

SINA CORP
Form 10-Q
August 14, 2003

Table of Contents

**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 June 30, 2003

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 000-30698

SINA CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands
(State or other jurisdiction of
incorporation or organization)

52-2236363
(I.R.S. Employer
Identification Number)

**Room 1802, United Plaza
1468 Nan Jing Road West
Shanghai 200040, China
(86-21) 6289 5678**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Indicate by check mark 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 is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

The number of shares outstanding of the registrant's ordinary shares as of July 31, 2003 was 47,572,365.

TABLE OF CONTENTS

PART I UNAUDITED FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Item 4. Controls and procedures

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Item 2. Changes in Securities and Use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

SIGNATURE

EXHIBIT INDEX

EXHIBIT 4.1

EXHIBIT 4.2

EXHIBIT 4.3

EXHIBIT 10.1

EXHIBIT 10.2

EXHIBIT 10.3

EXHIBIT 31.1

EXHIBIT 31.2

EXHIBIT 32.1

EXHIBIT 32.2

Table of Contents**SINA CORPORATION****INDEX**

	Page no.
PART I.	UNAUDITED FINANCIAL INFORMATION
Item 1.	Condensed Consolidated Financial Statements
	Condensed Consolidated Balance Sheet at June 30, 2003 and December 31, 2002
	3
	Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2003 and 2002
	4
	Condensed Consolidated Statement of Shareholders' Equity for the six months ended June 30, 2003
	5
	Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2003 and 2002
	6
	Notes to Condensed Consolidated Financial Statements
	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	11
Item 3.	Quantitative and Qualitative Disclosure About Market Risk
	27
Item 4.	Controls and Procedures
	28
PART II.	OTHER INFORMATION
Item 1.	Legal Proceedings
	28
Item 2.	Changes in Securities and Use of Proceeds
	29
Item 3.	Defaults Upon Senior Securities
	29
Item 4.	Submission of Matters to a Vote of Security Holders
	29
Item 5.	Other Information
	29
Item 6.	Exhibits and Reports on Form 8-K
	29
	SIGNATURE
	30

Table of Contents

PART I UNAUDITED FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements**SINA CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEET**

	<u>June 30,</u>	<u>December 31,</u>
	<u>2003</u>	<u>2002</u>
	(unaudited)	(audited)
	(in U.S. dollars, in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 48,643	\$ 53,262
Short-term investments	48,288	43,474
Accounts receivable, net of allowances for doubtful accounts \$984,000 and \$1,579,000	12,428	5,847
Prepaid expenses and other current assets	4,423	2,323
	<u>113,782</u>	<u>104,906</u>
Total current assets	113,782	104,906
Investments in marketable securities	8,843	16,637
Property and equipment, net	8,386	7,599
Investments in joint ventures	2,377	
Intangible assets, net	1,399	993
Goodwill	18,091	
Other assets	100	344
	<u>152,978</u>	<u>130,479</u>
Total assets	\$ 152,978	\$ 130,479
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,574	\$ 1,345
Accrued liabilities	19,778	11,747
	<u>21,352</u>	<u>13,092</u>
Total current liabilities	21,352	13,092
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Ordinary Shares: \$0.133 par value; 75,000,000 shares authorized; 47,462,000 and 45,946,000 shares issued and outstanding	6,315	6,114
Additional paid-in capital	229,283	223,358
Ordinary shares subject to subsequent issuance: 560,000 shares	4,281	
Notes receivable from shareholders	(150)	(1,050)
Deferred stock compensation	(100)	(554)
Accumulated deficit	(103,980)	(114,477)
Accumulated other comprehensive (loss) income:		
Unrealized (loss) gain on investment in marketable securities	(4,021)	4,004
Cumulative translation adjustments	(2)	(8)
	<u>4,004</u>	<u>4,004</u>

Edgar Filing: SINA CORP - Form 10-Q

Total shareholders' equity	131,626	117,387
Total liabilities and shareholders' equity	\$ 152,978	\$ 130,479

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**SINA CORPORATION**

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(in U.S. dollars)
(unaudited, in thousands, except per share amounts)

	Three months ended		Six months ended	
	June 30		June 30	
	2003	2002	2003	2002
Net revenues:				
Advertising	\$ 9,495	\$ 5,833	\$ 16,793	\$ 10,834
Non-advertising	16,492	2,730	27,308	4,844
	25,987	8,563	44,101	15,678
Cost of revenues:				
Advertising	3,239	2,690	6,065	5,443
Non-advertising	4,855	830	8,122	1,464
Stock-based compensation	12	29	26	60
	8,106	3,549	14,213	6,967
Gross profit	17,881	5,014	29,888	8,711
Operating expenses:				
Sales and marketing	5,086	2,890	9,540	5,962
Product development	1,407	1,587	2,828	3,161
General and administrative	3,091	2,233	5,207	4,416
Stock-based compensation*	198	473	428	993
Amortization of intangible assets	414		919	1,687
Write-off of intangible assets	903		903	
	11,099	7,183	19,825	16,219
Income (loss) from operations	6,782	(2,169)	10,063	(7,508)
Interest income	655	717	1,056	1,785
	7,437	(1,452)	11,119	(5,723)
Loss on equity investments	(316)	(442)	(622)	(142)
Net income (loss)	\$ 7,121	\$ (1,894)	\$ 10,497	\$ (5,865)
Basic net income (loss) per share	\$ 0.15	\$ (0.04)	\$ 0.22	\$ (0.13)
Shares used in computing basic net income (loss) per share	47,661	45,579	47,217	45,534
Diluted net income (loss) per share	\$ 0.14	\$ (0.04)	\$ 0.20	\$ (0.13)
Shares used in computing diluted net income (loss) per share	51,971	45,579	51,529	45,534

Edgar Filing: SINA CORP - Form 10-Q

*Stock-based compensation was related to the operating expense categories as follows:

Sales and marketing	\$ 6	\$ 14	\$ 13	\$ 30
Product development	64	151	138	318
General and administrative	128	308	277	645
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 198	\$ 473	\$ 428	\$ 993
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**SINA CORPORATION**

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY
(in U.S. dollars)
(unaudited, in thousands)

	Ordinary Shares		Additional Paid-in Capital	Ordinary Shares Subject to	Notes	Deferred Stock Compensation	Accumulated Deficit	Others	Total	
	Shares	Amount		Subsequent Issuance	Receivable from Shareholders				Shareholders Equity	Comprehensive Income
Balances at December 31, 2002	45,946	\$ 6,114	\$ 223,358	\$	\$ (1,050)	\$ (554)	\$ (114,477)	\$ 3,996	\$ 117,387	
Issuance of ordinary shares pursuant to stock plans, net of repurchases	956	126	1,719						1,845	
Repayments of notes receivable from shareholders					900				900	
Amortization of deferred stock-based compensation						454			454	
Business acquisition	560	75	4,206	4,281					8,562	
Comprehensive income:										
Net income							10,497		10,497	\$ 10,497
Unrealized loss on investments in marketable securities								(8,025)	(8,025)	\$ (8,025)
Currency translation adjustments								6	6	6
Comprehensive income										\$ 2,478
Balances at June 30, 2003	47,462	\$ 6,315	\$ 229,283	\$ 4,281	\$ (150)	\$ (100)	\$ (103,980)	\$ (4,023)	\$ 131,626	

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

SINA CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in U.S. dollars)
(unaudited, in thousands)

Six months ended June 30,

2003	2002
-------------	-------------

Cash flows from operating activities: