BEIJING, Oct. 14, 2013 /PRNewswire/ -- **China Finance Online Co. Limited ("China Finance Online", or the "Company", "we", "us" or "our") (NASDAQ GS: JRJC)**
, a technology-driven, user-focused market leader in
China
providing vertically integrated financial information and services, today announced its unaudited financial results for the second quarter and six months ended
June 30, 2013
.

2013 Second Quarter Financial Summary

- Net revenues were $7.6 million compared with $8.1 million for the second quarter of 2012, and $5.5 million for the first quarter of 2013;
- Gross profit was $5.2 million compared with $5.5 million for the second quarter of 2012;
- Net loss attributable to China Finance Online was $4.5 million.

2013 First Six Months Financial Summary

- Net revenues were $13.1 million compared with $17.2 million for the first six months of 2012;
- Gross profit was $8.8 million compared with $12.7 million for the first six months of 2012;
- Net loss attributable to China Finance Online was $8.9 million.

2013 Second Quarter Results

Net revenues for the second quarter of 2013 were $7.6 million compared with $8.1 million for the second quarter of 2012, but up from $5.5 million for the first quarter of 2013. The Company has re-categorized the components of its net revenues to better reflect the evolving nature of its business. Going forward, the Company's net revenues will be categorized under: (a) revenues from financial information and advisory business, which include subscription fees from individual customers and institutional customers; (b) revenues from financial services, which include brokerage-related revenues and our recently launched precious metal trading service; and (c) advertising revenues. During the second quarter of 2013, these three segments of business each contributed 32%, 43% and 22% of total revenues, respectively, compared with 69%, 16% and 15% for the second quarter in 2012.

Revenues from financial information and advisory business decreased 56.1% year-over-year to $2.5 million. The decrease was largely due to the Company's previously disclosed strategic business transition and the weak Chinese stock market. Revenues from financial services were $3.3 million compared with $1.3 million one year ago. Revenues from advertising increased 40.6% year-over-year to $1.7 million from $1.2 million in the second quarter of 2012.

Gross profit was $5.2 million compared with $5.5 million for the second quarter in 2012, but up from $3.6 million in the first quarter of

2013. Gross margin for the second quarter of 2013 was 67.9% compared with 68.5% for the second quarter of 2012, but up from 66.1% in the first quarter of 2013.

General and administrative ("G&A") expenses for the second quarter of 2013 were $3.2 million, or 41.5% of net revenues, compared with
$2.6 million
, or 32.1% of net revenues for the second quarter in 2012, and
$2.9 million
, or 52.7% of net revenues for the first quarter of 2013. The increase in G&A expenses in absolute value was mainly due to headcount-related expenses.

Sales and marketing expenses for the second quarter of 2013 were $4.5 million, or 59.6% of net revenues compared with
$3.3 million
, or 40.5% in the second quarter of 2012 and
$3.1 million
, or 56.7% in the first quarter of 2013. The increase in sales and marketing expenses in absolute value was mainly due to expenses associated with the Company's restructuring effects and new business initiatives.

Product development expenses for the second quarter of 2013 were $2.2 million, or 29.2% of net revenues, compared with
$2.7 million
, or 33.3% of net revenues for the same quarter in 2012, and
$2.2 million
, or 40.2% of net revenues in the first quarter of 2013. The Company expects to continue to invest in its data, product and technical capabilities to achieve the Company's long term strategic plan.

Total operating expenses for the second quarter of 2013 were $9.9 million, compared with $8.6 million
in the second quarter of 2012, and
$8.2 million
in the first quarter of 2013.

Net loss attributable to China Finance Online for the second quarter of 2013 was $4.5 million,

compared with a net loss of
$2.6 million
in the second quarter of 2012, and a net loss of
$4.3 million
in the first quarter of 2013. Both basic and diluted weighted average number of ordinary shares in the second quarter of 2013 was 109.0 million. Each ADS represented five ordinary shares of the Company.

As of June 30, 2013, total cash and cash equivalents were $29.8 million and short-term investments were $7.8
million
. Accounts receivable from the non-margin related business was
$8.5 million
while iSTAR Finance had margin-related accounts receivables of
$3.0 million
. iSTAR Finance continues to implement strict margin account screening and ongoing monitoring to ensure the safe return of capital. As a result of the Company's participation in the Langfang City real estate project, long-term investment was
$22.5 million
as of
June 30, 2013
compared with
$0.8 million
as of
December 31
, 2012.

The total shareholders' equity of China Finance Online Co. Limited's was $71.7 million as of Ju
ne 30
, 2013.

2013 First Six Months Results

Total net revenues for the first six months ended June 30, 2013 were $13.1 million compared with $17.2 million in the first six months last year. Gross profit for the first six months of 2013 was $8.8 million compared with $12.7 million in the same period last year. Gross margin was 67.2% for the first six months of 2013. Net loss attributable to the Company for the first six months of 2013 was $8.9 million.

Recent Developments

In August 2013, the Company launched "Yinglibao" – an internet-based financial platform that integrates cash management solutions and mutual fund distribution, for trial service. To users who maintain Yinglibao balances, the Company offers a money market rate of return on balances, which is higher than the current bank demand deposit rate. In addition, Yinglibao users now have the option of purchasing mutual fund products directly through their accounts. We expect Yinglibao to become the one-stop shop for investments over time.

"We are pleased to announce the launch of our internet financial platform Yinglibao, for trial service. In China, internet-based finance is gaining traction as more users realize the safety, convenience, and diversity of financial products available through online platforms. We see this as a good opportunity for us to develop an internet-based finance business through capitalizing on our internet capabilities," commented Mr. Zhiwei Zhao, Chairman and CEO of China Finance Online. "At the heart of our strategic transition, we continue to enhance our core internet capabilities and expand the influence of our financial media platforms. In a recent study conducted by the authoritative Internet Society of China, JRJ was awarded one of 'China's Top 100 Internet Sites' and ranked highest among vertically integrated financial websites in China."

"We are encouraged by early signs of turnaround in our business as our top line has started to recover. And as we seek to provide alternative investment opportunities to qualified clients in a continuously sluggish domestic stock market, the Company began providing precious metals trading services recently. We remain cautiously optimistic during the ongoing transition while striving to service our tremendous user base with new products and services," concluded Mr. Zhao.

Conference Call Information

The Company will host a conference call and a simultaneous webcast, on October 14, 2013 at

8:00 p.m. Eastern Time
/
October 15, 2013
8:00 a.m.
Beijing Time. Interested parties may participate in the conference call by dialing approximately five minutes before the call start time at U.S. +1-877-847-0047,
Hong Kong
+852-3006-8101,
Singapore
8008-523-396, or
China
800-876-5011, and the pass code for all regions is 700046.

A replay of the conference call will be available shortly after the conclusion of the event through
11:00 p.m. Eastern Time
on
October 21, 2013
(or
11:00 a.m.
Beijing Time on
October 22, 2013
). The dial-in details for the replay: U.S. +1-866-572-7808,
Hong Kong
+852-3012-8000,
Singapore
800-101-2157,
China
800-876-5013. Access code: 700046.

The conference call will be available as a live webcast and replay at: http://www.media-server.com/m/p/xu6yxhaw

About China Finance Online

China Finance Online Co. Limited is a technology-driven, user-focused market leader in China in providing vertically integrated financial information and services. The Company's two prominent flagship portal sites, www.jrj.com and www.stockstar.com , have attracted enormous population of individual investors. The Company offers basic software, information

services and securities investment advisory services to individual investors. Through its subsidiary, Genius, the Company provides financial database and analytics to institutional customers including domestic financial, research, academic and regulatory institutions. Leveraging on its robust internet capabilities and registered user base, China Finance Online is developing comprehensive financial services including securities and futures brokerage services in Hong Kong and precious metal trading services in
China
.

Safe Harbor Statement

This press release contains forward-looking statements. These statements constitute "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among other things, this release contains the following forward-looking statements regarding:

- our product upgrade and strategic transformation initiative;
- our prospect on the newly launched internet-based financial platform "Yinglibao";
- our prospect on the recently initiated precious metals trading services;
- our investment in the real estate project in Langfang City of Hebei Province;
- our prospect on stabilization in cash attrition and improvement of our financial position;
- our initiatives to address customers' demand for alternative investment opportunities; and
- the market prospect of the business of securities investment advisory and wealth management.

Such statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, which risks and uncertainties include, among others, the following:

- the changing customer needs, regulatory environment and market condition that we are subject to;
- the uneven condition of the world and Chinese economy that could lead to volatility in the equity markets and affect our operating results in the coming quarters;
- the impact of a poor performing Chinese stock market, Hong Kong stock market and global financial market on our future performance;

- the unpredictability of our strategic transformation and upgrade, including our new precious metal trading service;
- the degree to which our strategic collaborations with partners will yield successful outcome;
- the prospect for China's high-net-worth and middle-class households;
- the competition we are facing in the new business of securities investment advisory and wealth management, including cash management solutions and mutual fund distribution;
- the unpredictability of our investment in the real estate project in Langfang City of Hebei Province;
- wavering investor confidence that could impact our business; and
- possible non-cash goodwill, intangible assets and investment impairment may adversely affect our net income.

Further information regarding these and other risks is included in the Company's filings with the U.S. Securities and Exchange Commission, including its annual report on Form 20-F under "Forward-Looking Information" and "Risk Factors". The Company does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under applicable law.

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China Finance Online Co. Limited

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. dollars)

Jun. 30, 2013

Dec. 31, 2012

Assets

Current assets:

Cash and cash equivalents

29,790

40,906

Restricted cash

11

28,874

Trust bank balances held on behalf of customers

4,875

8,812

Accounts receivable, net - others

8,541

4,971

Accounts receivable, net - Margin clients

3,016

15,054

Loan receivable

602

1,206

Short-term investments

7,777

2,640

Prepaid expenses and other current assets

3,541

2,780

Advances to employees

-

1,056

Deferred tax assets, current

308

392

Total current assets

58,461

106,691

Long-term investments, net

22,453

802

Property and equipment, net

4,010

4,914

Acquired intangible assets, net

4,844

4,676

Rental deposits

782

752

Goodwill

3,102

3,049

Deferred tax assets, non-current

210

201

Other deposits

1,700

287

Total assets

95,562

121,372

Liabilities and equity

Current liabilities:

Deferred revenue, current (including deferred revenue, current of the consolidated variable interest entiti

5,855

7,551

Accrued expenses and other current liabilities (including accrued expenses and other current liabilities o

4,368

5,391

Short-term loan(including short-term loan of the consolidated variable interest entities without recourse t

-

13,546

Amount due to customers for trust bank balances held on behalf of customers(including amount due to c

4,875

8,812

Accounts payable (including accounts payable of the consolidated variable interest entities without recou

4,127

805

Deferred tax liability, current(including deferred tax liability, current of the consolidated variable interest e

162

140

Income taxes payable (including income taxes payable of the consolidated variable interest entities with

696

88

Total current liabilities

20,083

36,333

Deferred tax liability, non-current (including deferred tax liabilities, non-current of the consolidated variab

1,146

1,169

Deferred revenue, non-current (including deferred revenue, non-current of the consolidated variable inte

2,340

3,155

Total liabilities

23,569

40,657

Noncontrolling interests

253

751

Total China Finance Online Co. Limited Shareholders' equity

71,740

79,964

Total liabilities and equity

95,562

121,372

China Finance Online Co. Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of U.S. dollars, except share and ADS related data)

Three months ended

Six months ended

Jun. 30, 2013

Jun. 30, 2012

Mar. 31, 2013

Jun. 30, 2013

Jun. 30, 2012

Net revenues

7,591

8,100

5,504

13,095

17,209

Cost of revenues

(2,433)

(2,552)

(1,867)

(4,300)

(4,540)

Gross profit

5,158

5,548

3,637

8,795

12,669

Operating expenses

General and administrative(includes

share-based compensation expenses of $153,

$197,$177,$330 and $371, respectively)

(3,152)

(2,602)

(2,898)

(6,050)

(5,368)

Sales and marketing (includes share-based

compensation expenses of nil, $6, nil, nil

and $14, respectively)

(4,526)

(3,281)

(3,121)

(7,647)

(6,830)

Product development (includes share-based

compensation expenses of nil, $3, nil, nil

and $6, respectively)

(2,213)

(2,696)

(2,210)

(4,423)

(5,901)

Total operating expenses

(9,891)

(8,579)

(8,229)

(18,120)

(18,099)

Government subsidies

-

-

-

-

19

Loss from operations

(4,733)

(3,031)

(4,592)

(9,325)

(5,411)

Interest income

180

885

401

581

1,973

Interest expense

(24)

(206)

(37)

(61)

(330)

Investment gain (loss), net

(158)

184

119

(39)

362

Other income (loss), net

(28)

(21)

(129)

(157)

58

Exchange gain (loss), net

265

(131)

59

324

(106)

Loss before income tax expenses

(4,498)

(2,320)

(4,179)

(8,677)

(3,454)

Income tax expenses

(253)

(276)

(468)

(721)

(332)

Net loss

(4,751)

(2,596)

(4,647)

(9,398)

(3,786)

Less: Net income (loss) attributable to the noncontrolling interest

(213)

(14)

(331)

(544)

49

Net loss attributable to China Finance Online Co. Limited

(4,538)

(2,582)

(4,316)

(8,854)

(3,835)

Net loss

(4,751)

(2,596)

(4,647)

(9,398)

(3,786)

Changes in foreign currency translation adjustment

275

(200)

57

332

(140)

Net unrealized gain on available-for-sale securities, net of tax effects of $4, $9, nil,
$4 and $6, respectively

11

47

-

11

32

Other comprehensive income (loss), net of tax

286

(153)

57

343

(108)

Comprehensive loss

(4,465)

(2,749)

(4,590)

(9,055)

(3,894)

Less: comprehensive income (loss) attributable to noncontrolling interest

(213)

(14)

(331)

(544)

49

Comprehensive loss attributable to China Finance Online Co. Limited

(4,252)

(2,735)

(4,259)

(8,511)

(3,943)

Net loss per share attributable to China Finance Online Co. Limited

Basic

(0.04)

(0.02)

(0.04)

(0.08)

(0.04)

Diluted

(0.04)

(0.02)

(0.04)

(0.08)

(0.04)

Loss per ADS

Basic

(0.21)

(0.12)

(0.20)

(0.41)

(0.18)

Diluted

(0.21)

(0.12)

(0.20)

(0.41)

(0.18)

Weighted average ordinary shares

Basic

109,006,101

108,982,101

109,004,768

109,005,438

108,982,101

Diluted

109,006,101

108,982,101

109,004,768

109,005,438

108,982,101

Weighted average ADSs

Basic

21,801,220

21,796,420

21,800,954

21,801,088

21,796,420

Diluted

21,801,220

21,796,420

21,800,954

21,801,088

21,796,420

SOURCE China Finance Online Co., Ltd.

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