

SINA CORP
Form 10-Q
May 15, 2003

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 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

Indicated by check mark whether the registrant is an accelerated filer. Yes No

The number of shares outstanding of the registrant's ordinary shares as of April 30, 2003 was 46,961,501.

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PART I UNAUDITED FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements**SINA CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEET**
(in U.S. dollars, in thousands)

	<u>March 31,</u>	<u>December 31,</u>
	<u>2003</u>	<u>2002</u>
	(Unaudited)	(Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 38,353	\$ 53,262
Short-term investments	51,349	43,474
Accounts receivable, net	10,701	5,847
Prepaid expenses and other current assets	2,604	2,323
	<u>103,007</u>	<u>104,906</u>
Total current assets	103,007	104,906
Investments in marketable securities	14,043	16,637
Property and equipment, net	7,511	7,599
Investments in joint ventures	2,693	
Intangible assets, net	2,716	993
Goodwill	18,091	
Other assets	108	344
	<u>148,169</u>	<u>130,479</u>
Total assets	\$ 148,169	\$ 130,479
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,503	\$ 1,345
Accrued liabilities	17,504	11,747
	<u>19,007</u>	<u>13,092</u>
Total current liabilities	19,007	13,092
Deferred cash consideration	\$ 1,313	\$
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Ordinary Shares: \$0.133 par value; 75,000 shares authorized; 46,758 and 45,946 shares issued and outstanding	6,222	6,114
Additional paid-in capital	227,928	223,358
Ordinary shares subject to subsequent issuance: 560 shares	4,281	
Notes receivable from shareholders	(750)	(1,050)
Deferred stock compensation	(310)	(554)
Accumulated deficit	(111,101)	(114,477)
Accumulated other comprehensive income:		
Unrealized gain on investment in marketable securities	1,589	4,004
Cumulative translation adjustments	(10)	(8)
	<u>1,579</u>	<u>3,996</u>

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Total shareholders' equity	<u>127,849</u>	<u>117,387</u>
Total liabilities and shareholders' equity	<u>\$ 148,169</u>	<u>\$ 130,479</u>

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

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

	Three Months Ended	
	March 31	
	2003	2002
Net revenues:		
Advertising	\$ 7,298	\$ 5,001
Non-advertising	10,816	2,114
	<u>18,114</u>	<u>7,115</u>
Cost of revenues:		
Advertising	2,826	2,753
Non-advertising	3,267	634
Stock-based compensation	14	31
	<u>6,107</u>	<u>3,418</u>
Gross profit	<u>12,007</u>	<u>3,697</u>
Operating expenses:		
Sales and marketing	4,454	3,072
Product development	1,421	1,574
General and administrative	2,116	2,183
Stock-based compensation*	230	520
Amortization of intangible assets	505	1,687
	<u>8,726</u>	<u>9,036</u>
Income (loss) from operations	3,281	(5,339)
Interest income	401	1,068
	<u>3,682</u>	<u>(4,271)</u>
(Loss) gain on equity investments	(306)	300
Net income (loss) attributable to ordinary shareholders	<u>\$ 3,376</u>	<u>\$ (3,971)</u>
Basic net income (loss) per share	<u>\$ 0.07</u>	<u>\$ (0.09)</u>
Shares used in computing basic net income (loss) per share	<u>46,774</u>	<u>45,488</u>
Diluted net income (loss) per share	<u>\$ 0.07</u>	<u>\$ (0.09)</u>
Shares used in computing diluted net income (loss) per share	50,844	45,488

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*Stock-based compensation was related to the operating expense categories as follows:		
Sales and marketing	\$ 7	\$ 16
Product development	74	167
General and administrative	149	337
	<u>230</u>	<u>520</u>
	\$ 230	\$ 520

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

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

	Ordinary Shares		Additional Paid-in Capital	Ordinary Shares Subject to Subsequent Issuance	Notes Receivable from Shareholders
	Shares	Amount			
(In U.S. dollars, in thousands)					
Balances at December 31, 2002	45,946	\$ 6,114	\$ 223,358	\$	\$(1,050)
Issuance of Ordinary Shares pursuant to stock plans, net of repurchases	252	33	364		
Repayments of notes receivable from shareholders					300
Amortization of deferred stock-based compensation				4,281	
Business acquisition	560	75	4,206	4,281	
Comprehensive income:					
Net income					
Unrealized loss on investments in marketable securities					
Currency translation adjustments					
Comprehensive income					
Balances at March 31, 2003	46,758	\$ 6,222	\$ 227,928	\$ 4,281	\$ (750)

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Deferred Stock Compensation	Accumulated Deficit	Others	Total	
				Shareholders Equity	Comprehensive Income
(In U.S. dollars, in thousands)					
Balances at December 31, 2002	\$(554)	\$(114,477)	\$ 3,996	\$ 117,387	
Issuance of Ordinary Shares pursuant to stock plans, net of repurchases				397	
Repayments of notes receivable from shareholders				300	
Amortization of deferred stock-based compensation	244			244	
Business acquisition				8,562	
Comprehensive income:					
Net income		3,376		3,376	\$ 3,376
Unrealized loss on investments in marketable securities			(2,415)	(2,415)	\$(2,415)
Currency translation adjustments			(2)	(2)	(2)

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Comprehensive income					\$ 959
Balances at March 31, 2003	\$ (310)	\$ (111,101)	\$ 1,579	\$ 127,849	

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

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(unaudited, in thousands)

	Three Months Ended March 31,	
	2003	2002
Cash flows from operating activities:		
Net income (loss)	\$ 3,376	\$ (3,971)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Loss (gain) on equity investments	306	(300)
Loss on disposal of fixed assets	3	244
Depreciation	1,268	1,301
Stock-based compensation	244	551
Amortization of intangible assets	505	1,687
Changes in assets and liabilities (net of effect of acquisition):		
Accounts receivable, net	(1,909)	(1,052)
Prepaid expenses and other current assets	(192)	(499)
Other assets	55	(149)
Accounts payable	(436)	(32)
Accrued liabilities	531	39
	<u>3,751</u>	<u>(2,181)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(921)	(86)
Cash paid for business acquisition, net of cash acquired	(7,922)	
Investments in joint ventures	(2,818)	
Acquisition of long-term investment		(154)
(Purchase) sales of short-term investments	(7,696)	5,846
	<u>(19,357)</u>	<u>5,606</u>
Cash flows from financing activities:		
Proceeds from issuance of Ordinary Shares, net	397	8
Repayments of notes receivable from shareholders	300	
	<u>697</u>	<u>8</u>
Net (decrease) increase in cash and cash equivalents	(14,909)	3,433
Cash and cash equivalents at the beginning of the period	53,262	23,187
	<u>\$ 38,353</u>	<u>\$ 26,620</u>