

SINA CORP
Form 10-K
March 01, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-K

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

For the Fiscal Year Ended December 31, 2006

OR

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

**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)*

N/A
(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)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

**Ordinary Share, \$0.133 par value
Ordinary Share Purchase Rights**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes or No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes or No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$902,285,443.72 as of June 30, 2006, based upon the closing sale price for our ordinary shares as quoted by the NASDAQ Global Select Market reported for such date. Ordinary shares held by each officer and director and by each person known to the registrant (based on information provided by such persons and/or the most recent schedule 13D S or 13G s as filed by such persons) to beneficially own 5% or more of the outstanding ordinary shares have been excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 23, 2007, there were 54,538,680 shares of the registrant s ordinary shares outstanding, \$0.133 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Part III (Items 10-14) incorporate information by reference from an amendment to this annual report on Form 10-K/A to be filed within 120 days after the end of the fiscal year covered by this annual report on Form 10-K.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, anticipate, believe, estimate, predict, potential or continue, the or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations.

Readers are also urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the factors which affect our business, including without limitation the disclosures made under the caption Management's Discussion and Analysis of Financial Condition and Results of Operations and under the caption Risk Factors included herein.

Foreign Private Issuer Status

The Company issued a press release on February 7, 2007 (furnished as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on February 7, 2007) announcing that, effective immediately, it will file reports and make other filings under the Securities Exchange Act of 1934, as amended, and the Securities Act of 1933, as amended, in accordance with the requirements of the Securities and Exchange Commission applicable to a foreign private issuer, as defined in Rule 405 under the Securities Act of 1933, as amended. As a result, after the completion of filings related to fiscal 2006, which include this Annual Report on Form 10-K and amendment hereto on Form 10-K/A, the Company will no longer file its periodic reports with the Securities and Exchange Commission on Form 10-K and Form 10-Q or current reports on Form 8-K. Instead, the Company will file its future annual reports, beginning with the report for the fiscal year ending December 31, 2007, on Form 20-F, and current reports on Form 6-K, which forms are applicable to foreign private issuers.

PART I

Item 1: Business

Overview

SINA Corporation (SINA, we or the Company) is an online media company and value-added information service provider in the People's Republic of China (the PRC or China) and the global Chinese communities. With a branded network of localized web sites targeting Greater China and overseas Chinese, the Company provides services through five major business lines including SINA.com (online news and content), SINA Mobile (mobile value-added services or MVAS), SINA Community (Web 2.0-based services and games), SINA.net (search and enterprise services) and SINA E-Commerce (online shopping). Together these business lines provide an array of services including region-focused online portals, MVAS, search and directory, interest-based and community-building channels, free and premium email, blog services, audio and video streaming, online games, classified listings, fee-based services, e-commerce and enterprise e-solutions. The Company generates the majority of its revenues from online advertising and MVAS offerings, and, to a lesser extent, from search and other fee-based services.

The Company was founded in March 1999 through the merger of Beijing SINA Information Technology Co. Ltd. and California-based SINANET.com. In April 2000, the Company completed its initial public offering and was listed on the NASDAQ market. Incorporated in the Cayman Islands, SINA is headquartered in Shanghai, China and has offices in seven cities and a network of four web sites around the world.

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SINA offers distinct and targeted content on each of its region-specific web sites and a range of complementary offerings designed to broaden its user base and increase user traffic. Through its efforts, the Company has established large scale and audience reach and has built a leading position in the online media market in China. As of December 31, 2006, SINA had over 200 million registered users worldwide. The Company aims to become the media platform of choice for Internet users to research and retrieve information and for businesses to market and promote their products. SINA offers a range of complementary offerings, all centered on its core content business that are intended to enhance the attractiveness of its portal business and strengthen its reach in the community.

In 2006, the Company under new leadership re-positioned some of its business segments in an effort to better align its corporate strategies and objectives. Community-based products and services such as Blog and BBS, previously housed under SINA Online, have been re-organized under SINA Community.

Also in 2006, the Company released additional online content and product offerings. SINA provided coverage of the 2006 FIFA World Cup, which attracted the highest page view for this event among its peers in China. The Company established new content partnerships, such as obtaining content rights for several major European football teams, as well as launched new products across its major business segments. In the Web 2.0 space, the Company introduced SINA Video and SINA Podcast. In the mobile area, Mobile Search, Mobile Blog and Mobile Video were launched.

Market Opportunity

SINA's primary focus is the China market. The success of its business is tied to the size and vitality of China's economy. In a preliminary study published by the Chinese National Bureau of Statistics, China's gross domestic product (GDP) reached \$2.7 trillion in 2006, representing a 10.7% year-on-year growth rate. There were 137 million Internet users in China according to the latest survey by China Internet Network Information Center (CNNIC) and there were 461 million mobile phone users in China according to a February 2006 Report issued by China's Ministry of Information Industry. The large user base makes China an attractive market for the Company to expand its product offerings and to grow its revenue streams.

According to the latest survey by CNNIC, China has 90.7 million broadband users. The large broadband adoption creates opportunity for the online industry, in particular in the areas of audio and video-based products and services for Internet users and in the area of rich media and video advertising. With the Chinese government expected to issue 3G wireless licenses in the near future, the 3G mobile network may open China's online gateway to its mobile user, which may create additional business opportunities for SINA.

Properties and Product Offerings

SINA provides services through five major business lines, including SINA.com, SINA Mobile, SINA Community, SINA.net and SINA E-Commerce, which are categorized into two business segments—advertising and non-advertising. The following table presents an overview of the Company's revenue reporting structure as well as its vertical properties and services:

Revenue	Advertising (online advertising)				
Classification	Non-advertising (MVAS, search, and other fee-based services)				
Properties and Services	SINA.com	SINA Mobile	SINA Community	SINA.net	SINA E-Commerce
	<ul style="list-style-type: none"> o News and online vertical content o Online advertising 	<ul style="list-style-type: none"> o SMS o IVR o MMS o WAP o CRBT o KJAVA 	<ul style="list-style-type: none"> o Blog o Casual games o Email o Podcasting 	<ul style="list-style-type: none"> o Enterprise solutions o Search 	<ul style="list-style-type: none"> o Online shopping

Table of Contents***SINA.com***

SINA is an online brand advertising property in China. SINA employs a multi-pronged sales strategy that targets both short-term revenue opportunities such as banner advertising campaigns, as well as longer-term, higher-value contracts that include integrated marketing packages. The Company's advertising product offerings consist of banner, button, text-link advertisements that appear on pages within the SINA network, promotional sponsorships that are typically event-specific and advertising campaign design and management services.

The Company's primary target client base for advertising and sponsorships consists of global corporations doing business in Greater China and domestic companies in each of the regions SINA operates in, to which the Company sells from both its corporate and regional headquarters. Global corporations are typically Fortune 500 and Fortune 1000 companies that employ a global approach to their branding, marketing and communications programs. Regional companies consist of medium to large companies that are focused on specific geographic and demographic markets, such as Chinese Americans or Taiwanese, and smaller companies whose markets are within a local territory, such as Beijing or Hong Kong. A partial list of advertising clients include: Lenovo, Nike, China Mobile Communication Corporation (China Mobile), China Unicom Co., Ltd. (China Unicom), Hewlett Packard, eBay Inc. (eBay), Honda Motors, Shanghai Volkswagen, Samsung and TCL. For the fourth calendar quarter of 2006, SINA had approximately 695 advertisers from all regions of its operations. The real estate, information technology and automobile sectors represented over half of total online advertising dollars in 2006.

SINA's portal network consists of four destination web sites dedicated to its users across the globe: Mainland China (www.sina.com.cn), Taiwan (www.sina.com.tw), Hong Kong (www.sina.com.hk), and overseas Chinese in North America (www.sina.com). Each destination site consists of Chinese-language news and content organized into interest based channels. The sites offer extensive community and communication services and sophisticated web navigation capability through SINA search and directory services.

SINA.com offers a variety of free interest-based channels that provide region-focused format and content. The most popular channels include:

SINA News. SINA News aggregates feeds from news providers, bringing together content from media companies such as China National Radio, Agence France-Presse (AFP), Associated Press, Nanfang Daily, Beijing Zhongxin Net, and Xinhua News Agency. Through SINA News, users have access to breaking news coverage from multiple sources and points of view.

SINA Sports. SINA Sports offers multimedia news and information on a wide range of sporting events from home and abroad. SINA Sports features domestic and international soccer matches, NBA games, general sports as well as exciting coverage of famous sports stars and teams in the world.

SINA Entertainment. SINA Entertainment contains extensive coverage of local and international entertainment news and events, including dining, movies, television programs, plays, operas, as well as popular and classical music.

SINA Auto. SINA Auto offers the latest automobile-related news and service information to provide car buyers and automobile enthusiasts with the most current information on automotive pricing, reviews and featured guides.

SINA Finance. SINA Finance provides business news coverage and personal finance columns. SINA Finance also offers stock quotes from the U.S., Shanghai, Shenzhen, Hong Kong and Taiwan stock exchanges, as well as breaking news from individual listed companies and market trends analysis.

SINA Real Estate. SINA Real Estate provides the latest news, pricing and availability of new, used and rental housing. It also features interactive electronic maps, discussion forums and how-to guides for buyers, sellers and owners of properties on topics ranging from home buying, selling, furnishing and repairing.

SINA Technology. SINA Technology provides updates on recent activities of high-tech corporations and technology trends, while offering product reviews and software downloads.

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SINA Game. SINA Game provides news and updates on popular online and PC games, as well as game hardware and accessories in China. SINA Game also provides downloads and entry points for users to popular online games in China.

SINA Eladies. SINA Eladies serves as an interactive platform for fashion-conscious users to share comments and ideas on a range of topics, such as health, cosmetics and beauty. SINA Eladies also provides real-time coverage of major world fashion events, bringing users the latest on styles and trends.

SINA Video. SINA Video is an interactive online video platform that provides the latest, high-quality and easy-to-use interactive video products. SINA Video is divided into branded sections, including Broadband Sports Live Broadcast, VIP Chat, SINA TV, DV Craze, Entertainment Shows, Movie Premieres and Best Original Creations.

SINA WAP. As a Chinese wireless application protocol portal, SINA WAP offers a world of free information and entertainment. Users can access the very latest information around the world via their mobile phones.

SINA Mobile

SINA's MVAS, launched in April 2002, allows users to receive news and information, download ring tones and pictures, and participate in dating and friendship communities. Users can order these services through the SINA web site or through their mobile phones on a monthly subscription or pay per-message basis. SINA offers MVAS through a wide range of products from content downloading, subscription to dating services and mobile games, on multiple platforms such as short messaging service (SMS), multimedia messaging service (MMS), wireless application protocol (WAP), interactive voice response system (IVR), color ring back tone (CRBT) and KJAVA/BREW.

SINA's competitive advantage in MVAS comes from its online and offline marketing channels. As a leading online media company in China, SINA leverages its large number of unique users and online content portfolio. Offline, SINA has a large local sales team that covers the majority of the provinces and municipalities in China as well as a significant presence in local TV, radio and print advertising. SINA has established content partnerships with certain international record label companies to provide image and music downloads. SINA Mobile provides MVAS mainly through operator platforms, including the Monternet platform of China Mobile and the UNI-Info platform of China Unicom. SINA also works closely with provincial mobile operators to jointly promote its MVAS offerings.

SINA's MVAS can be categorized into three main categories: news and information, community, and multimedia downloads:

News and Information

- o Headline news
- o Financial news
- o Technology news
- o Sports news
- o Weather forecast
- o Jokes

Community

- o Dating and friendship
- o Games and quizzes
- o Educational products

Multimedia Downloads

- o Ring tones
- o Logos and pictures
- o Screen savers

SINA provides its MVAS mainly through the following product lines:

SINA SMS. As many mobile phones are able to display and send text in Chinese, SINA developed a suite of short messaging services that includes user-customized information subscription, personal greetings, customized mobile phone screen decoration, personalized ring tones, mobile dating service and mobile games.

SINA MMS. Using general packet radio service (GPRS) technology, MMS enables users to download color pictures and sophisticated ring tones, as well as to transmit more data per message. SINA MMS' multimedia functionalities enable content and information exchanges in the form of text, graphics, audio and data.

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SINA IVR. IVR (Interactive Voice Response) refers to all voice activated information retrieval services. Users can obtain information via their mobile phones by dialing a list of fixed numbers and following a set of pre-recorded messages. Sample services include weather forecasting and data searching. IVR offers applications in the areas of interactive games and professional products.

SINA WAP. SINA's WAP services use GPRS technology to provide users with color pictures and graphics, sophisticated ring tones, news, chatting and dating, games and entertainment.

SINA CRBT. CRBT refers to the ring tone heard by the callers prior to the call being answered. SINA's CRBT service gives mobile phone users the option to customize their ring back tone based on popular songs and special sound effects.

SINA KJAVA/BREW. SINA KJAVA/BREW provides graphic and animated MVAS products on China Mobile's K-Java mobile platform. SINA KJAVA/BREW covers a full range of services including mobile phone games, animation and videos, portable tools and news updates.

SINA Community

SINA Community aims at providing a user-generated platform for information and entertainment and promoting the community experience for SINA netizens.

SINA Blog. Launched in 2005, SINA Blog has quickly become a popular platform for Chinese bloggers to read and publish original writings. Building on SINA's brand prestige and large user traffic, SINA Blog generates over 100 millions of page views daily and represents a destination for celebrities to maintain a direct dialog with their fans.

SINA Podcast. SINA Podcast, launched in December 2006, allows users to upload, publish and manage their audio-visual information in addition to the basic text and image transfer provided by SINA Blog. SINA Podcast serves as a personal multimedia platform for users to create their individual online portals.

SINA Mail. Established in 1999, SINA Mail services include Free Email, VIP Mail and Corporate Email for enterprise users. SINA Mail supports both POP3 and SMTP access and provides users with year-round anti-spam and anti-virus protection.

SINA Circle. SINA Circle allows users to form communities on the web. Launched in November 2006, SINA Circle builds on existing SINA Community services, such as SINA Blog, to create user-maintained and supported online communities.

SINA BBS. SINA BBS hosts topic-specific discussion forums in Chinese language.

SINA Post-it. As part of SINA's classified ad service, SINA Post-it was launched in 2005 to allow free posting of advertisements for individual and enterprise users. SINA's proprietary classified search technology allows users to find data and information.

SINA.net

SINA.net serves as an enterprise solutions platform to assist businesses and government bodies to more effectively engage, communicate and transact with their target audiences via the Internet. SINA.net provides businesses and government bodies with e-marketing and e-government solutions including search, corporate email, classified information, e-commerce and city portals.

Search and Listings. SINA's listing properties include a search engine, a directory and classified information. SINA's search engine and directory provide an online guide to web navigation and a gateway to the vertical offerings on the SINA network. Users can either browse the directory listings by subject matter or use SINA Search, a keyword search function that scans the contents of the entire directory. For browser-driven inquiries, SINA's

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directory results include Sponsored Sites, a SINA-created fee-based program that allows commercial sites to receive enhanced placement in the directory. For keyword-search-driven inquiries, its search results also include SINA Sponsor matches, site listings with enhanced placement in search results that are bought by businesses or organizations.

SINA iAsk. SINA iAsk offers knowledge-based and community-based search in addition to the standard web-based search. As an intelligent interactive search engine with natural language processing technology, SINA iAsk categorizes search subjects into areas of web pages, news, pictures, music, knowledge, and video. SINA iAsk offers an interactive Q&A platform and personalized features such as search by local content (maps, entertainment and travel).

SINA E-Commerce

SINA currently offers SINAMall (<http://mall.sina.com.cn>), an online shopping web site, on its Chinese Mainland and North America web sites. Based on SINA's proprietary technology platform, SINAMall enables both international and local companies to transact business.

Additional information on segment reporting is incorporated herein by reference to Note 14 - Segment Information of the Notes to the Consolidated Financial Statements, which appears in Item 8 of this Annual Report on Form 10-K.

Strategic Relationships

SINA has developed strategic relationships with a range of content, service, application and distribution partners in order to serve users more effectively and to extend its brand and services to a broader audience.

Content Partnerships

The goal of SINA's content partnerships is to provide its users with a large offering of Chinese-language content. SINA contracts with content partners to display their content on one or more of its web sites free of charge or in exchange for a share of revenue, a licensing fee, and access to SINA-generated content or a combination of these arrangements. Some of SINA's leading content providers include Xinhua News Agency, China National Radio, AFP, Associated Press, Nanfang Daily Group and Beijing Zhongxin Net. For its mobile content, SINA has established content partnerships with certain international record label companies to provide image and music downloads.

Application and Service Partnership

The goal of SINA's application and service partnerships is to ensure that its users have access to user-friendly, reliable and scalable communication and search tools. Because many of the Company's prospective partners have traditionally focused on non-Chinese speaking markets, SINA's internal engineering and development teams often work closely with them to localize their solutions for the Chinese-language market.

Table of Contents**Technology Infrastructure**

SINA's operating infrastructure is designed to deliver hundreds of millions of page views per day to its users. This scalable infrastructure allows SINA's users to access its products and services, regardless of their geographical location. SINA's infrastructure is also designed to provide high-speed access by forwarding queries to its web hosting sites with greater resources or lower loads. The Company's web pages are generated, served and cached by servers hosted at various co-location web hosting sites in China, U.S., Taiwan and Hong Kong.

SINA's servers run on Linux, FreeBSD, Solaris and Windows platforms using Apache and IIS servers. These servers are primarily maintained at China Telecommunications Corporation and China Network Communications Group Corporation in Beijing and Tianjin, China, TNN in Taipei, Taiwan, X.O. Communication in Fremont, California, as well as iAdvantage and Wharf T&T in Hong Kong. The Company believes that these hosting partners provide operating advantages, including an enhanced ability to protect their systems from power loss, break-ins and other potential external causes of service interruption. They provide continuous customer service, multiple connections to the Internet and a continuous power supply to their systems. In addition, SINA conducts online monitoring of all its systems for accessibility, load, system resources, network-server intrusion and timeliness of content. SINA's mobile applications in China leverage the aforementioned web operation resources by utilizing the wireless infrastructure of China Mobile and China Unicom to provide MVAS to SINA's users.

Seasonality

The Company experiences seasonality in its online advertising business. Traditionally, in the China market, the fourth calendar quarter represents the best season for general advertising markets. This is followed by the third and second calendar quarters. The first calendar quarter is usually the worst season in China due to the Chinese New Year. There is little seasonality in the Company's MVAS and other offerings.

Competition

SINA operates in the market of online content and services for the global Chinese community. The industry can be classified as highly competitive and rapidly changing due to the fast growing market.

Portals

Other online content/services companies, such as Baidu.com, Inc. (Baidu), Tencent Holdings Limited (QQ), Netease.com, Inc. (Netease), Sohu.com Inc. (Sohu) and TOM Online Inc. (TOM Online), compete with SINA for user traffic, advertising revenue, e-commerce transactions, MVAS and other fee-based services. Industry consolidation, may occur as the market for the Internet in China matures, which could result in increased competition.

Vertical Players

As SINA expands its product offerings into areas such as video, search, instant messaging, blog and WAP portal, it faces increasing competition from companies that are focused in the same spaces. In instant messaging, SINA faces competition from the likes of QQ and Microsoft Corporation's MSN. In video content areas, SINA competes with domestic companies such as Yogoo, 6rooms, Ku6, and 5Shows. In Blog, SINA's key competitors include Baidu, QQ and Sohu and private companies, such as Hexun, BlogCN, Bokee and ChinaBlog in China. Similarly, Yahoo!/Alibaba, Baidu, Google, Inc. (Google) and others are competitors in the growing online search market in China. On the mobile side, the Company competes with service providers such as Kongzhong, Linktone, Hurray and TOM Online that specialize in MVAS. In the WAP portal space, key competitors include QQ, Kongzhong and Shanghai 3G Electronic Engineering Company Ltd. (Shanghai 3G). As SINA continues to broaden its range of product offerings, it expects increasing competition from these established players and possibly less well-known players in the coming years. Many of these competitors have greater financial resources and better brand recognition in their respective verticals. In addition, certain companies, especially early-stage venture-backed start-ups may be willing to compete for market share at the expense of generating revenues.

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The Company also faces competition from international Internet companies such as Yahoo! Inc. (Yahoo!), Microsoft Corporation (Microsoft), eBay and Google. With the gradual opening of the telecommunication sector resulting from China's entry into the World Trade Organization, the Company expects an increasing number of international portals and Internet companies to enter the Chinese online media industry. These companies may have greater brand recognition, financial resources and longer operating histories than we have.

Traditional Media

SINA also competes for advertisers with traditional media companies, such as newspapers, television networks and radio stations that have a longer history of use and greater acceptance among advertisers. In addition, providers of Chinese language Internet tools and services may be acquired by, receive investments from, or enter into other commercial relationships with large, well-established and well-financed Internet, media or other companies.

SINA's ability to compete successfully depends on many factors, including the quality of its content, the breadth, depth and ease of use of its services, its sales and marketing efforts, and the performance of its technology. See also

The markets for MVAS and Internet services are highly competitive, and we may be unable to compete successfully against new entrants and established industry competitors, some of which have greater financial resources than we do or currently enjoy a superior market position than we do under the Risk Factors section.

Intellectual Property and Proprietary Rights

We rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. Monitoring unauthorized use of our products is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriations of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

In addition, third parties may initiate litigation against us alleging infringement of their proprietary rights. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be harmed. In addition, even if we are able to license the infringed or similar technology, license fees could be substantial and may adversely affect our results of operations. See We may not be able to adequately protect our intellectual property, which could cause us to be less competitive and We may be exposed to infringement claims by third parties, which, if successful, could cause us to pay significant damage awards under the Risk Factors section.

Government Regulation and Legal Uncertainties

The following description of PRC laws and regulations is based upon the opinions of Lawyers from Jun He Law Offices, our PRC counsel. For a description of legal risks relating to our ownership structure and business, see Risk Factors.

Overview

The Chinese government has enacted an extensive regulatory scheme governing the operation of business with respect to the Internet, such as telecommunications, Internet information services, international connections to computer information networks, information security and censorship and administrative protection of copyright. Besides the Ministry of Information Industry (MII), the various services of the PRC Internet industry are also regulated by various other governmental authorities, such as the State Administration for Industry and Commerce (SAIC), the State Council Information Office (SCIO), the General Administration for Press and Publication (GAPP) (formerly the State Press and Publications Administration (SPPA)), the State Administration of Radio, Film and Television (SARFT), the Ministry of Education (MOE), the Ministry of Culture (MCPRC), the Ministry of Health (MOH), and the Ministry of Public Security.

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Among all the regulations, the *Telecommunications Regulations of the People's Republic of China*, or Telecom Regulations, promulgated on September 25, 2000, is the primary governing law. Telecom Regulations set out the general framework under which domestic Chinese companies such as SINA's subsidiaries may engage in various types of telecommunications services in the PRC. They reiterate the long-standing principle that telecommunications service providers need to obtain operating licenses as a mandatory precondition to begin operation. The Telecom Regulations differentiate the telecommunications services into basic telecommunications services and value-added telecommunications services. Value-added telecommunications services are defined as telecommunications and information services provided through public networks. The Catalogue of Telecommunications Business, an attachment to the Telecom Regulations and updated by MII's Notice on Adjusting the Catalogue of Telecommunications Business of April 1, 2003, categorizes various types of telecommunications and telecommunications-related activities into basic or value-added services.

On December 20, 2001, after China's formal entry into the WTO, the PRC State Council promulgated the *Regulations for the Administration of Foreign-Invested Telecommunications Enterprises*, or the FITE Regulations, which became effective on January 1, 2002. The FITE Regulations stipulate that foreign-invested telecommunications enterprises, or FITEs, may undertake operations in basic telecom services and value-added telecom services. Currently, the foreign party to a value-added FITE may hold up to 50% of the equity, with no geographic restrictions on its operations. Before that, foreign investors were prohibited from investing in Internet content services. The PRC government has not made any further commitment to loosen the regulation on FITEs.

According to the *Measures for the Administration of Internet Information Services* described below, an enterprise must obtain a Value-added Telecommunication Services Operating License in the first place to conduct Internet content service businesses. When the Internet content involves areas of news, education, medicine, health, pharmaceuticals and medical equipment, which are regulated by MCPRC, MOE, MOH and other governmental authorities, respectively, the enterprise must also obtain permission from responsible national authorities.

PRC Corporate Structure

Below are material wholly-owned subsidiaries held by SINA in China:

Beijing SINA Information Technology Co. Ltd. (BSIT)

Star-Village.com (Beijing) Internet Technology Limited

Beijing New Media Information Technology Co. Ltd.

Beijing SINA Internet Technology Service Co. Ltd.

Sina.com Technology (China) Co. Ltd.

Fayco Network Technology Development (Shenzhen) Co. Ltd.

In compliance with PRC's foreign investment restrictions on Internet information services and other laws and regulations, we conduct all our Internet information services, advertising and MVAS in China via the following significant domestic Variable Interest Entities (VIEs):

Beijing SINA Internet Information Service Co., Ltd. (the ICP Company), a China company controlled through business agreement. The ICP Company is responsible for operating www.sina.com.cn in connection with its Internet content company license, selling the advertisements to advertisers and providing MVAS in China via third party mobile operators to the users. It is 1.5% owned by Yan Wang, the Company's Vice Chairperson, and 98.5% owned by five other non-executive PRC employees of the Company. The registered capital of the ICP Company is \$2.5 million.

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Guangdong SINA Internet Information Service Co., Ltd. (the GDICP Company), a China company controlled through business agreement. The GDICP Company is responsible for providing MVAS in China via third party mobile operators to the users under its Internet content company license. It became inactive since late 2004. It is 10% owned by Yan Wang and 90% owned by five other non-executive PRC employees of the Company.

The registered capital of the GDICP Company is \$0.4 million.

Guangzhou Media Message Technologies, Inc. (Xunlong), a China company controlled through business agreement. Xunlong is responsible for providing MVAS in China via third party mobile operators to the users under its Internet content company license. It is owned by three non-executive PRC employees of the Company. The registered capital of the Xunlong is \$1.2 million.

Beijing Star-Village.com Cultural Development Co., Ltd. (StarVI), a China company controlled through business agreement. StarVI is responsible for providing MVAS in China via third party mobile operators to the users under its Internet content company license. It is owned by three non-executive PRC employees of the Company. The registered capital of the StarVI is \$1.2 million.

Shenzhen Wang Xing Technology Co., Ltd. (Wangxing), a China company controlled through business agreement. Wangxing is responsible for providing MVAS in China via third party mobile operators to the users under its Internet content company license. It is owned by three non-executive PRC employees of the Company. The registered capital of Wangxing is \$1.2 million.

Beijing SINA Infinity Advertising Co., Ltd. (the IAD Company), a China company controlled through business agreement. The IAD Company is responsible for placing advertisements on www.sina.com.cn for its third party customers. It is owned by five non-executive PRC employees of the Company. This entity has an approved business scope including design, production, agency and issuance of advertisements. The registered capital of the IAD Company is \$0.1 million.

The capital investment in these VIEs is funded by SINA and recorded as interest-free loans to these PRC employees. As of December 31, 2006, the total amount of interest-free loans to the employee shareholders of the VIEs listed above and the other inactive VIEs was \$9.6 million. Under various contractual agreements, employee shareholders of the VIEs are required to transfer their ownership in these entities to our subsidiaries in China when permitted by PRC laws and regulations or to our designees at any time for the amount of outstanding loans, and all voting rights of the VIEs are assigned to us. We have the power to appoint all directors and senior management personnel of the VIEs. Through our wholly-owned subsidiaries in China, we have also entered into exclusive technical agreements and other service agreements with the VIEs, under which these subsidiaries provide technical services and other services to the VIEs in exchange for substantially all net income of the VIEs. In addition, our employee shareholders of the VIEs have pledged their shares in the VIEs as collateral for non-payment of loans or for fees on technical and other services due to us.

Classified Regulations*Foreign Investment in Value-added Telecom Services*

The *Circular of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunication Services* (the MII Circular 2006) was promulgated by MII on July 13, 2006. According to the MII Circular 2006, since the FITE Regulation went into effect, some foreign investors have, by means of delegation of domain names and license of trademarks, conspired with domestic value-added telecom enterprises to circumvent the requirements of FITE Regulations and been engaged in value-added telecom services illegally.

In order to further intensify the administration of FITEs, the MII Circular 2006 provides that (i) any domain name used by a value-added telecom carrier shall be legally owned by such carrier or its shareholder(s); (ii) any trademark used by a value-added telecom carrier shall be legally owned by the carrier or its shareholder(s); (iii) the operation site and facilities of a value-added telecom carrier shall be installed within the scope as prescribed by operating licenses obtained by the carrier and shall correspond to the value-added telecom services that the carrier has been approved to provide; (iv) a value-added telecom carrier shall establish or improve the measures of ensuring

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safety of network information. As to the companies which have obtained the operating licenses for value-added telecom services, they are required to conduct self-examination and self-correction according to the said requirements and report the result of such self-examination and self-correction to MII.

Accordingly, the ICP Company submitted the *Self-Correction Scheme of the ICP Company's Multi-regional Value-added Telecommunication Business* (the Self-Correction Scheme) to MII on November 17, 2006. Under the Self-Correction Scheme, (i) the domain name www.sina.com.cn which is mainly used by the ICP Company will be transferred from BSIT to the ICP Company and about one month will be spent in completing the transfer procedures at China Internet Network Information Center, and (ii) the trademark SINA () which is used by the ICP Company will be transferred from BSIT to the ICP Company and about 4-6 months will be spent in completing the transfer procedures at the Trademark Office of SAIC.

According to the *Notice of Acceptance of Transfer Application* issued by the Trademark Office of SAIC to the ICP Company on December 26, 2006, the application for transfer of trademark is currently in the process of substantial review. Also, the ICP Company and BSIT have signed the *Form of Application for Transfer of Domestic Domain Name*.

Internet Information Services

The *Measures for the Administration of Internet Information Services*, or the ICP Measures, went into effect on September 25, 2000. Under the ICP Measures, any entity that provides information to online Internet users must obtain an operating license from MII or its local branch at the provincial level in accordance with the Telecom Regulations described above. The ICP Measures further stipulate that entities providing online information services in areas of news, publishing, education, medicine, health, pharmaceuticals and medical equipment must obtain permission from responsible national authorities prior to applying for an operating license from MII or its local branch at the provincial or municipal level. Moreover, ICPs must display their operating license numbers in a conspicuous location on their web sites. ICPs must police their web sites to remove categories of harmful content that are broadly defined. This obligation reiterates Internet content restrictions set by other ministries over the past few years.

On December 29, 2000, the ICP Company obtained an ICP license from Beijing Telecommunications Administration (BTA) (the Beijing municipal branch of MII) for the first time. It also obtained a permit to operate its bulletin board systems on July 16, 2001 pursuant to additional ICP Measure regulations issued on October 8, 2000, which requires all companies that operate bulletin board systems, or BBS, to obtain official permits. Currently, the ICP Company holds a Value-Added Telecommunication Services Operating License which was issued on June 2, 2004 by MII with a 5-year validity term subject to annual inspection.

StarVI obtained an ICP license issued on April 8, 2003 by BTA with a validity term up to December 28, 2005 subject to annual inspection. Star VI currently holds a Value-Added Telecommunications Services Operating License issued on January 17, 2005 by MII with a 5-year validity term subject to annual inspection, authorizing the provision of nationwide business of information services (excluding fixed line phone call information services).

Xunlong obtained an ICP license issued on March 21, 2003 by Guangdong Telecommunications Administration (GTA), with a validity term up to June 3, 2007 subject to annual inspection. Xunlong currently holds a Value-Added Telecommunication Services Operating License issued on January 17, 2005 by MII with a validity term of five years subject to annual inspection, authorizing the provision of nationwide business of information services (excluding fixed line phone call information services).

GDICP Company obtained an ICP license issued on December 8, 2003 by GTA with a 5-year validity term. GDICP Company currently holds a Value-Added Telecommunication Services Operating License issued on July 22, 2004 by GTA with a validity term of four years, authorizing the provision of business of information services in Guangdong province (excluding fixed line phone call information services).

Wangxing obtained a Value-Added Telecommunication Services Operating License issued by GTA on April 15, 2004, authorizing the provision of business of information services (excluding fixed line phone call information

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services). Wangxing currently holds a Value-Added Telecommunication Services Operating License issued on January 17, 2005 by MII with a validity term of five years subject to annual inspection, authorizing the provision of business of information services (excluding fixed line phone call information services).

Online News Publishing

On November 7, 2000 and September 25, 2005, the *Provisional Regulations for the Administration of Web site Operation of News Publication Services* and the *Provisions for the Administration of Internet News Information Services*, respectively, were jointly promulgated by SCIO and MII. The regulations stipulate that general web sites set up by non-news organizations may list news released by certain governmental news agencies, if they satisfy the requirements set forth in the foregoing two regulations, but may not publish news items produced by themselves or news sources from elsewhere.

Before commencing news-publishing services, the above regulations also require the general web sites of non-news organizations to be approved by SCIO after securing permission from SCIO at the provincial level. In addition, the general web sites intending to publish the news released by the aforementioned news agencies must enter into agreements with the respective organizations, and file copies of such agreements with the relevant administration department.

On December 27, 2000, SCIO approved the ICP Company to develop online news publishing services. The online news publishing service of the ICP Company has passed the annual inspection for year 2005, and the Internet News Information Service License issued by SCIO was renewed on June 6, 2006.

Online Transmission of Audio-Visual Programs

On July 6, 2004, SARFT promulgated the *Measures for the Administration of Publication of Audio-Visual Programs through Internet or Other Information Network*, which apply to the opening, broadcasting, integration, transmission or download of audio-visual programs via Internet. An applicant who is engaged in the business of transmitting audio-visual programs shall apply for a license, which is to be issued by SARFT in accordance with the categories of business, receiving terminals, transmission networks, and other items. Validity term of the license is two years. Foreign invested enterprises are not allowed to engage in the above business. Moreover, the audio-visual programs of the news category published to the public through information network shall be limited to the programs produced and broadcasted by radio stations, television stations, radio television stations and approved news web sites within the territory of China.

According to the *Reply on Approvals for Beijing SINA Internet Information Service Co., Ltd. Engaging in the Business of Information Services Relating to Online Transmission of Audio-Visual Programs* issued by SARFT on October 17, 2004, the ICP Company has been approved to carry out the online transmission of audio-visual programs. The Company is currently seeking renewal of its license for online transmission of audio-visual programs and has obtained a license with a validity term of two years from SARFT on February 3, 2005.

MVAS

On December 26, 2001, MII published the *Administrative Measures for Telecommunication Business Operating Licenses*, or the Telecom License Measures to supplement the FITE Regulations. The Telecom License Measures confirm that MII is the competent approval authority for foreign-invested telecom enterprises. There are two types of telecom operating licenses in China (including FITEs): license for basic telecom services and license for value-added telecom services. Furthermore, a distinction is made as to whether a license is granted for intra-provincial or trans-regional (inter-provincial) activities. An appendix to the license will detail the permitted activities to be conducted by the enterprise. An approved telecom service operator must conduct its business (basic or value-added) in accordance with the specifications recorded on its Telecom Service Operating License. However, there are still ambiguities regarding the interpretation and application of the FITE Regulations.

The ICP Company has obtained a Value-Added Telecommunication Services Operating License issued by BTA on August 11, 2003, which authorizes the provision of specialized mobile value-added telecom services. The ICP

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Company currently holds a Value-Added Telecommunication Services Operating License which was issued on June 2, 2004 by MII with a 5-year validity term subject to annual inspection, authorizing nationwide provision of nationwide information service in value-added telecommunications services.

Xunlong has obtained a Value-Added Telecommunication Services Operating License issued by GTA on September 5, 2003, which authorizes the provision of call center service, mobile value-added telecom services and Internet information services. Xunlong currently holds a Value-Added Telecommunication Services Operating License issued on January 17, 2005 by MII with a validity term of five years subject to annual inspection, authorizing the provision of nationwide mobile value-added telecom services.

Star VI has obtained a Value-Added Telecommunication Services Operating License issued on January 17, 2004 by BTA, authorizing the provision of mobile value-added telecom services. Star VI currently holds a Value-Added Telecommunications Services Operating License issued on January 17, 2005 by MII with a 5-year validity term subject to annual inspection, authorizing the provision of trans-regional business of information services.

Wangxing has obtained a Value-Added Telecommunication Services Operating License issued by GTA with a validity term from April 15, 2004 to June 3, 2007 subject to annual inspection, authorizing the provision of mobile value-added telecom services. Wangxing currently holds a Value-Added Telecommunication Services Operating License issued on January 17, 2005 by MII with a validity term of five years subject to annual inspection, authorizing the provision of mobile value-added telecom services.

Short Message Services

On April 29, 2004, MII issued the *Notice on Certain Issues Regarding the Regulation of Short Message Services* (the SMS Notice). The Notice confirms that all mobile communication companies shall provide SMS in cooperation with information service providers who have obtained relevant operating license for SMS. In addition, all mobile communication companies and information service providers shall highlight the fee standards, payment methods and ways of withdrawal in their advertisements for SMS services. For services based on monthly payment and subscription services, providers shall confirm with the users in advance. Without such confirmation, it should be assumed that the user has withdrawn such requirement for services. The mobile communication companies and information service providers shall strictly comply with the service items as agreed upon with the users. And, the information service providers shall examine the contents of short messages. No short message may contain contents forbidden by law.

Internet Publishing

On June 27, 2002, SPPA and MII jointly released the *Provisional Rules for the Administration of Internet Publishing*, or Internet Publishing Rules, which define Internet publications as works that are either selected or edited to be published on the Internet or transmitted to end-users through the Internet for the purposes of browsing, reading, using or downloading by the general public. Such works mainly include content or articles formally published by press media such as: (a) books, newspapers, periodicals, audio-visual products and electronic publications; and (b) literature, art and articles on natural science, social science, engineering and other topics that have been edited.

According to the Internet Publishing Rules, web portals like SINA are required to apply to and register with GAPP before distributing Internet publications. In accordance with these rules, the ICP Company obtained a license from GAPP to distribute Internet publications on October 30, 2003 with a 10-year validity term subject to annual inspection.

Online Games

On December 30, 1997, the *Rules for the Administration of Electronic Publications*, or Electronic Publication Rules, were published by SPPA, and went into effect as of January 1, 1998. The Electronic Publication Rules outline a licensing system for business operations involving electronic publications, which has been interpreted by GAPP to include online games. Under the Electronic Publication Rules, if a PRC company is contractually authorized to

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publish foreign electronic publications, it must obtain the approval of and register the copyright licensing contract with GAPP.

On March 4, 2003, *the Provisional Regulations for the Administration of Online Culture* were issued by MCPRC and went into effect on July 1, 2003 (these regulations were revised by MCPRC on July 1, 2004). According to these regulations, commercial entities are required to apply to the relevant local branch of MCPRC for an Online Culture Operating Permit to engage in online games services.

As to imported online games, GAPP and the State Copyright Bureau jointly promulgated *the Notice on Carrying out the Decision from the State Council Regarding the Approval of Electronic and Online Games Publications* (the Games Notice). Imported online games publication is defined as the online games publication published and issued within the territory of China by a Chinese publishing institute via copyright trade with foreign copyright owner of the said online games publication. Publishing institutes shall apply to local publication authority for the import of such online games. After pre-approval by the provincial publication authority, GAPP will examine contents of the online games and issue a final approval. Pursuant to the Games Notice and Copyright Law, the applicant, after duly establishment, shall file for record and register the copyright licensing contract with GAPP.

According to the *Circular of the Ministry of Culture on Strengthening the Examination of Content of Online Games Products*, entities engaged in developing and operating domestic online games products should register with the Ministry of Culture.

On September 5, 2003, MCPRC issued an Online Culture Operating Permit subject to annual inspection to the ICP Company, which authorizes the ICP Company to provide online games service. SINA has duly conducted all relevant examination and record procedures for online games under its operation, including Lineage, Lineage II (both are imported online games) and iGame.

Internet Medical, Health and Drug Information Services

Pursuant to the *Measures for the Administration of Internet Medical and Health Information Services* issued on January 8, 2001, MOH, is responsible for reviewing the qualifications of web sites and approving their publication of health-related information. According to the *Measures for the Administration of Internet Drug Information Services*, issued by the State Drug Administration (SDA), on July 8, 2004, web sites publishing drug-related information must obtain a license from SDA or its provincial departments.

The ICP Company obtained the approval for web site publishing of drug-related information from Beijing Health Bureau and Beijing Drug Administration (BDA) on May 27, 2002 and January 17, 2002, respectively, and has obtained the Qualification Certificate for Internet Drug Information Services issued by the BDA with a validity term from November 18, 2004 to November 17, 2009.

On September 25, 2006, MOH issued the *Notice concerning the Passage of Re-examination of Health-related Information Service* to the ICP Company, according to which the ICP Company has obtained the approval for web site publishing of health-related information. The valid term of this re-examination is two years.

Online Cultural Products

The *Provisional Regulations for the Administration of Online Culture* described above apply to entities engaged in activities related to online cultural products. Online cultural products are classified as: (1) online cultural products particularly developed for publishing via Internet, which include online music and video files (including video on demand and digital video broadcasting etc.), network games, online performing arts, online artworks, and online animation features and cartoons (including Flash animation); and (2) online cultural products converted from audio and visual products, games, performing arts, artworks and animation features and cartoons, and published via Internet. Pursuant to this legislation, commercial entities are required to apply to the relevant local branch of MCPRC for an Online Culture Operating Permit if they intend to engage in any of the following types of activities:

production, duplication, import, wholesale, retail, leasing or broadcasting of online cultural products;

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publishing of online cultural products on the Internet or transmission thereof to computers, fixed-line or mobile phones, radios, television sets or gaming consoles for the purpose of browsing, reading, using or downloading such products; or

exhibitions or contests related to online cultural products.

On September 5, 2003, MCPRC issued an Online Culture Operating Permit with a 3-year validity term subject to annual inspection to the ICP Company. The Company is currently seeking to renew its Online Culture Operating Permit.

Online Advertising

SAIC promulgated the *Notice on Registration Issues for Enterprises Specialized in Advertising Business* (the Ad Notice) on July 19, 2004. Upon the issuance of the Ad Notice, an enterprise specialized in advertising business as specified in its business scope need not apply for the Advertising Operation License. As to placing advertisements on Internet, such enterprise should apply for a business scope of Placing Online Advertisements on the name of the web site. SAIC and its local departments will not issue an Advertising Operation License to enterprises specialized in online advertising business.

The IAD Company has an approved business scope to carry out the design, production, agency and issuance of advertisements, and has obtained an Advertising Operation License issued by BAIC on February 12, 2004 with a validity term of one year. According to the Ad notice, the IAD Company, as an enterprise with an approved business scope specializing in advertising, need not renew the license.

The Ad Company has an approved business scope to carry out the design, production, agency and issuance of advertisements, and has obtained an Advertising Operation License issued by BAIC Haidian District Branch on July 5, 2004 with a validity term up to October 24, 2019.

The ICP Company obtained an Advertising Operating License on January 1, 2004, which has expired since December 31, 2004. However, according to the Ad Notice, provided business scope of an enterprise has included placing online advertisements on web site, such enterprise will be allowed to carry out the business of placing advertisements on Internet, without an Advertising Operating License, and the ICP Company will maintain its online advertising business after it changes its business scope accordingly.

International Connections for Computer Information Networks

Regulations governing international connections for PRC computer networks include:

Measures for the Administration of International Connections to China's Public Computer Interconnected Networks (1996);

Provisional Regulations of the People's Republic of China for the Administration of International Connections to Computer Information Networks (1997) and their Implementing Measures (1998);

Reply Concerning the Verification and Issuance of Operating Permits for Business Relating to International Connections for Computer Information Networks and for Public Multimedia Telecommunications Business (1998); and

Administrative Measures for International Communications Gateways (2002).

According to the above regulations, any entity wishing to access international network connections for their computer information networks in the PRC must comply with the following requirements:

be a PRC legal person;

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have the appropriate equipment, facilities and technical and administrative personnel;

have implemented and registered a system of information security and censorship; and

effect all international connections through an international communications gateway established with the approval of MII.

We believe that the companies described in PRC corporate structure are in proper compliance with these requirements.

Information Security and Censorship

Regulations governing information security and censorship include:

The Law of the People's Republic of China on the Preservation of State Secrets (1988) and its Implementing Rules (1990);

The Law of the People's Republic of China Regarding State Security (1993) and its Implementing Rules (1994);

Rules of the People's Republic of China for Protecting the Security of Computer Information Systems (1994);

Notice Concerning Work Relating to the Filing of Computer Information Systems with International Connections (1996);

Administrative Regulations for the Protection of Secrecy on Computer Information Systems Connected to International Networks (1997);

Regulations for the Protection of State Secrets for Computer Information Systems on the Internet (2000);

Notice issued by the Ministry of Public Security of the People's Republic of China Regarding Issues Relating to the Implementation of the Administrative Measure for the Security Protection of International Connections to Computer Information Networks (2000);

Decision of the Standing Committee of the National People's Congress Regarding the Safeguarding of Internet Security (2000);

Measures for the Administration of Commercial Web site Filings for the Record (2002) their Implementing Rules (2002);

Measures for the Administration of IP Address Archiving (2005); and

Provision on Technical Measures for Internet Security Protection (2005).

These legislations specifically prohibit the use of Internet infrastructure where it may breach public security, provide content harmful to the stability of the society or disclose state secrets. According to these legislations, it is mandatory for Internet companies in the PRC to complete security-filing procedures and regularly update information security and censorship systems for their web sites with the local public security bureau.

According to the *Detailed Implementing Rules for the Measures for the Administration of Commercial Web site Filings for the Record*, promulgated by the BAIC in July 2002, web sites must comply with the following requirements:

file with the BAIC and obtain electronic registration marks;

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place the registration marks on their web sites' homepages; and

register their web site names with the BAIC.

The ICP Company successfully registered its web sites with the BAIC on December 23, 2003. Afterwards, SINA's electronic registration mark is prominently placed on its homepage.

In addition, the State Security Bureau (SSB) has issued regulations authorizing the blocking of access to any site it deems to be leaking State secrets or failing to comply with the relevant legislation regarding the protection of State secrets during online information distribution. Specifically, Internet companies in China with bulletin boards, chat rooms or similar services must apply for the approval of the SSB prior to operating such services. The ICP Company has established an internal security committee, adopted security maintenance measures, employed full-time BBS supervisors and has been exchanging information on a regular basis with the local public security bureau with regard to sensitive or censored information and web sites. Thus, it is in full compliance with the governing legislation.

Encryption Software

On October 7, 1999, the State Encryption Administration Commission published the Regulations for the Administration of Commercial Encryption, followed by the first Notice of the General Office of the State Encryption Administration Commission on November 8, 1999. Both of these regulations address the use of software in China with encryption functions. According to these regulations, purchase of encryption products must be reported. Violation of the encryption regulations may result in warning, penalty, confiscation of the encryption product, or criminal liabilities.

On March 18, 2000, the Office of the State Commission for the Administration of Cryptography issued a public announcement regarding the implementation of those regulations. The announcement clarifies the encryption regulations as below:

Only specialized hardware and software, the core functions of which are encryption and decoding, fall within the administrative scope of the regulations as encryption products and equipment containing encryption technology. Other products such as wireless telephone, Windows software and browsers do not fall within this scope.

The PRC government has already begun to study the laws in question in accordance with WTO rules and China's external commitments, and will make revisions wherever necessary. The Administrative Regulations on *Commercial Encryption* will also be subject to such scrutiny and revision.

In late 2005, the Administration Bureau of Cryptography further issued a series of regulations to regulate the development, production and sales of commercial encryption products, which all came into effect on January 1, 2006.

We believe that the companies described in PRC corporate structure are in proper compliance with these requirements. For the legal uncertainties associated with encryption software, please see Risk Factors. We may have to register our encryption software with Chinese regulatory authorities, and if they request that we change our encryption software, our business operations could be disrupted as we develop or license replacement software.

Online Education

According to the *Measures for the Administration of Educational web sites and Online Education School* released on July 5, 2000, to open educational web sites and online education schools, application must be made to the administrative department overseeing education. Operation may begin only when it is inspected and approved by the administrative department. Educational web sites and online education schools shall not operate without the approval of the administrative department overseeing education.

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In compliance with the above regulation, the ICP Company obtained the aforementioned approvals from Beijing Education Committee on March 26, 2002.

For a description of how the unsettled nature of Chinese regulations may affect our business, please see Risk Factors. Even if we are in compliance with Chinese governmental regulations relating to licensing and foreign investment prohibitions, the Chinese government may prevent us from distributing content that it deems as inappropriate and we may be liable for such content.

Administrative Protection of Internet Copyright

According to the *Measures for the Administrative Protection of Internet Copyright* implemented on May 30, 2005, acts of automatically providing such functions as uploading, storing, linking or searching works, audio or video products, or other contents through Internet based on the instruction of an Internet content provider, without editing, amending or selecting any stored or transmitted content, and other acts of providing Internet information services shall be governed by the Copyright Law. A copyright administration department shall, when imposing administrative penalties upon the act infringing upon the right of communication through information network, apply the *Measures for Imposing Copyright Administrative Penalties*.

Where a copyright holder (individual or entity) finds any content communicated through Internet infringes upon its copyright and sends a notice of claim to the Internet information service provider, the Internet information service provider shall immediately take measures to remove the relevant contents, and preserve the copyright holder's notice of claim for 6 months. An Internet information service provider shall, after receipt of the copyright holder's notice, record the contents of the provided information, the publishing time, and the Internet address or domain name. Where an Internet information service provider removes relevant content of an Internet content provider according to the notice of a copyright holder, the Internet content provider may deliver a counter-notice to both the Internet information service provider and the copyright holder, stating that the removed contents do not infringe upon the copyright. After the delivery of such counter-notice, the Internet information service provider may immediately reinstate the removed contents and shall not bear legal liability for such reinstatement.

Where an Internet information service provider clearly knows an Internet content provider infringes other's copyright through Internet, or, although it does not clearly know such activity but fails to take measures to remove relevant contents upon receipt of the copyright owner's notice, as a result, it damages public interests, the copyright administration department may, in accordance with the Copyright Law, order it to stop the tortious act, and impose administrative penalties. Where there is no evidence to indicate that an Internet information service provider clearly knows the facts of tort, or the Internet information service provider has taken measures to remove relevant contents upon receipt of the copyright owner's notice, the Internet information service provider shall not bear the relevant liabilities.

The companies described in PRC corporate structure have taken measures to protect Internet copyright in pursuance of the specified procedures and in compliance with relevant laws and regulations mentioned above.

For a description of how the unsettled nature of Chinese regulations may affect our business, please see Risk Factors. Even if we are in compliance with Chinese governmental regulations relating to licensing and foreign investment prohibitions, the Chinese government may prevent us from distributing content that it deems as inappropriate and we may be liable for such content.

Employees

As of December 31, 2006, we had approximately 1,900 full-time employees, approximately 1,850 of whom are employed in China with the remaining employed in the United States of America, Hong Kong and Taiwan. From time to time we employ independent contractors to support our production, engineering, marketing, and sales departments. Our Chinese employees are members of a labor association that represents employees with respect to labor disputes and other employee matters. To date, we have not experienced a work stoppage or a labor dispute that has interfered with our operations.

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Financial Information about Geographic Areas

Please see our Note 14 Segment Information to Consolidated Financial Statements for financial information about geographic areas.

Web site Access to Our Periodic SEC Reports

Our corporate Internet address is <http://corp.sina.com>. We make available free of charge on or through our web site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We may from time to time provide important disclosures to investors by posting them in the investor relations section of our web site, as allowed by Securities and Exchange Commission (SEC) rules. Information contained on SINA's web site is not part of this report or any other report filed with the SEC. You may read and copy any public reports we filed with the SEC at the SEC's Public Reference Room at 100F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site <http://www.sec.gov> that contains reports, proxy and information statements, and other information that we filed electronically.

Item 1A: Risk Factors

Because our operating history is limited and the revenue and income potential of our business and markets are unproven, we cannot predict whether we will meet internal or external expectations of future performance.

We believe that our future success depends on our ability to significantly increase revenue from our operations, of which we have a limited history. Accordingly, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies with a limited operating history. These risks include our ability to:

offer new and innovative products;

attract buyers for our MVAS;

attract advertisers;

attract a larger audience to our network;

derive revenue from our users from fee-based Internet services;

respond effectively to competitive pressures and address the effects of strategic relationships or corporate combinations among our competitors;

maintain our current, and develop new, strategic relationships;

increase awareness of our brand and continue to build user loyalty;

attract and retain qualified management and employees;

upgrade our technology to support increased traffic and expanded services; and

expand the content and services on our network or secure premium content.

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We are relying on advertising sales as a significant part of our future revenue, but the online advertising market is subject to many uncertainties, which could cause our advertising revenues to decline.

Our advertising revenue growth is dependent on increased revenue from the sale of advertising space on our network. The growth of online advertising in Greater China is subject to many uncertainties and many of our current and potential advertisers have limited experience with the Internet as an advertising medium, have not traditionally devoted a significant portion of their advertising expenditures or other available funds to web-based advertising, and may not find the Internet to be effective for promoting their products and services relative to traditional print and broadcast media. Our ability to generate and maintain significant advertising revenue will depend on a number of factors, many of which are beyond our control, including but not limited to:

the development and retention of a large base of users possessing demographic characteristics attractive to advertisers;

the maintenance and enhancement of our brands in a cost effective manner;

increased competition and potential downward pressure on online advertising prices and limitations on web page space;

the change in government policy that would curtail or restrict our online advertising services;

the acceptance of online advertising as an effective way for advertisers to market their businesses;

the development of independent and reliable means of verifying levels of online advertising and traffic; and

the effectiveness of our advertising delivery, tracking and reporting systems.

If the Internet does not become more widely accepted as a medium for advertising, our ability to generate increased revenue could be negatively affected.

Our growth in advertising revenues, to a certain extent, will also depend on our ability to increase the advertising space on our network. If we fail to increase our advertising space at a sufficient rate, our growth in advertising revenues could be hampered. Further, the increasing usage of Internet advertising blocking software may result in a decrease of our advertising revenues as the advertisers may choose not to advertise on the Internet if Internet advertising blocking software is widely used.

We are relying on MVAS for a significant portion of our future revenue.

MVAS revenues accounted for 41% of our total net revenues for fiscal 2006. SMS and IVR revenues accounted for approximately 64% and 17%, respectively, of our MVAS revenues for fiscal 2006. If users do not adopt our MVAS at a sufficient rate, or if our SMS or IVR revenues fail to grow, our revenue growth could be negatively affected. Our MVAS revenues declined significantly in 2006 from the prior year and may continue to decline in the future. Factors that may prevent us from maintaining or growing our MVAS revenues include:

our ability to develop new services that become accepted by the market;

our ability to retain existing customers of our subscription services;

our ability to attract new subscribers in a cost-effective manner;

competitors, including mobile operators, may launch competing or better products than ours;

changes in policy, process and/or system by China Mobile, China Unicom or other mobile operators, on whom we rely for service delivery, billing and payment collection, and who in the past have made sudden changes that have significantly impacted our revenues and may continue to do so in the future; and

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changes in government regulations, which could restrict our MVAS offerings, curtail our ability to market our services or change user adoption or usage pattern in a negative way. For example, MII has proposed to unify the dialing codes of each service provider (SP), which may increase the number of digits a user must input to subscribe to an SP s MVAS, thereby, making the purchasing process more complicated. MII has also proposed to require mobile users, including pre-paid card subscribers, to register their real identity. Implementation of these proposals may lead to less subscription of MVAS and a decrease in new customers.

In addition to the above, we are relying on new MVAS such as MMS, CRBT, Kjava and WAP to be a significant part of our future revenue growth for MVAS. However, the current market size for these new MVAS is relatively small and adoption rates are still relatively low for these services compared to SMS and IVR services. If revenues from these services do not grow significantly, our financial position, results of operations and cash flows could be materially and adversely affected, the price of our ordinary shares could decline and you could lose part or all of your investment.

With respect to MVAS, we rely on China Mobile, China Unicom and other operators for service delivery, billing and payment collection.

Our MVAS offerings depend mainly on the cooperation arrangements with China Mobile and China Unicom. In addition, we have arrangements with China Telecommunications Corporation (China Telecom) and China Network Communications Group Corporation (China Netcom). We rely on the mobile operators in the following ways: utilizing their network and gateway to provide MVAS to subscribers; utilizing their billing systems to charge the fees to our subscribers through the subscribers mobile phone bill; utilizing their collection services to collect payments from subscribers; and relying on their infrastructure development to further develop new products and services. As of December 31, 2006, we offered our MVAS pursuant to relationships with 31 provincial and local subsidiaries of China Mobile and 22 provincial subsidiaries of China Unicom. If China Mobile, China Unicom or other operators choose not to continue the cooperation arrangements with us, our MVAS revenues and operating profitability could be materially and negatively affected.

In the past, mobile operators have made sudden and unexpected changes in their policies, processes and systems, which have harmed, and may continue to harm, our business. For example:

In mid 2004, mobile operators began transitioning SMS to new billing platforms, which has resulted in added operational controls and procedures in areas such as customer subscription and customer billing. Such change has increased the difficulties for new user recruitment and the failure rate for fee collection from our SMS users.

In January 2005, China Mobile stopped its MMS Album service, which allowed users to retrieve their subscribed MMS messages from China Mobile s web site when the subscribed MMS messages could not be successfully delivered to their mobile phones. With the termination of MMS Album, we are no longer able to collect fees from users when the MMS messages could not be delivered to such users mobile phones.

In March 2005, China Mobile began migrating MMS onto a new billing platform, which has resulted in added operational controls and procedures and, correspondingly, increased difficulties for new user recruitment and increased the failure rate for fee collection from our users.

In April 2006, China Unicom issued a new policy that sets price ceilings for usage-based and monthly subscription SMS. Such change may require us to lower our current prices on certain SMS services or discontinue offering these services completely.

In July 2006, China Mobile made significant changes to its policy on subscription-based MVAS, which included requiring double confirmations on new MVAS subscriptions as well as sending SMS reminders to existing monthly subscribers of SMS, MMS and WAP to inform them of their MVAS subscription and fee information. Certain provincial subsidiaries, such as Guangdong Mobile, one of China Mobile s largest provincial subsidiaries, have begun to discontinue charging MVAS users monthly subscription fees unless the users reply to the SMS reminders and reconfirm their subscription. In addition, China Mobile s provincial subsidiaries began

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canceling existing WAP subscriptions that have been inactive for the prior four months and existing SMS subscriptions of users who have not successfully received more than three SMS messages during the month. These policy changes from China Mobile have reduced our ability to acquire new monthly MVAS subscribers and increased the churn rate of existing monthly MVAS subscribers.

In September 2006, China Unicom began enforcing a policy of double confirmation on new MVAS subscriptions. Such change has significantly reduced our ability to acquire new monthly MVAS subscribers.

Our mobile operators could make further changes at any time, including, but not limited to, requiring SPs to use the mobile operators' customer service and/or marketing service and charging for these services; requiring SPs to migrate their MVAS to an operator's platform and increase the fees charged for using the operator's platform; changing their fee structure or billing method in a way that would require us to delay the recognition of MVAS revenues from an accrual basis to when actual billing is received; implementing new billing rules, such as reducing MVAS fees that can be charged to users; disallowing SPs to bill certain inactive users and limiting the amount of MVAS fees that can be billed; issuing new rules on how WAP SPs are placed on their browsers, which significantly determines WAP revenues; and limiting the product offerings of SPs by working directly with content providers to launch competing services or giving exclusive rights to certain SPs to offer certain MVAS. Any change in policy, process or system by the mobile operators could result in a material reduction of our MVAS revenues.

China Mobile, China Unicom and other operators have in the past increased the fees charged for providing their services and may do so again in the future. If they choose to increase such fees, our gross margin for MVAS and our operating profitability may be negatively impacted. Based on the arrangements with China Mobile and its subsidiaries, China Mobile has generally retained 15% of the fees for content value-added services we provided to our users via their platform for fee collection. In addition, China Mobile deducted transmission fees from our portion of the service fees. The amount of such transmission fee is charged on a per message basis and varies for different products and message volume. For both fiscal years 2006 and 2005, we received on average 75% of the amount we charged to our users from the China Mobile platform after China Mobile deducted the fees for collection and transmission. Based on the arrangements with China Unicom and its subsidiaries, China Unicom has retained approximately 20% of the fees for content value-added services we provided to our users via their platform if they charged us for transmission cost or between 21% and 29% if they did not charge us for transmission cost. For fiscal years 2006 and 2005, we received on average 65% and 69%, respectively, of the amount we charged to our users from the China Unicom platform after China Unicom deducted the fees for collection and transmission.

If China Mobile, China Unicom or other operators restrict or disallow some or all MVAS to be charged on a monthly subscription basis, our revenues from MVAS could be severely impacted. We currently charge our users who have registered to be billed on a monthly basis even if they do not use the service in a particular month. If China Mobile, China Unicom or other operators do not allow us to charge monthly fees for users who do not use our service in a particular month, our MVAS revenues could be negatively impacted. For the fourth quarter of 2006, approximately 50% of our MVAS revenues were derived from monthly subscription products, which mainly consist of SMS, MMS and WAP.

In the past, China Mobile and China Unicom have imposed penalties on MVAS providers for violating certain operating policies relating to MVAS. In some cases, they stopped making payments to certain SPs for severe violations. To date, the accrued penalties we have received have been insignificant in dollar amounts, but it is difficult to determine the specific conduct that might be interpreted as violating such operating policies. In the future, if China Mobile, China Unicom or other operators impose more severe penalties on us for policy violations, our revenues from MVAS and operating results may be negatively impacted.

We are subject to potential liability and penalty for delivering inappropriate content through our MVAS. One of the violations cited in the notice for temporary termination of our IVR service at the end of July 2004 was that we had provided inappropriate content to our mobile subscribers through our IVR service. The definition and interpretation of inappropriate content in many cases are vague and subjective. We are not sure whether mobile operators including China Mobile and China Unicom or the Chinese government will find our other mobile content inappropriate and therefore prevent us from operating the MVAS relating to such content in the future. If they prevent us from offering such services, our revenues from MVAS may suffer significantly.

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A portion of our MVAS revenues is currently estimated based on our internal records of billings and transmissions for the month, adjusted for prior period confirmation rates from mobile operators and prior period discrepancies between internal estimates and confirmed amounts from mobile operators. Historically, there have been no significant true up adjustments to our estimates. If there was no consistent confirmation rates trend or if there were continuous significant true up adjustments to our estimates under the new billing platforms, we will need to rely on the billing statements from the mobile operators to record revenues. Due to the time lag of receiving the billing statements, our MVAS revenues may fluctuate with the collection of billing statements if we were to record our MVAS revenues when we receive the billing statements. For example, if an operator decides to pay SPs based on a percentage of *actual* collection from users, as opposed to *estimated* collection in the past, such policy change may cause us to delay the recognition of these revenues until we receive the actual billings and/or until we have reliable information to make such revenue estimates. For the fourth quarter of 2006, approximately 32% of our MVAS revenues were estimated at period end.

In the past, China Mobile has requested for resettlement of billings that were settled in previous periods and on which payments have been made to us. We have accrued for such credits to revenue based on a rolling history and the true ups between the accrued amounts and actual credit memos issued have not been significant. However, there is no guarantee that China Mobile or other operators will not request for resettlement of a previously received payment in the future. If China Mobile or other operators request for a resettlement of billings for a previous period at an amount significantly larger than our credit memo accrual based on historical patterns, our operating results, financial position and cash flow may be severely impacted.

If China Mobile's, China Unicom's or other operators' systems encounter technical problems, or if they refuse to cooperate with us, our MVAS offerings may cease or be severely disrupted, which could have a significant and adverse impact on our operating results.

The markets for MVAS and Internet services are highly competitive, and we may be unable to compete successfully against new entrants and established industry competitors, some of which have greater financial resources than we do or currently enjoy a superior market position than we do.

There is significant competition among MVAS providers. A large number of independent MVAS providers, such as TOM Online, Kongzhong, Hurray and Linktone, compete against us. We may be unable to continue to grow our revenues from these services in this competitive environment. In addition, the major mobile operators in China, China Mobile and China Unicom, may potentially enter the business of content development. Any of our present or future competitors may offer MVAS which provide significant technology, performance, price, creativity or other advantages, over those offered by us, and therefore achieve greater market acceptance than ours.

The Chinese market for Internet content and services is competitive and rapidly changing. Barriers to entry are relatively low, and current and new competitors can launch new web sites or services at a relatively low cost. Many companies offer Chinese language content and services, including informational and community features, fee-based services and email and electronic commerce services in the Greater China market that may be competitive with our offerings. In addition, providers of Chinese language Internet tools and services may be acquired by, receive investments from or enter into other commercial relationships with large, well-established and well-financed Internet, media or other companies. We also face competition from providers of software and other Internet products and services that incorporate search and retrieval features into their offerings. In addition, entities that sponsor or maintain high-traffic web sites or provide an initial point of entry for Internet users, such as ISPs, including large, well-capitalized entities such as Microsoft (MSN), Yahoo!, eBay, Google and America Online Inc, currently offer and could further develop or acquire content and services that compete with those that we offer. Companies such as these may have greater financial resources and assets, better brand recognition, more developed sales and other internal organizations, more customers and more extensive operating histories. As a result, such companies may be able to quickly provide competitive services and obtain a significant number of customers. We expect that as Internet usage in Greater China increases and the Greater China market becomes more attractive to advertisers and for conducting electronic commerce, large global competitors may increasingly focus their resources on the Greater China market. We also compete for advertisers with traditional media companies, such as newspapers, television networks and radio stations that have a longer history of use and greater acceptance among advertisers.

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In the areas of online games, search, instant messaging, WAP portal and user-generated content such as blogs, our other areas of focus for future business growth, there is intense competition from domestic and international companies. These include domestic companies each focusing on one sector and large, international companies that intend to expand their businesses in the China market. The online gaming industry, for example, is dominated by domestic online game operators such as Shanda Interactive Entertainment Limited (Shanda), Netease and The9. The main competitors for search include Baidu, Yahoo!/Alibaba and Google, the competitors for our instant messaging service include QQ and Microsoft (MSN Messenger), the competitors in the WAP portal space include QQ, Kongzhong and Shanghai 3G, and the competitors for our user-generated content such as blogs include Baidu, QQ and Sohu and private companies, such as Hexun, BlogCN, Bokee and ChinaBlog in China. Many of our competitors have a longer history of providing these online services and currently offer a greater breadth of products which may be more popular than our online offerings. Many of these companies are focused solely on one area of our business and are able to devote all of their resources to that business area and to more quickly adapt to changing technology or market conditions. These companies may therefore have a competitive advantage over us with respect to these business areas. A number of our current and potential future competitors have greater financial and other resources than we have, and may be able to more quickly react to changing consumer requirements and demands, deliver competitive services at lower prices and more effectively respond to new Internet technologies or technical standards.

Increased competition could result in reduced page views and unique visitors, loss of market share and revenues, and lower profit margins from reduced pricing for Internet-based services.

Our investment in online games, search, instant messaging, WAP portal and services related to user-generated content, such as blogs, may not be successful.

Online games, search, instant messaging, WAP portal and user-generated content such as blogs are currently some of the fastest growing online services in the PRC. We have invested and intend to expand in these areas. For example, we have developed our own search engine, we have acquired Davidhill Capital Inc. (Davidhill) and its instant messaging platform, and we have recently added SINA Blog, which offers users a range of blog services. Some of our competitors have entered these markets ahead of us and have achieved significant market positions. Our main competitors in online games, search, instant messaging, WAP portal and user-generated content include Shanda, Netease, The9, Baidu, Yahoo!/Alibaba, QQ, Microsoft, Shanghai 3G, Kongzhong, BlogCN, Hexun, Bokee and ChinaBlog. Our competitors in these areas tend to be more specialized in these specific markets and may have access to greater resources, which may give them a competitive advantage over us. We cannot assure you that we will succeed in these markets despite our investments of time and funds to address these markets. If we fail to achieve a significant position in these markets, we will fail to realize our intended returns in these investments. Moreover, our competitors who succeed may enjoy increased revenues and profits from an increase in market share in any of these specific markets, and our results and share price could suffer as a result.

If we fail to successfully develop and introduce new products and services, our competitive position and ability to generate revenues could be harmed.

We are developing new products and services. The planned timing or introduction of new products and services is subject to risks and uncertainties. Actual timing may differ materially from original plans. Unexpected technical, operational, distribution or other problems could delay or prevent the introduction of one or more of our new products or services. Moreover, we cannot be sure that any of our new products and services will achieve widespread market acceptance or generate incremental revenue. If our efforts to develop, market and sell new products and services to the market are not successful, our financial position, results of operations and cash flows could be materially adversely affected, the price of our ordinary shares could decline and you could lose part or all of your investment.

If we are unable to keep up with the rapid technological changes of the Internet industry, our business may suffer.

The Internet industry is experiencing rapid technological changes. For example, with the advances of search engines, Internet users may choose to access information through search engines instead of web portals. With the

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advent of Web 2.0, the interests and preferences of Internet users may shift to user-generated content, such as blogs. As broadband becomes more accessible, Internet users may demand contents in audio- and video-rich format. With the development of 2.5G (such as GPRS) and soon 3G (such as Universal Mobile Telecommunication Service) in China, mobile users may shift from the current predominant text messaging services to newer applications, such as multimedia messaging services, mobile commerce, music and video downloads and mobile games. Our future success will depend on our ability to anticipate, adapt and support new technologies and industry standards. If we fail to anticipate and adapt to these and other technological changes, our market share and our profitability could suffer.

Our strategy of acquiring complementary assets, technologies and businesses may fail and may result in equity or earnings dilution.

As part of our business strategy, we have acquired and intend to continue to identify and acquire assets, technologies and businesses that are complementary to our existing business. In January 2003 we acquired Memestar Limited, an MVAS company, in March 2004 we acquired Crillion Corp., an MVAS company, and in October 2004, we acquired Davidhill, an instant messaging technology platform. Acquired businesses or assets may not yield the results we expected. In addition, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant amortization expenses related to goodwill and other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the cost of identifying and consummating acquisitions, and integrating the acquired businesses into ours, may be significant, and the integration of acquired business may be disruptive to our business operations. In addition, we may have to obtain approval from the relevant PRC governmental authorities for the acquisitions and have to comply with any applicable PRC rules and regulations, which may be costly. In the event our acquisitions are not successful, our financial conditions and results of operation may be materially adversely affected.

We may not be able to manage our expanding operations effectively, which could harm our business.

We have expanded rapidly by acquiring companies and entering into joint ventures. These new businesses and joint ventures provide various services such as MVAS, instant messaging and online games. We anticipate continuous expansion in our business, both through further acquisitions and internal growth, as we address growth in our customer base and market opportunities. In addition, the geographic dispersion of our operations as a result of acquisitions and overall internal growth requires significant management resources that our locally-based competitors do not need to devote to their operations. In order to manage the expected growth of our operations and personnel, we will be required to improve and implement operational and financial systems, procedures and controls, and expand, train and manage our growing employee base. Further, our management will be required to maintain and expand our relationships with various other web sites, Internet and other online service providers and other third parties necessary to our business. We cannot assure you that our current and planned personnel, systems, procedures and controls will be adequate to support our future operations. If we are not successful in establishing, maintaining and managing our personnel, systems, procedures and controls, our business will be materially and adversely affected.

Our business and growth could suffer if we are unable to hire and retain key personnel that are in high demand.

We depend upon the continued contributions of our senior management and other key personnel, many of whom are difficult to replace. The loss of the services of any of our executive officers or other key employees could harm our business. We have experienced recent changes to our executive management team. Our future success will also depend on our ability to attract and retain highly skilled technical, managerial, editorial, finance, marketing, sales and customer service personnel, especially qualified personnel for our international operations in Greater China. Qualified individuals are in high demand, and we may not be able to successfully attract, assimilate or retain the personnel we need to succeed.

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We may be adversely affected by complexity, uncertainties and changes in PRC regulation of Internet business and companies, including limitations on our ability to own key assets such as our web site.

The Chinese government heavily regulates its Internet sector, including the legality of foreign investment in the Chinese Internet sector, the existence and enforcement of content restrictions on the Internet and the licensing and permit requirements for companies in the Internet industry. Because these laws, regulations and legal requirements with regard to the Internet are relatively new and evolving, their interpretation and enforcement involve significant uncertainty. In addition, the Chinese legal system is a civil law system in which decided legal cases may be cited for reference but have little precedential value. As a result, in many cases it is difficult to determine what actions or omissions may result in liability. Issues, risks and uncertainties relating to China's government regulation of the Chinese Internet sector include the following:

We only have contractual control over our web site in China; we do not own it due to the restriction of foreign investment in businesses providing value-added telecommunication services, including computer information services, MVAS or electronic mail box services.

In addition, uncertainties relating to the regulation of the Internet business in China, including evolving licensing practices, give rise to the risk that permits, licenses or operations at some of our companies may be subject to challenge, which may be disruptive to our business, or subject us to sanctions, requirements to increase capital or other conditions or enforcement, or compromise enforceability of related contractual arrangements, or have other harmful effects on us.

On December 11, 2001, the day China formally joined the World Trade Organization, the PRC State Council promulgated the FITE Regulations, which became effective on January 1, 2002. The FITE Regulations stipulate that the foreign party to a foreign-invested telecommunications enterprise can hold an equity share in such foreign-invested telecommunications enterprise that provides basic telecommunication services or value-added telecommunication services, ultimately not to exceed 49% or 50%, respectively. The Administrative Measures for Telecommunications Business Operating License were promulgated by MII on December 26, 2001 and came into effect on January 14, 2002 to supplement the FITE Regulations. However, there are still uncertainties regarding the interpretation and application of the FITE Regulations.

The numerous and often vague restrictions on acceptable content in China subject us to potential civil and criminal liability, temporary blockage of our web site or complete cessation of our web site. For example, the State Secrecy Bureau, which is directly responsible for the protection of state secrets of all Chinese government and Chinese Communist Party organizations, is authorized to block any web site it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the distribution of online information.

Because the definition and interpretation of prohibited content are in many cases vague and subjective, it is not always possible to determine or predict what and how content might be prohibited under existing restrictions or restrictions that might be imposed in the future. For example, in January 2005, SARFT, which regulates radio and television stations in China, issued a notice prohibiting commercials for MVAS related to fortune-telling from airing on radio and television stations, effective in February 2005. This notice could also lead to further actions by other Chinese government authorities to prohibit the sale of such fortune-telling related SMS, which could have a material adverse effect on our financial position, results of operations, or cash flows. SARFT or other Chinese government authorities may prohibit the marketing of other MVAS via a channel we depend on to generate revenues, which could also have a material adverse effect on our financial position, results of operations or cash flows.

Certain Chinese governmental authorities have stated publicly that they are in the process of preparing new laws and regulations that will govern Internet activities. The areas of regulation currently include, without limitation, online advertising, online news reporting, online publishing, online education, online gaming, online transmission

of audio-visual programs, online health diagnosis and treatment, and the provision of industry-specific (e.g., drug-related) information over the Internet. Other aspects of our online operations, such as e-commerce or blog services may be subject to regulation in the future. Our operations may not be consistent with

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these new regulations when they are put into effect and, as a result, we could be subject to severe penalties as discussed above.

The governing body of China's mobile industry, from time to time issues policies that regulate the business practices relating to MVAS. We cannot predict the timing or substance of such regulations. Such regulations may have a negative impact on our business.

In July 13, 2006, MII issued *The Circular of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunication Services* (the MII Circular 2006). According to the MII Circular 2006, since the FITE Regulation went into effect, some foreign investors have, by means of delegation of domain names and license of trademarks, conspired with domestic value-added telecom enterprises to circumvent the requirements of FITE Regulations and been engaged in value-added telecom services illegally.

In order to further intensify the administration of FITEs, the MII Circular 2006 provides that (i) any domain name used by a value-added telecom carrier shall be legally owned by such carrier or its shareholder(s); (ii) any trademark used by a value-added telecom carrier shall be legally owned by the carrier or its shareholder(s); (iii) the operation site and facilities of a value-added telecom carrier shall be installed within the scope as prescribed by operating licenses obtained by the carrier and shall correspond to the value-added telecom services that the carrier has been approved to provide; (iv) a value-added telecom carrier shall establish or improve the measures of ensuring safety of network information. As to the companies which have obtained the operating licenses for value-added telecom services, they are required to conduct self-examination and self-correction according to the said requirements and report the result of such self-examination and self-correction to MII.

Accordingly, the ICP Company submitted the *Self-Correction Scheme of the ICP Company's Multi-regional Value-added Telecommunication Business* (the Self-Correction Scheme) to MII on November 17, 2006. Under the Self-Correction Scheme, (i) the domain name www.sina.com.cn which is mainly used by the ICP Company will be transferred from BSIT to the ICP Company and about one month will be spent in completing the transfer procedures at China Internet Network Information Center, and (ii) the trademark SINA () which is used by the ICP Company will be transferred from BSIT to the ICP Company and about 4-6 months will be spent in completing the transfer procedures at the Trademark Office of SAIC.

According to the *Notice of Acceptance of Transfer Application* issued by the Trademark Office of SAIC to the ICP Company on December 26, 2006, the application for transfer of trademark is currently in the process of substantial review. Also, the ICP Company and BSIT have signed the *Form of Application for Transfer of Domestic Domain Name*.

The interpretation and application of existing Chinese laws, regulations and policies, the stated positions of MII and possible new laws, regulations or policies have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, Internet businesses in China, including our business.

In order to comply with PRC regulatory requirements, we operate our main businesses through companies with which we have contractual relationships but in which we do not have controlling ownership. If the PRC government determines that our agreements with these companies are not in compliance with applicable regulations, our business in the PRC could be adversely affected.

The Chinese government restricts foreign investment in Internet-related, MVAS and advertising businesses, including Internet access, distribution of content over the Internet and MVAS, and advertising via the Internet. Accordingly, we operate our Internet-related and MVAS businesses in China through several variable interest entities, or VIEs, that are owned principally or completely by certain of our PRC employees or PRC employees of our subsidiaries. We control these companies and operate these businesses through contractual arrangements with the respective companies and their individual owners, but we have no equity control over these companies. Such restrictions and arrangements are prevalent in other PRC companies we have acquired.

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As discussed in the risk factor above titled "We may be adversely affected by complexity, uncertainties and changes in PRC regulation of Internet business and companies, including limitations on our ability to own key assets such as our web site," in July 13, 2006, MII issued the MII Circular 2006. Accordingly, the ICP Company submitted the *Self-Correction Scheme of the ICP Company's Multi-regional Value-added Telecommunication Business* (the Self-Correction Scheme) to MII on November 17, 2006. Under the Self-Correction Scheme, (i) the domain name www.sina.com.cn which is mainly used by the ICP Company will be transferred from BSIT to the ICP Company and about one month will be spent in completing the transfer procedures at China Internet Network Information Center, and (ii) the trademark SINA (®) which is used by the ICP Company will be transferred from BSIT to the ICP Company and about 4-6 months will be spent in completing the transfer procedures at the Trademark Office of SAIC.

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We cannot be sure that the PRC government would view our operating arrangements to be in compliance with PRC licensing, registration or other regulatory requirements (including without limitation the requirements described in the MII Circular 2006), with existing policies or with requirements or policies that may be adopted in the future. If we are determined not to be in compliance, the PRC government could revoke our business and operating licenses, require us to discontinue or restrict our operations, restrict our right to collect revenues, block our web site, require us to restructure our business, corporate structure or operations, impose additional conditions or requirements with which we may not be able to comply, impose restrictions on our business operations or on our customers, or take other regulatory or enforcement actions against us that could be harmful to our business. We may also encounter difficulties in obtaining performance under or enforcement of related contracts.

We rely on contractual arrangements with our VIEs for our China operations, which may not be as effective in providing control over these entities as direct ownership.

Because PRC regulations restrict our ability to provide Internet content, MVAS and advertising services directly in China, we are dependent on our VIEs in which we have little or no equity ownership interest and must rely on contractual arrangements to control and operate these businesses. These contractual arrangements may not be as effective in providing control over these entities as direct ownership. For example, the VIEs could fail to take actions required for our business or fail to maintain our China web sites despite their contractual obligation to do so. These companies are able to transact business with parties not affiliated with us. If these companies fail to perform under their agreements with us, we may have to rely on legal remedies under Chinese law, which we cannot be sure would be effective. In addition, we cannot be certain that the individual equity owners of the VIEs would always act in the best interests of SINA, especially if they leave SINA.

Substantially all profits generated from our VIEs are paid to the subsidiaries of ours in China through related party transactions under contractual agreements. We believe that the terms of these contractual agreements are in compliance with the laws in China. The tax authorities in China have examined some of these contractual agreements in the past and have not raised any comment. However, due to the uncertainties surrounding the interpretation of the transfer pricing rules relating to related party transactions in China, it is possible that in the future tax authorities in China may challenge the transfer prices that we have used for related party transactions among our entities in China. In the event the tax authorities challenge our VIE structure, we may be forced to restructure our business operation, which could have a material adverse effect on our business.

If tax benefits currently available to us in China were no longer available, our effective income tax rates for our China operations could increase to 33%.

We are incorporated in the Cayman Islands where no income taxes are imposed. We have operations in four tax jurisdictions including China, the U.S., Hong Kong and Taiwan. For the U.S., Hong Kong and Taiwan, we have incurred net accumulated operating losses for income tax purposes. We believe that it is more likely than not that

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these net accumulated operating losses will not be utilized to offset future taxable income in the future and hence we have not recognized income tax benefits for these locations. We do not expect that we will record any income tax provisions for our operations in the U.S., Hong Kong and Taiwan in the foreseeable future.

We generated substantially all our net income from our China operations. Our China operations are conducted through various subsidiaries and VIEs. Pursuant to the PRC Income Tax Laws, our subsidiaries and VIEs are generally subject to Enterprise Income Taxes (EIT) at a statutory rate of 33%, consisting of a 30% national income tax and a 3% local income tax. However, some of our subsidiaries and VIEs are qualified new technology enterprises, and under PRC Income Tax Laws, they are subject to a preferential tax rate of 15%. In addition, some of our subsidiaries are Foreign Investment Enterprises, and under PRC Income Tax Laws, they are entitled to either a three-year tax exemption followed by three years with a 50% reduction in the tax rate, commencing the first operating year, or a two-year tax exemption followed by three years with a 50% reduction in the tax rate, commencing the first profitable year. To the extent that our VIEs have undistributed after tax net income, we have to pay dividend tax on behalf of the employees when we try to distribute the dividend from these local entities in the future. The dividend tax rate is 20%. Based on our current operating structure and preferential tax treatments available to us in China, we expect our effective income tax rates to be between 10% to 15% for fiscal year 2007. Such expected effective rates are subject to change at any time if Chinese tax authorities challenge us on our current tax arrangements between our subsidiaries and VIEs. Over the longer term, if the Chinese government phases out preferential tax treatment for foreign investment enterprises or for new technology enterprises, our effective tax rates for the PRC operation can be increased to as high as 33%.

Due to our operating and tax structures in the PRC, we have entered into technical and other service agreements between our subsidiaries and our VIEs in the PRC, pursuant to which our subsidiaries provide technical and other services to our VIEs in exchange for substantially all net income of these VIEs. We incur a 5% business tax when our subsidiaries receive the fees from the VIEs, which we include in our operating expenses as the cost of transferring economic benefit generated from these VIEs. We believe that the terms of such service agreements are in compliance with the laws of the PRC. Some of these agreements were reviewed by the tax authorities in the PRC in the past and no comments were made. However, due to the uncertainties surrounding the interpretation of the tax transfer pricing rules relating to related party transactions in the PRC, it is possible that tax authorities in the PRC might in the future challenge the transfer prices that we used for the related party transactions among our entities in the PRC.

Restrictions on paying dividends or making other payments to us bind our subsidiaries and VIEs in China.

We are a holding company and do not have any assets or conduct any business operations in China other than our investments in our subsidiaries in China, including SINA.com Technology (China) Co., Ltd., Star-Village.com (Beijing) Internet Technology Ltd., Beijing New Media Information Technology Co. Ltd., Beijing SINA Internet Technology Service Co. Ltd., Beijing SINA Information Technology Co. Ltd. and others; and our VIEs. As a result, we depend on dividend payments from our subsidiaries in China for our revenues after they receive payments from our VIEs in China under various services and other arrangements. We cannot make any assurance that our subsidiaries in China can continue to receive the payments as arranged under our contracts with those VIEs. To the extent that these VIEs have undistributed after tax net income, we have to pay tax on behalf of the employees when we try to distribute the dividend from these local entities in the future. The dividend tax rate is 20%. In addition, under Chinese law, our subsidiaries are only allowed to pay dividends to us out of their distributable earnings, if any, as determined in accordance with Chinese accounting standards and regulations. Moreover, our Chinese subsidiaries are required to set aside at least 10% of their respective after-tax profit, if any, and up to 50% of their registered capital to fund certain mandated reserve funds that are not payable or distributable as cash dividends.

The Chinese government also imposes controls on the convertibility of renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency. See *Currency fluctuations and restrictions on currency exchange may adversely affect our business, including limiting our ability to convert Chinese renminbi into foreign currencies and, if renminbi were to decline in value, reducing our revenues in U.S. dollar terms.* If we or any of our subsidiaries are unable to receive all of the revenues from our operations through

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these contractual or dividend arrangements, we may be unable to effectively finance our operations or pay dividends on our ordinary shares.

Even if we are in compliance with Chinese governmental regulations relating to licensing and foreign investment prohibitions, the Chinese government may prevent us from advertising or distributing content that it believes is inappropriate and we may be liable for such content or we may have to stop profiting from such content.

China has enacted regulations governing Internet access and the distribution of news and other information. In the past, the Chinese government has stopped the distribution of information over the Internet or through MVAS that it believes to violate Chinese law, including content that it believes is obscene, incites violence, endangers national security, is contrary to the national interest or is defamatory. In addition, we may not publish certain news items, such as news relating to national security, without permission from the Chinese government. Furthermore, the Ministry of Public Security has the authority to cause any local Internet service provider to block any web site maintained outside China at its sole discretion. Even if we comply with Chinese governmental regulations relating to licensing and foreign investment prohibitions, if the Chinese government were to take any action to limit or prohibit the distribution of information through our network or via our MVAS, or to limit or regulate any current or future content or services available to users on our network, our business could be significantly harmed.

Because the definition and interpretation of prohibited content is in many cases vague and subjective, it is not always possible to determine or predict what and how content might be prohibited under existing restrictions or restrictions that might be imposed in the future. At the end of July 2004, our IVR service was temporarily terminated by China Mobile for violating certain operating procedures. One of the violations cited in the notice for temporary termination was that we had provided inappropriate content to our mobile subscribers through our IVR service. We are not sure whether mobile operators including China Mobile and China Unicom or the Chinese government will find our other mobile content inappropriate and therefore prevent us from operating the MVAS relating to such content in the future. If they prevent us from offering such services, our profit from MVAS will suffer.

In January 2005, SARFT, which regulates radio and television stations in China, issued a notice prohibiting commercials for MVAS related to fortune-telling from airing on radio and television stations effective in February 2005. This notice could also lead to further actions by other Chinese government authorities to prohibit the sale of such fortune-telling related SMS which could have a material adverse effect on our financial position, results of operations, or cash flows. SARFT or other Chinese government authorities may prohibit the marketing of other MVAS via a channel we depend on to generate revenues, which could have a material adverse effect on our financial position, results of operations or cash flows.

We are also subject to potential liability for content on our web sites that is deemed inappropriate and for any unlawful actions of our subscribers and other users of our systems. Furthermore, we are required to delete content that clearly violates the laws of China and report content that we suspect may violate Chinese law. It is difficult to determine the type of content that may result in liability for us, and if we are wrong, we may be prevented from operating our web sites.

The law of the Internet remains largely unsettled, which subjects our business to legal uncertainties that could harm our business.

Due to the increasing popularity and use of the Internet and other online services, it is possible that a number of laws and regulations may be adopted with respect to the Internet or other online services covering issues such as user privacy, pricing, content, copyrights, distribution, antitrust and characteristics and quality of products and services. Furthermore, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies conducting business online. The adoption of any additional laws or regulations may decrease the growth of the Internet or other online services, which could, in turn, decrease the demand for our products and services and increase our cost of doing business.

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Moreover, the applicability to the Internet and other online services of existing laws in various jurisdictions governing issues such as property ownership, sales and other taxes, libel and personal privacy is uncertain and may take years to resolve. For example, new tax regulations may subject us or our customers to additional sales and income taxes. Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of existing laws and regulations to the Internet and other online services could significantly disrupt our operations.

The Chinese legal system has inherent uncertainties that could limit the legal protections available to you.

Our contractual arrangements with our variable interest entities in China are governed by the laws of the People's Republic of China. China's legal system is based upon written statutes. Prior court decisions may be cited for reference but are not binding on subsequent cases and have limited value as precedents. Since 1979, the Chinese legislative bodies have promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties, and therefore you may not have legal protections for certain matters in China.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on United States or other foreign laws against us.

We conduct our operations in China and a significant portion of our assets is located in China. In addition, some of our directors and executive officers reside within China, and substantially all of the assets of these persons are located within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon those directors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, our Chinese counsel has advised us that China does not have treaties with the U.S. and many other countries that provide for the reciprocal recognition and enforcement of judgment of courts. As a result, recognition and enforcement in China of judgments of a court of the U.S. or any other jurisdiction in relation to any matter may be difficult or impossible.

We may have to register our encryption software with Chinese regulatory authorities, and if they request that we change our encryption software, our business operations could be disrupted as we develop or license replacement software.

Pursuant to the *Regulations for the Administration of Commercial Encryption* promulgated at the end of 1999, foreign and domestic Chinese companies operating in China are required to seek approval from the Office of the State for Cipher Code Administration (OSCCA), i.e., the Chinese encryption regulatory authority, for the commercial encryption products they use; companies operating in China are allowed to use commercial cipher code products being approved by OSCCA only and are prohibited to use self-developed or imported cipher code products without approval; in addition, all cipher code products shall be produced by those producers being appointed and approved by OSCCA. In December 2005, OSCCA further released a series of rules regulating many aspects of commercial cipher code products in detail, including development, production and sales, which all came into effect on January 1, 2006.

Because these regulations do not specify what constitutes cipher code products, we are unsure as to whether or how they apply to us and the encryption software we utilize. We may be required to register, or apply for permits with OSCCA for, our current or future encryption software. If Chinese regulatory authorities request that we register our encryption software or change our current encryption software to an approved cipher code product produced by an appointed producer, it could disrupt our business operations.

Privacy concerns may prevent us from selling demographically targeted advertising in the future and make us less attractive to advertisers.

We collect personal data from our user base in order to better understand our users and their needs and to help our advertisers target specific demographic groups. If privacy concerns or regulatory restrictions prevent us from

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selling demographically targeted advertising, we may become less attractive to advertisers. For example, as part of our future advertisement delivery system, we may integrate user information such as advertisement response rate, name, address, age or email address, with third-party databases to generate comprehensive demographic profiles for individual users. In Hong Kong, however, we would be in violation of the *Hong Kong Personal Data Ordinance* unless individual users expressly consented to this integration of their personal information. The ordinance provides that an Internet company may not collect information on its users, analyze the information for a profile of the user's interests and sell or transmit the profiles to third parties for direct marketing purposes without the user's consent. If we are unable to construct demographic profiles for Internet users because they refuse to give consent, we will be less attractive to advertisers and our business could suffer.

Concerns about the security of electronic commerce transactions and confidentiality of information on the Internet may reduce use of our network and impede our growth.

A significant barrier to electronic commerce and communications over the Internet in general has been a public concern over security and privacy, especially the transmission of confidential information. If these concerns are not adequately addressed, they may inhibit the growth of the Internet and other online services generally, especially as a means of conducting commercial transactions. If a well-publicized Internet breach of security were to occur, general Internet usage could decline, which could reduce traffic to our destination sites and impede our growth.

We may not be able to adequately protect our intellectual property, which could cause us to be less competitive.

We rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. Monitoring unauthorized use of our products is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriations of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

We may be exposed to infringement claims by third parties, which, if successful, could cause us to pay significant damage awards.

Third parties may initiate litigation against us alleging infringement of their proprietary rights. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be harmed. In addition, even if we are able to license the infringed or similar technology, license fees could be substantial and may adversely affect our results of operations.

We may be subject to claims based on the content we provide over our network and the products and services sold on our network, which, if successful, could cause us to pay significant damage awards.

As a publisher and distributor of content and a provider of services over the Internet, we face potential liability for defamation, negligence, copyright, patent or trademark infringement and other claims based on the nature and content of the materials that we publish or distribute; the selection of listings that are accessible through our branded products and media properties, or through content and materials that may be posted by users in our classifieds, message board, chat room services, blog, video blog and other areas on our web site; losses incurred in reliance on any erroneous information published by us, such as stock quotes, analyst estimates or other trading information; unsolicited email, lost or misdirected messages, illegal or fraudulent use of email or interruptions or delays in email service; and product liability, warranty and similar claims to be asserted against us by end users who purchase goods and services through our SinaMall and any future e-commerce services we may offer.

We may incur significant costs in investigating and defending any potential claims, even if they do not result in liability. Although we carry general liability insurance, our insurance may not cover potential claims of this type and may not be adequate to indemnify us against all potential liabilities.

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We have contracted with third parties to provide content and services for our portal network and we may lose users and revenue if these arrangements are terminated.

We have arrangements with a number of third parties to provide content and services to our web sites. In the area of content, we have relied and will continue to rely almost exclusively on third parties for content that we publish under the SINA brand. Although no single third party content provider is critical to our operations, if these parties fail to develop and maintain high-quality and successful media properties, or if a large number of our existing relationships are terminated, we could lose users and advertisers and our brand could be harmed. We have recently experienced fee increases from some of our content providers. If this trend continues, our gross profit from online advertising may be adversely affected. In addition, the Chinese government has the ability to restrict or prevent state-owned media from cooperating with us in providing certain content to us, which will result in a significant decrease of the amount of content we can publish on our web site. We may lose users if the Chinese government chooses to restrict or prevent state-owned media from cooperating with us, in which case our revenues will be impacted negatively.

In the area of web-based services, we have contracted with third party content providers for integrated web search technology to complement our directory and navigational guide, and with various third-party providers for our principal Internet connections. If we experience significant interruptions or delays in service, or if these agreements terminate or expire, we may incur additional costs to develop or secure replacement services and our relationship with our users could be harmed.

A substantial part of our non-advertising revenues is generated through MVAS where we depend on mobile network operators for services delivery and payment collection. If we were unable to continue these arrangements, our MVAS could be severely disrupted or discontinued. Furthermore, we are highly dependent on these mobile service providers for our profitability in that they can choose to increase their service fees at will.

We depend on a third party's proprietary and licensed advertising serving technology to deliver advertisements to our network. If the third party fails to continue to support its technology or if its services fail to meet the advertising needs of our customers and we cannot find an alternative solution on a timely basis, our advertising revenues could decline.

Underdeveloped telecommunications infrastructure has limited, and may continue to limit, the growth of the Internet market in China which, in turn, could limit our ability to grow our business.

The telecommunications infrastructure in China is not well developed. Although private sector ISPs exist in China, almost all access to the Internet is accomplished through ChinaNet, China's primary commercial network, which is owned and operated by China Telecom and China Netcom under the administrative control and regulatory supervision of MII. The underdeveloped Internet infrastructure in China has limited the growth of Internet usage in China. If the necessary Internet infrastructure is not developed, or is not developed on a timely basis, future growth of the Internet in China could be limited and our business could be harmed.

Our significant amount of deposits in certain banks in China may be at risk if these banks go bankrupt during our deposit period.

As of December 31, 2006, we have approximately \$246.7 million in cash and other bank deposits, such as time deposits and bank notes, with five different banks in China, which constitute about 68% of our total cash, cash equivalent and short-term investments as of December 31, 2006. The terms of these deposits are, in general, up to twelve months. Historically, deposits in Chinese banks are secure due to the state policy on protecting depositors interests. However, China promulgated a new Bankruptcy Law in August 2006, which will come into effect on June 1, 2007, which contains a separate article expressly stating that the State Council may promulgate implementation measures for the bankruptcy of Chinese banks based on the Bankruptcy Law. Under the new Bankruptcy Law, a Chinese bank may go bankrupt. In addition, since China's concession to WTO, foreign banks have been gradually permitted to operate in China and have been severe competitors against Chinese banks in many aspects, especially since the opening of renminbi business to foreign banks in late 2006. Therefore, the risk of bankruptcy of those banks in which we have deposits

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has increased. In the event of bankruptcy of one of the banks which holds our deposits, we are unlikely to claim our deposits back in full since we are unlikely to be classified as a secured creditor based on PRC laws.

We must rely on the Chinese government to develop China's Internet infrastructure and, if it does not develop this infrastructure, our ability to grow our business could be hindered.

The Chinese government's interconnecting, national networks connect to the Internet through government-owned international gateways, which are the only channels through which a domestic Chinese user can connect to the international Internet network. We rely on this backbone and China Telecom and China Netcom to provide data communications capacity primarily through local telecommunications lines. Although the Chinese government has announced plans to aggressively develop the national information infrastructure, we cannot assure you that this infrastructure will be developed. In addition, we have no guarantee that we will have access to alternative networks and services in the event of any disruption or failure. If the necessary infrastructure standards or protocols or complementary products, services or facilities are not developed by the Chinese government, the growth of our business could be hindered.

Our operations could be disrupted by unexpected network interruptions caused by system failures, natural disasters or unauthorized tampering with our systems.

The continual accessibility of our web sites and the performance and reliability of our network infrastructure are critical to our reputation and our ability to attract and retain users, advertisers and merchants. Any system failure or performance inadequacy that causes interruptions in the availability of our services or increases the response time of our services could reduce our appeal to advertisers and consumers. Factors that could significantly disrupt our operations include: system failures and outages caused by fire, floods, earthquakes, power loss, telecommunications failures and similar events; software errors; computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems; and security breaches related to the storage and transmission of proprietary information, such as credit card numbers or other personal information.

We have limited backup systems and redundancy. In the past, we experienced an unauthorized tampering of the mail server of our China web site which briefly disrupted our operations. Future disruptions or any of the foregoing factors could damage our reputation, require us to expend significant capital and other resources and expose us to a risk of loss or litigation and possible liability. We do not carry sufficient business interruption insurance to compensate for losses that may occur as a result of any of these events. Accordingly, our revenues and results of operations may be adversely affected if any of the above disruptions should occur.

Future outbreaks of Severe Acute Respiratory Syndrome (SARS), Avian flu or other widespread public health problems could adversely affect our business.

Future outbreaks of SARS, Avian flu or other widespread public health problems in China and surrounding areas, where most of our employees work, could negatively impact our business in ways that are hard to predict. Prior experience with the SARS virus suggests that a future outbreak of SARS, Avian flu or other widespread public health problems may lead public health authorities to enforce quarantines, which could result in closures of some of our offices and other disruptions of our operations. A future outbreak of SARS, Avian flu or other widespread public health problems could result in reduction of our advertising and fee-based revenues.

Political and economic conditions in Greater China and the rest of Asia are unpredictable and may disrupt our operations if these conditions become unfavorable to our business.

We expect to derive a substantial percentage of our revenues from the Greater China market. Changes in political or economic conditions in the region are difficult to predict and could adversely affect our operations or cause the Greater China market to become less attractive to advertisers, which could reduce our revenues. We maintain a strong local identity and presence in each of the regions in the Greater China market and we cannot be sure that we will be able to effectively maintain this local identity if political conditions were to change. Furthermore, many countries in Asia have experienced significant economic downturns since the middle of 1997, resulting in slower GDP growth for the entire region as a result of higher interest rates and currency fluctuations. If

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declining economic growth rates persist in these countries, expenditures for Internet access, infrastructure improvements and advertising could decrease, which could negatively affect our business and our profitability over time.

Economic reforms in the region could also affect our business in ways that are difficult to predict. For example, since the late 1970s, the Chinese government has been reforming the Chinese economic system to emphasize enterprise autonomy and the utilization of market mechanisms. Although we believe that these reform measures have had a positive effect on the economic development in China, we cannot be sure that they will be effective or that they will benefit our business.

We issued \$100 million of zero coupon convertible subordinated notes due 2023, or possibly earlier upon a change of control, which we may not be able to repay in cash and could result in dilution of our basic earnings per share.

In July 2003, we issued \$100 million of zero coupon convertible subordinated notes due July 15, 2023, first puttable to us on July 15, 2007. Each \$1,000 principal amount of the notes is convertible into 38.7741 shares of our ordinary shares prior to July 15, 2023 if the sale price of our ordinary shares issuable upon conversion of the notes reaches a specified threshold or specified corporate transactions have occurred. One of the conditions for conversion of the notes to SINA ordinary shares is that the market price of SINA ordinary shares reaches a specified threshold for a defined period of time. The specified thresholds are (i) during the period from issuance to July 15, 2022, if the sale price of SINA ordinary shares, for each of any five consecutive trading days in the immediately preceding fiscal quarter, exceeds 115% of the conversion price per ordinary share, and (ii) during the period from July 15, 2022 to July 15, 2023, if the sale price of SINA ordinary shares on the previous trading day is more than 115% of the conversion price per ordinary share. On July 15 annually from 2007 to 2013, and on July 15, 2018, or upon a change of control, holders of the notes may require us to repurchase all or a portion of the notes for cash. For the three months ended December 31, 2006, the sale price of SINA ordinary shares did not exceed the threshold set forth in Item (i) above for the required period of time. Therefore, the notes are not convertible into SINA ordinary shares during the three months ending March 31, 2007. Upon a conversion, we may choose to pay the purchase price of the notes in cash, ordinary shares, or a combination of cash and ordinary shares. We may not have enough cash on hand or have the ability to access cash to pay the notes if holders ask for repayment on the various put dates, or upon a change of control, or at maturity. In addition, the purchase of our notes with our ordinary shares or the conversion of the notes into our ordinary shares could result in dilution of our basic earnings per share.

Currency fluctuations and restrictions on currency exchange may adversely affect our business, including limiting our ability to convert Chinese renminbi into foreign currencies and, if Chinese renminbi were to decline in value, reducing our revenues in U.S. dollar terms.

Our reporting currency is the U.S. dollar and our operations in China, Hong Kong, Taiwan use their respective local currencies as their functional currencies. The majority of our revenues derived and expenses incurred are in Chinese renminbi with a relatively small amount in New Taiwan dollars, Hong Kong dollars and U.S. dollars. We are subject to the effects of exchange rate fluctuations with respect to any of these currencies. For example, the value of the renminbi depends to a large extent on Chinese government policies and China's domestic and international economic and political developments, as well as supply and demand in the local market. Starting July 2005, the Chinese government changed its policy of pegging the value of Chinese renminbi to the U.S. dollar. Under the new policy, Chinese renminbi has fluctuated within a narrow and managed band against a basket of certain foreign currencies. As a result of this policy change, Chinese renminbi appreciated approximately 2.5% and 3.4% against the U.S. dollar in 2005 and 2006, respectively. It is possible that the Chinese government could adopt a more flexible currency policy, which could result in more significant fluctuation of Chinese renminbi against the U.S. dollar. We can offer no assurance that Chinese renminbi will be stable against the U.S. dollar or any other foreign currency.

The income statements of our international operations are translated into U.S. dollars at the average exchange rates in each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currencies denominated transactions results in reduced revenues, operating expenses and net income for our international operations. Similarly, to the extent the U.S. dollar weakens against foreign currencies, the

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translation of these foreign currency denominated transactions results in increased revenues, operating expenses and net income for our international operations. We are also exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign subsidiaries into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign subsidiaries' financial statements into U.S. dollars will lead to a translation gain or loss which is recorded as a component of other comprehensive income. In addition, we have certain assets and liabilities that are denominated in currencies other than the relevant entity's functional currency. Changes in the functional currency value of these assets and liabilities create fluctuations that will lead to a transaction gain or loss. We have not entered into agreements or purchased instruments to hedge our exchange rate risks, although we may do so in the future. The availability and effectiveness of any hedging transactions may be limited and we may not be able to successfully hedge our exchange rate risks.

Although Chinese governmental policies were introduced in 1996 to allow the convertibility of Chinese renminbi into foreign currency for current account items, conversion of Chinese renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration of Foreign Exchange, or SAFE, which is under the authority of the People's Bank of China. These approvals, however, do not guarantee the availability of foreign currency. We cannot be sure that we will be able to obtain all required conversion approvals for our operations or that Chinese regulatory authorities will not impose greater restrictions on the convertibility of Chinese renminbi in the future. Because a significant amount of our future revenues may be in the form of Chinese renminbi, our inability to obtain the requisite approvals or any future restrictions on currency exchanges could limit our ability to utilize revenue generated in Chinese renminbi to fund our business activities outside China, or to repay foreign currency obligations, including our debt obligations, which would have a material adverse effect on our financial conditions and results of operation.

Changes to existing accounting pronouncements, including SFAS 123R, or taxation rules or practices, including FIN 48, may adversely affect our reported results of operations or how we conduct our business.

A change in accounting pronouncements or taxation rules or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. Pursuant to SEC rules, we adopted the Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS 123R) starting January 1, 2006. SFAS 123R requires us to measure compensation costs for all share-based compensation at fair value and take compensation charges equal to that value. The method that we use to determine the fair value of stock options is based upon, among other things, the volatility of our ordinary shares. The price of our ordinary shares has historically been volatile. Therefore, the requirement to measure compensation costs for all share-based compensation under SFAS 123R could negatively affect our profitability and the trading price of our ordinary shares. SFAS 123R and the impact of expensing on our reported results could also limit our ability to continue to use stock options as an incentive and retention tool, which could, in turn, hurt our ability to recruit employees and retain existing employees. Other new accounting pronouncements or taxation rules, such as FIN 48, and varying interpretations of accounting pronouncements or taxation practice have occurred and may occur in the future. This change to existing rules, future changes, if any, or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

We may be required to record a significant charge to earnings when we must reassess our goodwill or other amortizable intangible assets arising from acquisitions.

We are required under GAAP to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment annually, or more frequently, if facts and circumstances warrant a review. Factors that may be considered a change in circumstances indicating that the carrying value of our amortizable intangible assets may not be recoverable include a decline in stock price and market capitalization and slower growth rates in our industry. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. As of December 31, 2006, our goodwill and amortizable intangible assets arising from acquisitions were approximately \$90.5 million.

Recently, China Mobile and China Unicom each has made changes to its policy on subscription-based MVAS (as described in the risk factor above titled *With respect to MVAS, we rely on China Mobile and China Unicom for*

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service delivery, billing and payment collection.). Such changes have reduced our ability to acquire new monthly MVAS subscribers and increased the churn rate of existing monthly MVAS subscribers. During the third quarter of 2006, we assessed the goodwill related to our MVAS operation for impairment as a result of the policy changes and determined that the carrying amount was not impaired. We again reassessed the goodwill related to our MVAS operation for impairment in the fourth quarter of 2006, a practice we have done annually, and arrived at the same conclusion. The assumptions used for the assessments were based on the information available to us at the time. Further decline in the performance of our mobile operations and other factors may require us to record a significant charge to earnings if an impairment is determined at a future date. As of December 31, 2006, goodwill and intangible related to our MVAS operation were approximately \$69.0 million.

We may be required to record a significant charge to earnings from the declines in fair value of our marketable securities if such declines become other than temporary or if we are unable to hold such investments until maturity.

Our marketable securities are classified as available-for-sale in short term investments and are reported at fair value with net unrealized losses recorded as accumulated other comprehensive income in shareholders' equity. The losses incurred on these investments are primarily related to changes in interest rates. We consider these declines to be temporary in nature. If factors arise that would require us to account for the declines as other than temporary or if we are unable to hold the investments until the carrying value is recovered, we may need to recognize the declines as realized losses with a charge to income.

While we believe that we currently have adequate internal control procedures in place, we are still exposed to potential risks from legislation requiring companies to evaluate controls under Section 404 of the Sarbanes-Oxley Act of 2002.

While we believe that we currently have adequate internal control procedures in place, we are still exposed to potential risks from legislation requiring companies to evaluate controls under Section 404 of the Sarbanes-Oxley Act of 2002. Under the supervision and with the participation of our management, we have evaluated our internal controls systems in order to allow management to report on, and our registered independent public accounting firm to attest to, our internal controls, as required by Section 404 of the Sarbanes-Oxley Act. We have performed the system and process evaluation and testing required in an effort to comply with the management certification and auditor attestation requirements of Section 404. As a result, we have incurred additional expenses and a diversion of management's time. If we are not able to continue to meet the requirements of Section 404 in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities, such as the SEC or the NASDAQ. Any such action could adversely affect our financial results and the market price of our ordinary shares.

You should not place undue reliance on our financial guidance, nor should you rely on our quarterly operating results as an indication of our future performance because our results of operations are subject to significant fluctuations.

We may experience significant fluctuations in our quarterly operating results due to a variety of factors, many of which are outside of our control. Significant fluctuations in our quarterly operating results could be caused by any of the factors identified in this section, including but not limited to our ability to retain existing users, attract new users at a steady rate and maintain user satisfaction; the announcement or introduction of new or enhanced services, content and products by us or our competitors; significant news events that increase traffic to our web sites; technical difficulties, system downtime or Internet failures; demand for advertising space from advertisers; seasonality of the advertising market; the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure; mobile operators' policies; governmental regulation; seasonal trends in Internet use; a shortfall in our revenues relative to our forecasts and a decline in our operating results due to our inability to adjust our spending quickly; and general economic conditions and economic conditions specific to the Internet, wireless, electronic commerce and the Greater China market. As a result of these and other factors, you should not place undue reliance on our financial guidance, nor should you rely on quarter-to-quarter comparisons of our operating results as indicators of likely future performance. Our quarterly revenue and earnings per share guidance is our best estimate at the time we provide guidance. Our operating results may be

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below our expectations or the expectations of public market analysts and investors in one or more future quarters. If that occurs, the price of our ordinary shares could decline and you could lose part or all of your investment.

Our stock price has been historically volatile and may continue to be volatile, which may make it more difficult for you to resell shares when you want at prices you find attractive.

The trading price of our ordinary shares has been and may continue to be subject to considerable daily fluctuations. During the twelve months ended December 31, 2006, the closing sale prices of our ordinary shares on the NASDAQ Global Select Market ranged from \$20.91 to \$29.35 per share and the closing sale price on February 23, 2007 was \$35.94 per share. Our stock price may fluctuate in response to a number of events and factors, such as quarterly variations in operating results, announcements of technological innovations or new products and media properties by us or our competitors, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors may deem comparable, new governmental restrictions or regulations and news reports relating to trends in our markets. In addition, the stock market in general, and the market prices for China-related and Internet-related companies in particular, have experienced extreme volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our ordinary shares, regardless of our operating performance.

We may be classified as a passive foreign investment company, which could result in adverse U.S. tax consequences to U.S. investors.

Based upon the nature of our income and assets, we may be classified as a passive foreign investment company, or PFIC, by the United States Internal Revenue Service for U.S. federal income tax purposes. This characterization could result in adverse U.S. tax consequences to you. For example, if we are a PFIC, our U.S. investors will become subject to increased tax liabilities under U.S. tax laws and regulations and will become subject to more burdensome reporting requirements. The determination of whether or not we are a PFIC is made on an annual basis, and those determinations depend on the composition of our income and assets, including goodwill, from time to time. Although in the past we have operated our business and in the future we intend to operate our business so as to minimize the risk of PFIC treatment, you should be aware that certain factors that could affect our classification as PFIC are out of our control. For example, the calculation of assets for purposes of the PFIC rules depends in large part upon the amount of our goodwill, which in turn is based, in part, on the then market value of our shares, which is subject to change. Similarly, the composition of our income and assets is affected by the extent to which we spend the cash we have raised on acquisitions and capital expenditures. In addition, the relevant authorities in this area are not clear and so we operate with less than clear guidance in our effort to minimize the risk of PFIC treatment. Therefore, we cannot be sure whether we are not and will not be a PFIC for the current or any future taxable year. In the event we are determined to be a PFIC, our stock may become less attractive to U.S. investors, thus negatively impacting the price of our stock.

Anti-takeover provisions in our charter documents and SINA's shareholder rights plan may discourage our acquisition by a third party, which could limit our shareholders' opportunity to sell their shares at a premium.

Our Amended and Restated Memorandum and Articles of Association include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change in control transactions. These provisions could have the effect of depriving shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of us in a tender offer or from otherwise engaging in a merger or similar transaction with us.

For example, our Board of Directors has the authority, without further action by our shareholders, to issue up to 3,750,000 preference shares in one or more series and to fix the powers and rights of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares. Preference shares could thus be issued quickly with terms calculated to delay or prevent a change in control or make removal of management more difficult. In addition, if the Board of Directors issues preference shares, the market price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be adversely affected. Similarly, the

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Board of Directors may approve the issuance of debentures convertible into voting shares, which may limit the ability of others to acquire control of us.

In addition, we have adopted a shareholder rights plan pursuant to which our existing shareholders would have the right to purchase ordinary shares from the Company at half the market price then prevailing in the event a person or group acquires more than 10% of our outstanding ordinary shares, or an additional 0.5% in the case of certain shareholders holding more than 10% at the time of the plan adoption, including Shanda and its affiliates, on terms our Board of Directors does not approve. As a result, such rights could cause substantial dilution to the holdings of the person or group which acquires more than 10%, or an additional 0.5%, as the case may be. Accordingly, the shareholder rights plan may inhibit a change in control or acquisition and could adversely affect a shareholder's ability to realize a premium over the then prevailing market price for the ordinary shares in connection with such a transaction.

We have incurred accumulated deficits in the past and we may incur future losses.

We had incurred net losses through the third quarter of 2002. As of December 31, 2006 and 2005, we had retained earnings of \$66.0 million and \$26.1 million, respectively. We cannot be certain we will sustain profitability. If we do not sustain profitability, the market price of our ordinary shares may decline.

Item 1B: *Unresolved Staff Comments*

None.

Item 2: *Properties*

We carry out our advertising, mobile value-added and other services in China, U.S., Hong Kong and Taiwan. The majority of our operations are in China, where we have offices in Beijing, Shanghai, Guangzhou and Shenzhen. We also have sales and marketing operations at satellite offices in certain provinces of China. We believe that our existing facilities are adequate to meet our current requirements, and that future growth can be accommodated by leasing additional or alternative space.

Item 3: *Legal Proceedings*

In February 2005, multiple purported securities class action complaints were filed against the Company and certain officers and directors of the Company in the United States District Court for the Southern District of New York, following the Company's announcement of anticipated financial results for the first quarter of 2005 ending on March 31, 2005. On July 1, 2005, Judge Naomi Buchwald consolidated the cases under the caption *In re SINA Corporation Securities Litigation*. On September 25, 2006, Judge Buchwald issued an order granting the defendants motion to dismiss the amended consolidated complaint in its entirety, without leave to amend.

Plaintiffs filed a notice of appeal from the dismissal order on October 24, 2006. On December 12, 2006, plaintiffs voluntarily withdrew their notice of appeal. The time for appeal has now passed, and Judge Buchwald's dismissal of the case is now final and unappealable.

From time to time, the Company may also be subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of copyrights and other intellectual property rights in connection with the content published on our web sites.

Item 4: *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of security holders during the quarter ended December 31, 2006.

Table of Contents**PART II****Item 5: Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***Market Information*

SINA Corporation's ordinary shares have been quoted on the NASDAQ Global Select Market (formerly the NASDAQ National Market) system under the symbol SINA since April 13, 2000. The following table sets forth the high and low closing sales prices of the Company's ordinary shares for each period indicated as reported on the NASDAQ Global Select Market:

	2006		2005	
	High	Low	High	Low
First Quarter	28.00	21.83	34.12	23.03
Second Quarter	29.24	22.88	32.97	25.81
Third Quarter	26.57	20.91	29.78	24.82
Fourth Quarter	29.35	24.50	26.88	23.65

The closing price of the Company's ordinary share on the NASDAQ Global Select Market on February 23, 2007, was \$35.94. As of February 23, 2007, the Company had approximately 115 shareholders of record, although the Company believes there is a significantly larger number of beneficial owners of its ordinary shares. The Company has not declared or paid any cash dividends on its Ordinary Shares at any time and has no present plans to do so in the future.

Securities authorized for issuance under equity compensation plans

The following table sets forth information for our equity compensation plans as of December 31, 2006:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance
			under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	4,092,200	\$ 20.95	1,302,632
Equity compensation plans not approved by security holders		N/A	
Total	4,092,200	\$ 20.95	1,302,632

Issuer Purchases of Equity Securities

We do not have a stock repurchase program and did not repurchase any of our equity securities during the quarter ended December 31, 2006.

Stock Performance Graph

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The following graph compares, for the five year period ended December 31, 2006, the cumulative total shareholder return for the Company's shares, the NASDAQ National Market Composite Index (the NASDAQ Composite Index) and the Morgan Stanley Internet Index. The graph assumes that \$100 was invested on December

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31, 2001 in the ordinary shares of the Company and each of the NASDAQ Composite Index and the Morgan Stanley Internet Index and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN

Among SINA Corporation, The NASDAQ Composite Index
And The Morgan Stanley Internet Index

	December 2001	June 2002	December 2002	June 2003	December 2003	June 2004	December 2004	June 2005	December 2005	June 2006	December 2006
SINA Corporation	100.00	110.76	411.39	1,281.71	2,136.08	2,087.97	2,029.11	1,765.82	1,529.11	1,581.01	1,816.46
NASDAQ Composite Index	100.00	84.60	69.66	79.55	99.71	102.80	113.79	108.72	114.47	114.98	124.20
Morgan Stanley Internet Index	100.00	78.12	74.61	87.81	105.37	113.64	115.73	103.88	112.10	103.51	124.73

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Table of Contents**Item 6: Selected Financial Data**

The selected consolidated financial data below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, the consolidated financial statements and notes thereto and the other information contained in this Form 10-K. In November 2002, we changed our fiscal year-end from June 30 to December 31. The selected consolidated statements of operation data presents the twelve month results for the four years ended December 31, 2006, 2005, 2004, 2003 and the six month results for the six months ended December 31, 2002, as well as the twelve month results for the year ended June 30, 2002. The selected unaudited consolidated statements of operation data for the year ended December 31, 2002 is also presented.

	2006	Years ended December 31,				Six months ended December 31, 2002	Year ended June 30, 2002
		2005	2004	2003	2002		
					(unaudited)		
					(in thousands, except per share data)		
Operations:							
Net revenues	\$ 212,854	\$ 193,552	\$ 199,987	\$ 114,285	\$ 38,894	\$ 23,216	\$ 28,508
Gross profit	133,444	130,445	138,376	79,848	23,385	14,674	14,900
Income (loss) before income taxes	43,967	45,525	69,224	32,318	(4,949)	916	(16,092)
Net income (loss)*	39,916	43,115	65,996	31,423	(4,949)	916	(16,092)
Net income (loss) per share*							
Basic	\$ 0.74	\$ 0.82	\$ 1.33	\$ 0.66	\$ (0.11)	\$ 0.02	\$ (0.36)
Diluted	\$ 0.69	\$ 0.75	\$ 1.15	\$ 0.58	\$ (0.11)	\$ 0.02	\$ (0.36)

	2006	2005	December 31, 2004	2003	2002
			(in thousands)		
Financial position:					
Cash, cash equivalents and short-term investments	\$ 362,751	\$ 300,689	\$ 275,635	\$ 227,164	\$ 96,736
Working capital	267,116	297,910	252,027	219,866	91,814
Total assets	538,809	468,721	430,425	289,897	130,479
Long-term liabilities		100,000	102,142	100,000	
Total liabilities	150,996	149,099	177,080	130,390	13,092
Total shareholders equity	387,813	319,622	253,345	159,507	117,387

* Fiscal 2006 includes a \$9.5 million or \$0.16 diluted

net income per
share
stock-based
compensation
charge, which
the Company
began to include
in its costs of
revenues and
operating
expenses
starting
January 1, 2006,
in accordance
with the
Statement of
Financial
Accounting
Standards
(SFAS) No. 123
(revised 2004),
Share-Based
Payment.

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Table of Contents**Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations**

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words expect, anticipate, intend, believe, the negative of such terms or other comparable terminology. All forward-looking statements included in this document are based on information available to us on the date hereof, and we undertake no obligation to update any such forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information set forth below under the caption Business Risk Factors set forth herein. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties, including the factors identified in Business Risk Factors, that could cause actual results to differ materially from those in the forward-looking statements.

Overview

We are an online media company and value-added information services provider in the People's Republic of China (the PRC or China) and the global Chinese communities. With a branded network of localized web sites targeting Greater China and overseas Chinese, we provide services through five major business lines including SINA.com (online news and content), SINA Mobile (MVAS), SINA Community (Web 2.0 based services and games), SINA.net (search and enterprise solutions) and SINA E-Commerce (online shopping). Together these provide an array of services including region-focused online portals, MVAS, search and directory, interest-based and community-building channels, free and premium email, blog services, audio and video streaming, online games, virtual Internet Service Provider (ISP), classified listings, fee-based services, e-commerce and enterprise e-solutions. In turn, we generate revenues through advertising, MVAS and other fee-based services.

The primary focus of our operations is in China, where we derive the majority of our revenues. From 1999 to 2001, our growth was mainly driven by our online advertising business, which generated the majority of our total revenues. We began offering MVAS under arrangements with third-party mobile operators in the PRC in late 2001 and have up until 2004 experienced significant growth in MVAS revenues. Advertising and MVAS are currently the major sources of our revenues and we expect this trend to continue in the near future periods.

Our business operations in China are conducted primarily through material wholly-owned subsidiaries, including BSIT, Star-Village.com (Beijing) Internet Technology, Beijing New Media Information Technology, Beijing SINA Internet Technology Service, Sina.com Technology (China) and Fayco Network Technology Development (Shenzhen), and VIEs, including the ICP Company, the GDICP Company, Xunlong, Star VI, Wangxing and the IAD Company.

We have completed a number of acquisitions over the past few years, including Memestar in 2003, Crillion in 2004 and Davidhill in 2004. Our historical financial statements reflect the impact of these acquired businesses from their respective dates of acquisition. Excluding the impact from the acquisitions, our year-over-year comparison, calculated on a consolidated basis, would be significantly different.

We had incurred net losses through the third quarter of 2002. As of December 31, 2006 and 2005, we had accumulated earnings of \$66.0 million and \$26.1 million, respectively. We have funded our operations and capital expenditures primarily using the net proceeds raised through the sale of preference shares prior to our initial public offering and the sale of our ordinary shares in the initial public offering. Since we became profitable, we have also financed our operations using cash generated from operations. We raised additional capital through the issuance of zero-coupon, convertible, subordinated notes in July 2003. We will continue our investment in the development and enhancement of our products, content and services, as well as investment in sales and marketing. If we are unable to generate sufficient net income from our operations in the future, we may have to finance our operations from the current funds available or seek equity or debt financing.

Table of Contents**Critical Accounting Policies, Judgments and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to customer programs and incentives, bad debts, investments, intangible assets, stock-based compensation, income taxes, financing operations, employee benefits, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. For further information on our critical accounting policies, see the discussion in the section titled Recent Accounting Pronouncements below and Note 1 to the Consolidated Financial Statements.

We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue recognition***Advertising***

Our advertising revenues are derived principally from online advertising and sponsorship arrangements. Online advertising arrangements allow advertisers to place advertisements on particular areas of our web sites, in particular formats and over particular periods of time. Sponsorship arrangements allow advertisers to sponsor a particular area on our web sites in exchange for a fixed payment over the contract period. While the majority of our revenue transactions contain standard business terms and conditions, there are certain transactions that contain non-standard business terms and conditions. In addition, we have certain sales transactions that involve multiple element arrangements (arrangements with more than one deliverable) that may include placement on specific properties. We also enter into arrangements to purchase goods and/or services from certain customers. As a result, significant contract interpretation is sometimes required to determine the appropriate accounting for these transactions including: 1) how the arrangement consideration should be allocated among potential multiple elements; 2) when to recognize revenue on the deliverables; 3) whether all elements of the arrangement have been delivered; and 4) whether we receive a separately identifiable benefit from purchase arrangements with our customers for which we can reasonably estimate fair value. Changes in judgments on these assumptions and estimates could materially impact the timing or amount of revenue recognition.

MVAS

We mainly rely on third-party mobile operators for billing and transmission of our MVAS to our users. The determination of whether we are the primary obligor for a particular type of service is subjective in nature and is based on an evaluation of the terms of the arrangement. If the terms of the arrangement with mobile operators were to change and cause us to no longer be the primary obligor to the users, we would have to record our MVAS revenues on a net basis. Consequently, this would cause a significant decline in our net revenues, but should not have a significant impact on our gross margin. During fiscal 2006, approximately 90% of our MVAS revenues were recorded on a gross basis.

Due to the time lag between when the services are rendered and when the mobile operator billing statements are received, MVAS revenues are estimated based on our internal records of billings and transmissions for the month, adjusting for prior periods confirmation rates with mobile operators and prior periods discrepancies between internally estimated revenues and actual revenues confirmed by mobile operators. The confirmation rate applied to the estimation of revenue is determined at the lower of the latest confirmation rate available and the average of six months historical rates available, provided that we have obtained confirmation rates for six months. If we have not yet received confirmation rates for six months, revenues would be deferred until billing statements are received from the mobile operators. If subsequent billing statements from the mobile operators differ significantly from management's estimates, our revenues could be materially impacted.

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In the past, one of our mobile operators has requested resettlement of billings that were settled in previous periods and on which payments have been received. We have accrued for such credits to revenue based on a historical rolling average and the true ups between accrued amounts and actual credit memos issued have not been significant. If mobile operators request for a resettlement of billings for previous periods at an amount significantly higher than historical average, our revenues could be severely impacted.

In addition, our revenue recognition policy requires an assessment as to whether collection is reasonably assured, which inherently requires us to evaluate the creditworthiness of our customers. Changes in judgments on these assumptions and estimates could materially impact the timing or amount of revenue recognition.

Advertising expenses

We expense all advertising costs as incurred and classify these costs under sales and marketing expenses. Advertising expenses include costs related to direct advertising that are intended to acquire subscribers for monthly subscription based and usage based MVAS. Assessing whether costs related to direct advertising should be expensed as incurred or capitalized and amortized over a longer period requires judgment, including determining whether the direct advertising activity has a primary purpose to elicit sales from customers who could be shown to have responded specifically to the advertising and whether the activities would result in probable future economic benefits. Changes in assumptions could materially affect the manner in which direct advertising costs are expensed.

Business combinations

We account for our business combinations using the purchase method of accounting. This method requires that the acquisition cost to be allocated to the assets and liabilities we acquired based on their fair values. We make estimates and judgments in determining the fair value of the acquired assets and liabilities, based on independent appraisal reports for material purchases as well as our experience with similar assets and liabilities in similar industries. If different judgments or assumptions were used, the amounts assigned to the individual acquired assets or liabilities could be materially different.

Goodwill

We test goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis, or more frequently, if facts and circumstances warrant a review. We make judgments about goodwill whenever events or changes in circumstances indicate that an impairment in the value of goodwill recorded on our balance sheet may exist. The timing of an impairment test may result in charges to our statements of operations in our current reporting period that could not have been reasonably foreseen in prior periods. Application of goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to the reporting units, assigning goodwill to reporting units and estimating the fair value of each reporting unit. Changes in these estimates and assumptions could materially affect the determination of fair value of each reporting unit which could trigger impairment. More conservative assumptions of the anticipated future benefits from these reporting units could result in impairment charges, which would decrease net income and result in lower asset values on our balance sheet. Conversely, less conservative assumptions could result in smaller or no impairment charges, higher net income and higher asset values. See Note 3 Goodwill and intangible assets in the consolidated financial statements for additional information on goodwill.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally from three to five years. Judgment is required to determine the estimated useful lives of assets, especially for computer equipment, including determining how long existing equipment can function and when new technologies will be

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introduced at cost-effective price points to replace existing equipment. Changes in these estimates and assumptions could materially impact our financial position and results of operations.

Impairment of long-lived assets

Long-lived assets and certain identifiable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for long-lived assets and certain identifiable intangible assets that management expects to hold or use is based on the amount by which the carrying value exceeds the fair value of the asset. Changes in these estimates and assumptions could materially impact our financial position and results of operations.

Stock-based compensation

We adopted the provisions of, and have accounted for stock-based compensation in accordance with, Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payment (SFAS 123R) since January 1, 2006. We elected the modified-prospective method, under which prior periods are not revised for comparative purposes. Under the fair value recognition provisions of SFAS 123R, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense on a straight-line basis, net of estimated forfeitures, over the requisite service period, which is generally the vesting period. We use the Black-Scholes option pricing model to determine the fair value of stock options and ESPP shares. The determination of the fair value of stock-based compensation awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables, including our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends. Furthermore, we are required to estimate forfeitures at the time of grant and record stock-based compensation expense only for those awards that are expected to vest. If actual forfeitures differ from those estimates, we may need to revise those estimates used in subsequent periods.

If factors change and we employ different assumptions for estimating stock-based compensation expense in future periods or if we decide to use a different valuation model, the future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income, net income and net income per share.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, characteristics not present in our option grants and ESPP shares. Existing valuation models, including the Black-Scholes and lattice binomial models, may not provide reliable measures of the fair values of our stock-based compensation. Consequently, there is a risk that our estimates of the fair values of our stock-based compensation awards on the grant dates may bear little resemblance to the actual values realized upon the exercise, expiration, early termination or forfeiture of those stock-based payments in the future. Certain stock-based compensation awards, such as employee stock options, may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and reported in our financial statements. Alternatively, value may be realized from these instruments that are significantly higher than the fair values originally estimated on the grant date and reported in our financial statements. There currently is no market-based mechanism or other practical application to verify the reliability and accuracy of the estimates stemming from these valuation models, nor is there a means to compare and adjust the estimates to actual values.

The guidance provided in SFAS 123R and Staff accounting Bulletin (SAB) No. 107 (SAB 107) is relatively new. The application of these principles may be subject to further interpretation and refinement over time. There are significant differences among valuation models, and there is a possibility that we will adopt different valuation models in the future. This may result in a lack of consistency in future periods and materially affect the fair value estimates of stock-based compensation awards. It may also result in a lack of comparability with other companies that use different models, methods and assumptions.

See Note 13 for further information regarding stock-based compensation under SFAS 123R.

Table of Contents***Income taxes***

We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating losses and tax credit carryforwards. Management must make assumptions, judgments and estimates to determine our current provision for income taxes and our deferred tax assets and liabilities and any valuation allowance to be recorded against a deferred tax asset. Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements. Our assumptions, judgments and estimates relative to the value of a deferred tax asset take into account predictions of the amount and category of future taxable income, such as income from operations. Actual operating results and the underlying amount and category of income in future years could render our current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ from our estimates, thus materially impact our financial position and results of operations.

Foreign currency

Our functional currency is the U.S. dollar and our subsidiaries and VIEs in China, Hong Kong and Taiwan use their respective local currencies as their functional currencies. An entity's functional currency is the currency of the primary economic environment in which the entity operates. Management must use judgment in determining an entity's functional currency, assessing economic factors including cash flow, sales price, sales market, expense, financing and inter-company transactions and arrangements. Impact from exchange rate changes related to transactions denominated in currencies other than the functional currency is recorded as a gain and loss in our consolidated statements of operations, while impact from exchange rate changes related to translating a foreign entity's financial statements from the functional currency to our reporting currency, the U.S. dollar, is disclosed and accumulated in a separate component under the equity section of our consolidated balance sheets. Different judgments or assumptions resulting in a change of functional currency may materially impact our financial position and results of operations. For fiscal 2006, our translation adjustment was \$8.3 million and our transactional loss was approximately \$0.1 million.

Equity investments

Our equity investments are comprised of joint ventures and other privately held companies. We account for equity investments in entities in which we exercise significant influence but do not own a majority equity interest or otherwise control using the equity method. For equity investments over which we do not have significant influence, the cost method of accounting is used. We evaluate our equity investments for impairment whenever events and changes in business circumstances indicate the carrying amount of the equity investment may not be fully recoverable. The impairment evaluation requires significant judgment to identify events or circumstances that would likely have a significant adverse effect on the fair value of the equity investments. Equity investments identified as having an indication of impairment are subject to further analysis to determine if the impairment is other-than-temporary and this analysis requires estimating the fair value of the equity investments. The determination of fair value of the equity investments involves considering factors such as current economic and market conditions, the operating performance of the companies including current earnings trends and undiscounted cash flows and other company-specific information including recent financing rounds. The evaluation process is based on information that we request from these privately-held companies. This information is not subject to the same disclosure regulations as U.S. publicly traded companies, and as such, the basis for these evaluations is subject to the timing and the accuracy of the data received from these companies. Fair value determination, particularly for equity investments in privately-held companies, requires significant judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the equity investments and the determination of whether any identified impairment is other-than-temporary.

Table of Contents**Marketable securities**

Our marketable securities are held as available for sale and are reported at fair value. The treatment of a decline in the fair value of an individual security is based on whether the decline is other-than-temporary. Significant judgment is required to assess whether the impairment is other-than-temporary. Our judgment of whether an impairment is other-than-temporary is based on an assessment of factors including our ability and intent to hold the individual security, severity of the impairment, expected duration of the impairment and forecasted recovery of fair value. Changes in the estimates and assumptions could affect our judgment of whether an identified impairment should be recorded as an unrealized loss in the equity section of our consolidated balance sheets or as a realized loss in the consolidated statements of operations.

Recent Accounting Pronouncements

In September 2006, the SEC released SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108). SAB 108 provides interpretive guidance on the SEC's views on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The provisions of SAB 108 will be effective for us for the fiscal year ended December 31, 2006. We are currently evaluating the impact of applying SAB 108 but do not believe that the application of SAB 108 will have a material effect on our financial position, cash flows nor results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 will be effective for us starting January 1, 2008. We are currently evaluating the impact of adopting SFAS 157 on our consolidated financial position, cash flows and results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an Interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that we recognize and disclose in our financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 became effective on January 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings. We are currently evaluating the impact of adopting FIN 48 and its impact on our consolidated financial position, cash flows and results of operations.

In June 2006, FASB ratified the provisions of EITF Issue No. 06-3 *How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement* (EITF 06-3), which requires us to disclose how we account for taxes imposed on and concurrent with a specific revenue-producing transaction. EITF 06-3 will be effective for us starting January 1, 2007. We do not believe that the application of EITF 06-03 will have a material effect on our financial position, cash flow and results of operations.

Results of Operations**Net revenues**

	2006		Years ended December 31,			% of Change			
			2005		2004				
	(in thousands, except percentages)							YOY	YOY
							06 &	05 &	
							05	04	
Net Revenues									
Advertising	\$ 120,067	56%	\$ 84,999	44%	\$ 65,417	33%	41%	30%	
Non-advertising:									
MVAS	86,257	41%	98,070	51%	123,954	62%	-12%	-21%	
Others	6,530	3%	10,483	5%	10,616	5%	-38%	-1%	

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Subtotal	92,787	44%	108,553	56%	134,570	67%	-15%	-19%
Total net revenues	\$ 212,854	100%	\$ 193,552	100%	\$ 199,987	100%	10%	-3%

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Total net revenues increased 10% from 2005 to 2006. This was primarily due to the 41% year-over-year increase in advertising revenues and was partially offset by the 12% year-over-year decrease in MVAS revenues as well as the 38% year-over-year decline in other non-advertising revenues, mainly from search. Advertising revenues as a percentage of total net revenues grew to 56% in 2006 from 44% in 2005 while MVAS revenues declined to 41% in 2006 from 51% in 2005. Total net revenues declined 3% from 2004 to 2005. This was primarily due to the 21% year-over-year decline in MVAS revenues and was partially offset by the 30% year-over-year increase in advertising revenues.

Advertising. Advertising revenues grew 41% year-over-year in 2006 and 30% year-over-year in 2005. These increases were primarily due to the increase in the number of advertisers, price and overall average spending per advertiser in China.

For 2006, advertising revenues from China accounted for 97% of our total advertising revenues, compared to 96% and 94% of our total advertising revenues for 2005 and 2004, respectively. Total number of advertisers in China was approximately 980 in 2006, compared to approximately 790 and 760 in 2005 and 2004, respectively. Average revenue per advertising customer in China was approximately \$120K in 2006, as compared to approximately \$100K and \$80K in 2005 and 2004, respectively. Our top ten customers in aggregate generated approximately 16%, 15% and 21% of our advertising revenues in the PRC in 2006, 2005 and 2004, respectively. Revenues from the automobile, information technology and real estate sectors contributed to approximately 53% and 47% of advertising revenues for 2006 and 2005, respectively, and were responsible for the majority of our advertising revenue growth for these two years.

Non-advertising. MVAS revenues from China make up the majority of our non-advertising revenues. MVAS revenues declined 12% and 21% year-over-year in 2006 and 2005, respectively, which was the primary cause for the year-over-year declines in non-advertising revenues in 2006 and 2005.

MVAS

	2006		2005		2004		% of Change	
							YOY 06 & 05	YOY 05 & 04
	(in thousands, except percentages)							
2.0G products	\$ 73,665	85%	\$ 83,745	85%	\$ 109,712	89%	-12%	-24%
2.5G products	12,592	15%	14,325	15%	14,242	11%	-12%	1%
Total MVAS revenues	\$ 86,257	100%	\$ 98,070	100%	\$ 123,954	100%	-12%	-21%

Revenues from 2.0G products, including SMS, IVR, CRBT, decreased 12% and 24% year-over-year in 2006 and 2005, respectively. SMS is the largest component of our MVAS. Revenues from SMS were \$55.4 million, \$71.5 million and \$103.3 million or 64%, 73% and 83% of total MVAS revenues in 2006, 2005 and 2004, respectively. The decline in SMS revenues in 2006 from 2005 was largely due to higher churn rates by our monthly subscription users, less effective means to recruit new users and tightening operator policies and regulatory environment in China in general. The decline was partially offset by the increase in IVR revenues which were \$15.0 million, \$7.4 million and \$4.7 million or 17%, 7% and 4% of total MVAS revenues in 2006, 2005 and 2004, respectively. The year-over-year growth of IVR revenues in 2006 was primarily due to increased promotion and the addition of IVR service with China Telecom. Revenues from CRBT declined 35% in 2006 as a result of reduced marketing efforts but previously increased 178% in 2005.

Revenues from 2.5G products, including MMS, WAP and Kjava, decreased 12% year-over-year in 2006 while increasing 1% year-over-year in 2005. MMS declined 41% and 33% year-over-year in 2006 and 2005, respectively, which was mainly due to certain changes by China Mobile, including the switch to a new billing platform as well as

policy changes on monthly subscription service. WAP revenues dropped 1% year-over-year in 2006, while Kjava grew significantly in 2006 and 2005 but from a negligible base in 2004.

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In July 2006, China Mobile made significant changes to their policy on subscription-based MVAS. These changes were in accordance with policy directives from China's Ministry of Information Industry (MII) and were intended to address a number of issues, including reducing subscriber complaints, increasing customer satisfaction and promoting healthy development of the MVAS industry in China. The key changes include requiring double confirmations on new MVAS subscriptions as well as sending SMS reminders to existing monthly subscribers of SMS, MMS and WAP to inform them of their MVAS subscription and fee information. Certain provincial subsidiaries, such as Guangdong Mobile, one of China Mobile's largest provincial subsidiaries, have begun to discontinue charging MVAS users monthly subscription fees unless the users reply to the SMS reminders and reconfirm their subscription. Other provincial subsidiaries are expected to announce similar measures of their own. In addition, China Mobile's provincial subsidiaries began canceling existing WAP subscriptions that have been inactive for four months and existing SMS subscriptions of users who have not successfully received more than three SMS messages during the month. In September 2006, China Unicom began enforcing double confirmations on new subscription services. These policy changes by mobile operators have significantly reduced our ability to acquire new monthly MVAS subscribers and increased the churn rate of our existing monthly MVAS subscribers. China Mobile, China Unicom and other operators may announce additional measures in response to the MII campaign in the future, which may adversely impact on our results of operations, cash flows and financial condition.

For the fourth quarter of 2006, 34% of our revenues were from the MVAS business, approximately 34% and 16% of which related to monthly subscription from China Mobile and China Unicom, respectively. We derive the majority of our subscription revenues from SMS, MMS and WAP, and we expect revenues from these products to continue to be negatively impacted in the near future. We are in the process of developing and promoting new products that we believe are not subject to either China Mobile's or China Unicom's recent policy changes. However, there is no guarantee that we will be able to develop any such new products, that any such products will achieve market acceptance or that such products will not be affected by future changes in rules and regulations.

Other non-advertising revenues

Other non-advertising revenues include fee-based services, such as virtual ISP and paid email services, e-commerce and other enterprise services such as paid search and directory listings. The year-over-year decrease in other non-advertising revenues in 2006 was mainly due to revenue declines from paid search and directory listings, loss of revenues from the sale of our online hotel-booking business in the third quarter of 2005 and the sale of our interest in an online auction joint venture in the fourth quarter of 2005.

Revenues from paid search and directory listings accounted for 55%, 58% and 52% of our other non-advertising revenues in 2006, 2005 and 2004, respectively. Revenues from paid search and directory listings were mainly generated from pay-by-listing products related to an old search platform. Due to the phasing out of customer agreements, such revenues declined 41% year-over-year in 2006. Starting in the first quarter of 2006, we began to promote our new search engine iAsk as the preferred search engine on our web site. iAsk was offered free of charge during 2006.

Costs of revenues

	Years ended December 31,				
	2006	2005	2004	% of Change YOY 06 & 05	% of Change YOY 05 & 04
	(In thousands, except percentages)				
Costs of revenues:					
Advertising	\$ 42,529	\$ 27,627	\$ 22,187	54%	25%
Non-advertising:					
MVAS	34,255	33,814	38,277	1%	-12%
Other	2,626	1,666	1,147	58%	45%

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Subtotal	36,881	35,480	39,424	4%	-10%
Total costs of revenues	\$ 79,410	\$ 63,107	\$ 61,611	26%	2%

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Costs of revenues increased 26% and 2% year-over-year in 2006 and 2005, respectively. This was primarily due to the increase in costs of advertising revenue.

Advertising. Costs of advertising revenue consist mainly of expenses associated with the production of our web sites, which include fees paid to third parties for Internet connection, content and services, personnel-related costs and equipment depreciation expenses associated with our web site production. Costs of advertising revenue also include the business taxes on advertising sales in the PRC. Business taxes, surcharges and cultural business construction fees levied on advertising sales are approximately 8.5% of the advertising revenues.

Costs of advertising revenue increased 54% and 25% year-over-year in 2006 and 2005, respectively. The increases were due to higher web production costs driven by an increase in web production personnel and content fees, the increase in Internet connection costs associated with the additional bandwidth as well as the increase in business taxes associated with higher advertising revenues. These increases were driven by the need to provide additional resources to support our web traffic and advertising revenue growth. In 2006, costs of advertising revenue included stock-based compensation of \$1.7 million as a result of the adoption of SFAS 123R on January 1, 2006. In 2004, content fees included \$1.1 million paid to an exclusive Olympic content partner and \$0.1 million paid for other one-time content purchases relating to Olympic coverage.

Non-advertising. Costs of non-advertising revenue consist mainly of fees paid to third-party mobile operators for their services relating to the collection of our MVAS revenues and for using their transmission gateways and fees or royalties paid to third-party content providers for services and contents associated with our MVAS. Costs of non-advertising revenue also include business taxes and surcharges levied on non-advertising sales in the PRC. Business taxes and surcharges levied on non-advertising revenues are approximately 3.3% for mobile related revenues and 5.5% for other non-advertising revenues.

Costs of MVAS revenue increased slightly by 1% year-over-year in 2006 while decreasing 12% year-over-year in 2005. Fees retained by or paid to mobile operators for 2006, 2005 and 2004 were \$24.7 million, \$24.7 million and \$28.9 million, respectively, or 29%, 25% and 23%, respectively, of our MVAS revenues. Fees paid to third party content providers for 2006, 2005 and 2004 were \$7.6 million, \$6.3 million and \$6.6 million, respectively, or 9%, 6% and 5%, respectively, of our MVAS revenues.