

ChinaNet Online Holdings, Inc.
Form 10-Q
May 17, 2010

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

FORM 10-Q

“ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

or

“ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission File Number: 000-52672

ChinaNet Online Holdings, Inc.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

20-4672080
(I.R.S. 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) (Zip Code)

+86-10-51600828

(Registrant’s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes “ No “

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

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(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes " No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer "

Accelerated filer "

Non-accelerated filer "

Smaller reporting company "

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes " No "

As of May 17, 2010 the registrant had 16,891,820 shares of common stock outstanding.

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CHINANET ONLINE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(In thousands, except for number of shares and per share data)

| | March 31, 2010 (US \$) Unaudited | December 31, 2009 (US \$) |
|---|---|---------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 12,395 | \$ 13,917 |
| Accounts receivable, net | 4,235 | 3,173 |
| Other receivables | 2,120 | 2,636 |
| Prepayments and deposits to suppliers | 5,882 | 4,111 |
| Due from related parties | 161 | 492 |
| Due from director | 219 | - |
| Inventories | 2 | 2 |
| Other current assets | 460 | 30 |
| Total current assets | 25,474 | 24,361 |
| Property and equipment, net | 1,307 | 1,355 |
| Other long-term assets | 35 | 48 |
| | \$ 26,816 | \$ 25,764 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 500 | \$ 290 |
| Advances from customers | 428 | 914 |
| Other payables | 11 | 27 |
| Accrued payroll and other accruals | 266 | 191 |
| Due to related parties | - | 24 |
| Due to Control Group | 1,139 | 1,142 |
| Due to director | 282 | - |
| Taxes payable | 1,277 | 1,978 |
| Dividends payable | 317 | 373 |
| Total current liabilities | 4,220 | 4,939 |
| Long-term borrowing from director | 128 | 128 |
| Warrant liabilities | - | 9,564 |
| Commitments and contingencies | - | - |

CHINANET ONLINE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(In thousands, except for number of shares and per share data)

| | March 31, 2010 (US \$) Unaudited | December 31, 2009 (US \$) |
|--|---|---------------------------------|
| Stockholders' equity: | | |
| Series A convertible preferred stock, US\$0.001 par value; authorized-8,000,000 shares; issued and outstanding-3,403,600 and 4,121,600 shares at March 31, 2010 and December 31, 2009 respectively (Liquidation preference of \$2.5 per share) (see note 18) | 3 | 4 |
| Common stock, US\$0.001 par value; authorized-50,000,000 shares; issued and outstanding 16,546,320 shares and 15,828,320 shares at March 31, 2010 and December 31, 2009 respectively | 17 | 16 |
| Additional paid-in capital | 18,340 | 10,574 |
| Statutory reserves | 372 | 372 |
| Retained earnings | 3,616 | 50 |
| Accumulated other comprehensive income | 120 | 117 |
| Total stockholders' equity | 22,468 | 11,133 |
| | \$ 26,816 | \$ 25,764 |

See notes to the consolidated financial statements

CHINANET ONLINE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands)