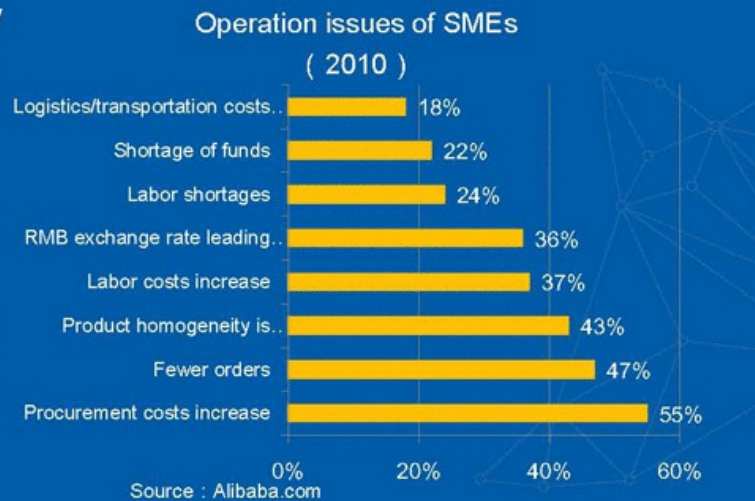
Government policy to control inflation and real estate

Product homogeneity is serious, the competition is fierce

Price of raw material increases, labor cost increases, price of fixed asset increases, heavy tax rate implemented

Conclusion

- Overall, in 2010 the major difficulties faced by SMEs: cost inflation, decreasing orders, financing challenges and employee retention.
 - Cost of raw materials, labor logistics and others are rising; purchase prices rose 12.6%, labor costs rose 14.8%.
 - Nearly half of SMEs say that obtaining orders is more difficult.
 - More than two percent of SMEs show shortages of funds and labor, especially foreign trade enterprises.

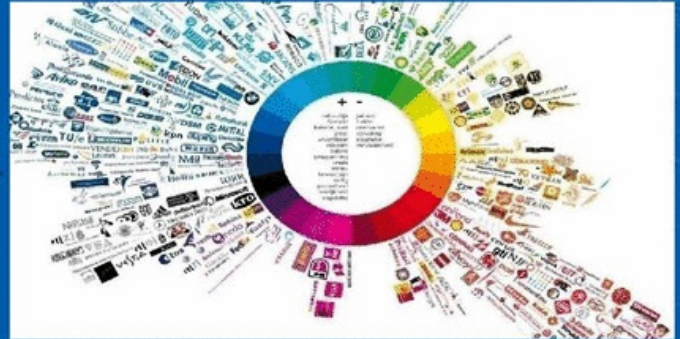


The Development Trend of SMEs

- What kind of enterprises can survive in this environment:
 - Enterprises that have sufficient cash flow or short-term financing capacity
 - Enterprises that have more marketing and sales channels
 - Enterprises that are involved in brand management earlier, and generate revenue through self-owned sales channels.

Economic Restructure

The Chinese private enterprises are facing a management structure transformation, from low value-added OEM production to the business model of developing brands and marketing.



Thank you

