SINA CORPORATION

growth

59%

ANNUAL REPORT 2004

75%

84%

company profile

SINA Corporation (NASDAQ: SINA) is a leading online media company and value-added information service (VAS) provider for China and for Chinese communities worldwide.

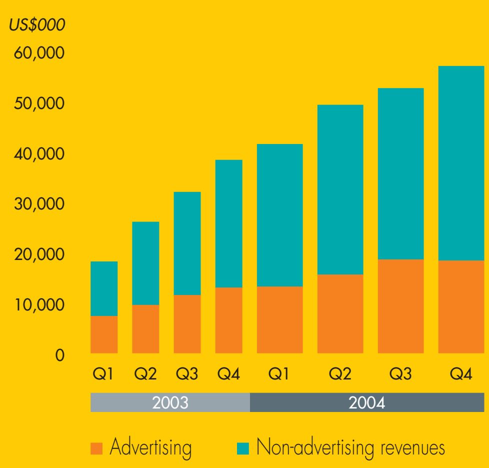
With a branded network of localized web sites targeting Greater China and overseas Chinese, SINA provides services through five major business lines including SINA.com (online news and content), SINA Mobile (mobile value-added services), SINA Online (community-based services and games), SINA.net (search and enterprise services) and SINA E-Commerce (online shopping and auctions).

- **Generated record revenues of $200 million, a 75% increase over the same period in 2003**
- **Grew advertising revenues 59% year-over-year to $65.4 million**
- **Grew non-advertising revenues 84% year-over-year to $134.6 million**
- **Reported GAAP net income of $66.0 million, or $1.15 diluted net income per share, compared to a net income of $31.4 million, or $0.58 diluted net income per share for 2003**
- **Year-end balance of $275.6 million in cash, cash equivalents and short-term investments**

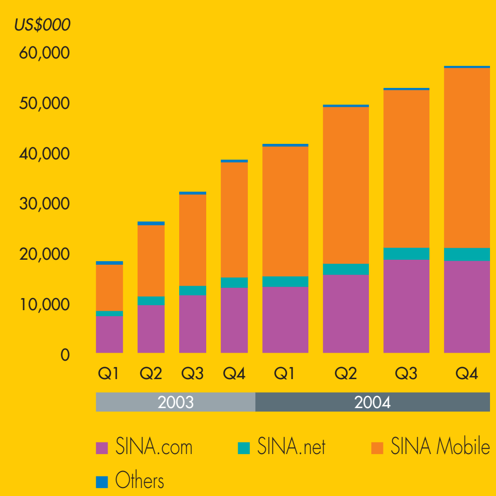
financial highlights

Net Revenues Growth	Advertising Revenues Growth	Non-Advertising Revenues Growth
75%	**59%**	**84%**
US$200m	**US$65.4m**	**US$134.6m**

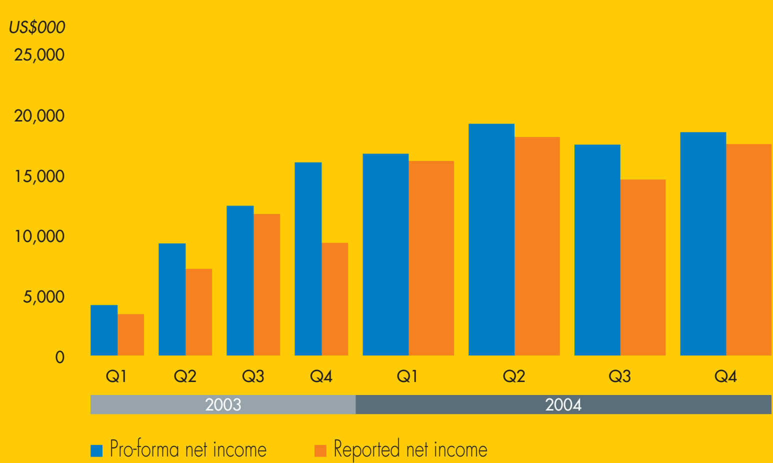
quarterly revenues



quarterly revenues by product line



quarterly pro-forma and reported net income



Note:
Pro-forma net income excludes non-cash charges relating to amortization of intangible assets, stock-based compensation, convertible bond issuance cost, gain or loss from Sun Media Group investment and other one-time investment gains or losses.

ceo's letter

To Our Shareholders:

In 2004, SINA continued its track record of delivering strong growth in revenue and profitability to our shareholders. This success is a testament to the strength of the SINA brand, the diversity of our service offerings and the Company's status as the leading Chinese portal.

SINA's foundation is built on our position as the leading provider of premier Internet content across a wide array of subjects, and on providing complimentary products and services that are of interest to our Chinese user base. As China's leading online media brand, we have a large number of unique users, as well as the most desirable user demographics of well-educated, high-income individuals in the 25-35 age groups. In 2004, *China Internet Weekly*, a Beijing-based IT magazine, recognized SINA as the most influential web site and for the second consecutive year *South China Weekend* named SINA China's most respected web site. In the most recent study on Internet Usage in China by the Chinese Academy of Social Science, SINA led the poll for being the most frequently visited web site in China by a wide margin of 17.5%. These recognitions are a testament of SINA's dominance in the Chinese Internet market.

The strength and vitality of the Chinese economy and the rapid growth of the Country's Internet and mobile phone markets are two key factors driving SINA's success. With annual GDP growth of 9.5%, China represents the fastest growing economy in the world. Similarly, there is also the rapid development in the Chinese Internet market, which had 94 million Internet users at the end of 2004, making it the second-largest Internet user base in the world. In the mobile service sector the Country continues to exhibit exceptional growth, and at the end of 2004 China had the world's largest mobile service market, with 335 million mobile phone users. As the leading online media provider and one of the largest mobile value-added service providers (MVAS) in China, SINA is well positioned to capitalize on these growth trends.

Over the last four years management has worked to diversify our revenue sources and establish multiple business lines to balance our exposure to changing market dynamics. Our strong results in 2004 demonstrate the success of this strategy, as we continued to dominate in online advertising and mobile value-added services, while broadening our reach in all five of our business segments: SINA.com, SINA Mobile, SINA e-Commerce, SINA Online and SINA.net.

Acquisitions and Partnerships

Making strategic acquisitions and forming opportunistic partnerships with industry leaders remains an integral part of SINA's strategy for long-term growth. To that end, we continued to build on our strong base of partnerships in 2004. We also made several acquisitions to further expand our product offerings and add new complimentary services. In January of 2004, we entered a joint venture with Internet giant

SINA provides services through five major business lines.

Yahoo! to provide online auctions in China. The partnership created 1Pai, a full-featured auctions-based e-commerce platform that provides both a fixed-price and bid-price model for the sale of consumer goods, as well as a range of services to facilitate transactions. In March 2004, we acquired Crillion Corporation, a leading SMS valued-added service provider which added further depth to both our customer base and product offerings in our Mobile business. The Crillion acquisition, which significantly increased our market share in mobile value-added services, also provided us with expertise in offline media distribution platforms. In October 2004, our acquisition of Davidhill Capital Inc. and its UC instant messaging technology officially marked our entry into China’s instant messaging market.

Business Lines

Our portal, SINA.com, remains the cornerstone of our corporate offerings. As the leading online Chinese portal, SINA commands higher advertising premiums and enjoys priority considerations in securing world-class promotional events and

SINA.com, includes SINA’s online advertising business and its portal network of four destination web sites which provide extensive Chinese-language news and content organized into interest-based channels, and offer community and communication services and sophisticated web navigation capabilities through search and directory services. SINA.com sources content from over 1000 media outlets such as Reuters, Associated Press and The Financial Times, while employing over 300 editorial staff, the largest in the Chinese online media community, to provide the best and most relevant online news and information.

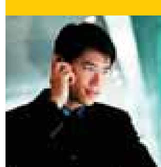
SINA.COM

establishing global marketing alliances. In 2004, our online advertising revenues hit $65.4 million, which accounts for over 30% of the total Chinese online advertising market, positioning us as the number one online advertising provider in China. Driving the growth of our advertising revenues were both the increasing acceptance of online advertising and our continued dominance in gaining market share. For the year ended December 31, 2004, we had a total of 763 domestic and international advertising clients, compared to just 582 at the end of 2003. Despite the regulatory changes, SINA Mobile experienced year-over-year revenue growth driven by the increasing adoption of 2.5G mobile value-added services. We led the MVAS market in revenues, with $124.0 million in 2004. Our ability to continue growing our Mobile revenues was a direct result of the synergies of our online and offline marketing channels, and of our experience in successfully managing the business through the regulatory and billing changes that occurred throughout the year. While certain regulatory changes will affect the growth of wireless business in 2005, we believe that MVAS remains a viable and important business. We will continue to develop new products and services that comply with current rules, and thus strengthen our industry leadership.

In 2004, our online advertising revenues hit $65.4 million.

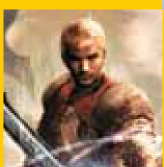
SINA.MOBILE

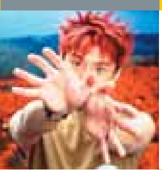
SINA Mobile provides mobile value-added service (MVAS) offerings including news and information, community services such as dating and friendship communities, and multimedia downloads of ring tones, pictures and screensavers. Users can order these services through the SINA web site or through their mobile phones on a monthly subscription basis or per-message basis. SINA Mobile offers MVAS through a wide range of products from content downloading, subscription to dating and mobile games, covering such platforms as SMS, multimedia messaging service (MMS), wireless application protocol (WAP), and interactive voice response system (IVR).



SINA.ONLINE

SINA Online offers a variety of community-building services designed to encourage registered users to become active and loyal members, or SINA Netizens. The integrated SINA Mail, SINA UC (instant messaging), SINA Games, SINA Passport/Pay Point and SINA Dating service enable SINA Netizens to communicate with one another or with groups of people in the SINA community. 51UC, SINA's instant messaging platform, allows users to communicate in real-time over the Internet and mobile phone networks, via text messages, images and voice. SINA Online also boasts millions of registered email account users and houses SINA's popular online game business including the 'Lineage' game series.





We remain excited and optimistic about the opportunities available for growth across all of our business lines.

Corporate Governance

Improving transparency and maintaining strong corporate governance and internal controls continues to be one of the highest priorities for SINA. We are proud to be the first China-based U.S. listed company to receive a clear opinion on the effectiveness of our internal control over financial reporting as prescribed under section 404 of the Sarbanes-Oxley Act. In light of compliance requirements by Sarbanes Oxley, we will continue to improve the quality of our corporate reporting process and ensure that the interest of our shareholders is always best served.

Looking Forward

In spite of the challenges that exist in the rapidly evolving Chinese Internet and media sector, we remain excited and optimistic about the opportunities available for growth across all of our business lines. We continue to improve existing offerings while developing the next generation of products and services. In our .Com business we continue to broaden our online subject coverage and to attract new advertisers by creating vertical channels with rich media content. In our Mobile business we are leveraging our experience and success in SMS to develop new products and services, and at the same time, actively seeking new content, relationship and distribution partners. We are further building on the momentum of our

SINA.NET

SINA.net provides enterprise solutions on an integrated platform to government agencies and small to medium-sized businesses in China. These solutions include search and listings services, web hosting, corporate email, and proprietary software products. SINA's listing properties include a search engine (iAsk), a directory and classified information, while corporate email service includes the bundling of a pre-set number of email boxes with larger storage than SINA Mail as well as customized email addresses for business use.

acquisition of UC instant messaging and our successful online game initiatives to position SINA as the premier online entertainment destination of choice.

We are well aware of the increasing competition in our markets. However, we believe that the quality of our content and the products we offer will allow us to sustain our competitive edge. We have the dedicated resources in place to ensure success and growth throughout our businesses, and we will continue to invest in human capital and technology to stay ahead of the changing market. We continue to work to increase the diversity of our offerings and to strengthen our status as the premier online media company and value-added information service provider in China.

During the first quarter of 2005 we continued to make investments in the business – specifically in e-mail and search technology. We are now able to offer 1.5 gigabytes of storage to our free e-mail users using off-the-shelf hardware that has dramatically reduced our costs per unit of storage.

We believe that China is a long-term growth story and that SINA is a long-term growth Company.

SINA.E-COMMERCE

SINA e-Commerce includes the Company's online shopping (SINAMall) and online auction (1Pai) services. SINAMall enables both multinational and local merchants to transact business online. SINAMall generates revenue from monthly hosting fees and by receiving a percentage of online sales from its merchant partners. 1Pai, an online auction joint venture with Yahoo!, provides auction-based e-commerce services for small- and medium-sized businesses and buyers and sellers in China.

On the search side, after one year of intensive R&D efforts, we rolled out our own self-developed search engine, "iAsk". iAsk represents a break through in online search technology by combining the conventional web search algorithm method with SINA's own differentiated indexing technology.

We have always maintained that China is only in the first stage of a long-term growth story in the Internet industry. SINA remains at the top of its class, and we will continue to invest in technology, people and branding to secure our leading position.

I would like to take this opportunity to thank everyone who contributed to our great successes in 2004. I want to commend SINA's management team and employees for their continued commitment and dedication. I would also like to thank our Board of Directors for their guidance. And, of course, I wish to extend a special recognition and thanks to you, our shareholders, for your continued support.

Yan Wang

Chief Executive Officer

Financial Information

contents

selected financial data

The selected consolidated financial data below should be read in conjunction with "Management's Discussion and Analysis," the consolidated financial statements and notes thereto and the other information contained in this report. In November 2002, we changed our fiscal year-end from June 30 to December 31. The consolidated statement of operations presents the twelve month results for the two

(In thousands,except per share amounts)

	Years Ended December 31	
	2004	**2003**
Consolidated Statement of Operations Data:		
Net revenues:		
Advertising	**$ 65,417**	$ 41,173
Non-advertising	**134,570**	73,112
	199,987	114,285
Cost of revenues:		
Advertising	**22,187**	14,001
Non-advertising	**39,424**	20,405
Stock-based compensation	**–**	31
	61,611	34,437
Gross profit	**138,376**	79,848
Operating expenses		
Sales and marketing	**39,585**	21,741
Product development	**10,355**	6,340
General and administrative	**15,619**	11,551
Stock-based compensation	**–**	523
Amortization of intangible assets	**3,492**	1,749
Write-off of intangible assets	**–**	903
	69,051	42,807
Income (loss) from operations	**69,325**	37,041
Interest income	**5,139**	2,757
Other expenses	**–**	(162)
Amortization of convertible debt issuance cost	**(685)**	(341)
Loss on investments, net	**(1,390)**	(6,063)
Loss on equity investments	**(3,165)**	(914)
Income (loss) before income taxes	**69,224**	32,318
Provision for income taxes	**(3,228)**	(895)
Income (loss) before minority interest	**65,996**	31,423
Minority interest	**–**	–
Net income (loss)	**65,996**	31,423
Accretion on Mandatorily Redeemable Convertible Preference Shares	**–**	–
Net income (loss) attributable to ordinary shareholders	**$ 65,996**	$ 31,423
Basic net income (loss) per share	**$ 1.33**	$ 0.66
Shares used in computing basic net income (loss) per share	**50,274**	47,840
Diluted net income (loss) per share	**$ 1.15**	$ 0.58
Shares used in computing diluted net income (loss) per share	**58,204**	54,794

(In thousands)

	Years Ended December 31	
	2004	**2003**
Consolidated Balance Sheet Data:		
Cash and cash equivalents	**$ 153,768**	$ 158,148
Working capital	**252,027**	219,866
Total assets	**430,425**	289,897
Convertible debt	**100,000**	100,000
Total shareholders' equity	**253,345**	159,507

years ended December 31, 2004 and 2003, the six month results for the six months ended December 31, 2002, as well as the twelve month results for the years ended June 30, 2002, 2001, and 2000. The unaudited consolidated statement of operations of the twelve months results for the year ended December 31, 2002 is also presented.

Years Ended December 31	Six Months Ended December 31	Years Ended June 30		
2002 (unaudited)	2002	2002	2001	2000
$ 24,703	$ 13,869	$ 21,105	$ 23,393	$ 11,013
14,191	9,347	7,403	3,290	3,157
38,894	23,216	28,508	26,683	14,170
11,267	5,824	11,537	13,771	8,950
4,140	2,676	1,938	1,169	1,965
102	42	133	414	605
15,509	8,542	13,608	15,354	11,520
23,385	14,674	14,900	11,329	2,650
12,419	6,457	12,468	21,694	17,476
5,916	2,755	6,666	9,648	7,358
8,896	4,480	8,237	8,918	6,951
1,692	699	2,208	7,097	18,460
1,777	90	5,063	6,765	6,807
–	–	–	–	–
30,700	14,481	34,642	54,122	57,052
(7,315)	193	(19,742)	(42,793)	(54,402)
2,819	1,034	4,212	7,336	3,801
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
(453)	(311)	(562)	(894)	(501)
(4,949)	916	(16,092)	(36,351)	(51,102)
–	–	–	–	–
(4,949)	916	(16,092)	(36,351)	(51,102)
–	–	–	–	119
(4,949)	916	(16,092)	(36,351)	(50,983)
–	–	–	–	(84)
$ (4,949)	$ 916	$ (16,092)	$ (36,351)	$ (51,067)
$ (0.11)	$ 0.02	$ (0.36)	$ (0.91)	$ (3.44)
45,629	45,725	44,315	40,110	14,836
$ (0.11)	$ 0.02	$ (0.36)	$ (0.91)	$ (3.44)
45,629	48,030	44,315	40,110	14,836

Years Ended December 31	Years Ended June 30		
2002	2002	2001	2000
$ 53,262	$ 31,095	$ 52,505	$ 99,149
91,814	89,914	102,246	125,867
130,479	121,355	133,122	156,038
–	–	–	–
117,387	111,690	119,967	146,817

management's discussion and analysis

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 in the 10K document which can be downloaded from our web site http://corp.sina.com. 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 a leading 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 (mobile value-added services or "MVAS"), SINA Online (community-based services and games), SINA.net (search and enterprise services) and SINA E-Commerce (online shopping and travel). 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, online games, virtual ISP, classified listings, fee-based services, e-commerce and enterprise e-solutions. In turn, we generate revenues through advertising, MVAS, fee-based services, e-commerce and enterprise 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 online advertising business and revenues from online advertising accounted for a majority of our total revenues. We began offering MVAS under arrangements with third-party mobile operators in the PRC in late 2001 and have since 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 revenues

We derive our revenues from advertising and non-advertising sources.

Advertising

Advertising revenues are derived principally from online advertising arrangements, sponsorship arrangements, or a combination of them. 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. We sell online advertisements through our advertising agencies or through our direct sales force. For fiscal 2004 and 2003, advertising revenues accounted for 33% and 36% of our total net revenues, respectively.

Non-advertising

Non-advertising revenues are derived primarily from MVAS, fee-based services, e-commerce and enterprise services. For fiscal 2004 and 2003, non-advertising revenues accounted for 67% and 64% of our total net revenues, respectively.

MVAS. MVAS revenues are derived principally from providing mobile phone users with short messaging service ("SMS"), multimedia messaging service ("MMS"), wireless application protocol ("WAP") services and interactive voice response system ("IVR") services. These services include news and other content subscriptions, mobile dating service, picture and logo download, ring tones, ring back tones, mobile games, chat rooms and access to music files. Such services are charged on a monthly subscription or on a per message basis.

We began offering MVAS in China in late 2001. We expanded our market share in China by acquiring MeMeStar Limited in January 2003 and Crillion Corporation in March 2004. We diversified our product offerings and launched our WAP services in December 2002, MMS in April 2003 and IVR services in December 2003. For fiscal 2004 and 2003, revenues from MVAS accounted for 62% and 56% of our total net revenues, respectively.

We have established cooperation arrangements with third-party mobile operators China Mobile Communication Corporation ("China Mobile") and China Unicom Co., Ltd. ("China Unicom") and their subsidiaries. As of December 31, 2004, we offered our MVAS pursuant to relationships with 29 provincial and local subsidiaries of China Mobile and 8 provincial subsidiaries of China Unicom. MVAS revenues via China Mobile and its subsidiaries were 87% and 95%, respectively, of our total MVAS revenues for the year 2004 and 2003. MVAS revenues via China Unicom and its subsidiaries were 13% and 5%, respectively, of our total MVAS revenues for the year 2004 and 2003.

We rely on China Mobile and China Unicom 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 our new products and services.

Based on the arrangements with China Mobile and its subsidiaries, China Mobile generally retains 15% of the fee for content value-added services we provide to our users via their platform for fee collection. In addition, China Mobile deducts 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 the message volume. For fiscal 2004 and 2003, we received on average 77% and 78%, respectively, of the amount we charged to our users from 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 typically retains 12% of the fee for content value-added services we provide to our users via their platform if they charge us for transmission cost or between 21% and 29% if they do not charge us for transmission cost. For fiscal 2004 and 2003, we received on average 72% and 73%, respectively, of the amount we charged to our users from China Unicom platform after China Unicom deducted the fees for collection and transmission. China Mobile and China Unicom may choose to increase the fees charged for providing their services in the future, and if they choose to increase such fees, our gross margin for MVAS and our operating profitability may be negatively impacted.

Fee-based service revenues. Fee-based service revenues mainly include services fees received from offering information subscriptions on our web sites, online games, virtual ISP and paid email services.

E-commerce revenues. E-commerce revenues include transaction and slotting fees paid by merchants for selective positioning and promoting their goods or services within our online mall, SinaMall. Our transaction-based, e-commerce revenues have been minimal.

Enterprise service revenues. Enterprise service revenues mainly include paid search and directory listings, corporate emails, classified listings, e-learning and enterprise e-solutions. The majority of enterprise service revenues are generated from paid search and directory listing and for fiscal 2004, 2003 and 2002, revenues from paid search and directory listing amounted to $5.5 million, $3.7 million and $0.5 million, respectively, or 4%, 5% and 4%, respectively, of our total non-advertising revenues.

Material acquisitions

In January 2003, we completed the acquisition of MeMeStar Limited, a British Virgin Islands limited liability corporation ("MeMeStar"), through a purchase of all of the outstanding shares of MeMeStar. As a result of such acquisition, MeMeStar became one of our wholly-owned subsidiaries. MeMeStar, through its various subsidiaries and exclusive contractual arrangements with two local entities in the PRC, is engaged in the business of providing MVAS in the PRC. The primary purposes of the acquisition were to enhance our MVAS as well as increase our market share in the PRC MVAS market. The aggregate purchase price of $24,255,113 is comprised of five elements: (a) $10,277,675 in cash paid at the closing of the acquisition; (b) 560,369 newly issued SINA ordinary shares, valued at $4,281,219 at the time of signing the definitive agreement, delivered at the closing of the acquisition; (c) $5,250,000 in cash paid in four equal installments after the closing date of the acquisition; (d) 560,369 newly issued SINA ordinary shares, valued at $4,281,219 at the time of signing the definitive agreement, to be delivered on the first anniversary of the closing date of the acquisition, 383,733 of which were issued in August 2003, prior to the first anniversary of the closing, as a result of an amendment to the share purchase agreement; and (e) approximately $165,000 in legal and professional fees related to the acquisition. As a result of the acquisition, we recorded intangible assets relating to customer lists and non-competition clauses in the amount of $2.2 million, which were amortized over periods ranging from fourteen to eighteen months. Amortization expense for fiscal 2004 and 2003 amounted to $0.5 million and $1.7 million, respectively. In addition, we recorded goodwill in the amount of $18.1 million representing the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"), goodwill is not amortized but is tested for impairment annually. We performed an impairment test relating to goodwill arising from MeMeStar acquisition and concluded there was no impairment as to the carrying value of the goodwill as of December 31, 2004. The purchase allocation for the MeMeStar acquisition is based on an appraisal performed by an independent appraisal firm in the United States. Immediately after the signing of the definitive agreement, we obtained effective control over MeMeStar; accordingly, the operating results of MeMeStar have been consolidated with our results starting January 6, 2003.

In March 2004, we completed the acquisition of Crillion Corporation, a British Virgin Islands limited liability corporation ("Crillion"), through a purchase of all of the outstanding shares of Crillion. As a result of such acquisition, Crillion became a wholly-owned subsidiary of SINA. Crillion, through its subsidiary and exclusive contractual arrangement with a local entity in the PRC, is engaged in the business of providing MVAS in the PRC. The primary purposes of the acquisition were to enhance our MVAS as well as increase our market share in the PRC MVAS market. The aggregate purchase price is comprised of an initial consideration and two contingent considerations on achieving specified earnings in future periods. The initial consideration of $18,958,486 is comprised of three elements: (a) $9,898,785 in cash; (b) 195,593 newly issued SINA ordinary shares, valued at $8,534,701 at the time of closing, delivered at the closing of the acquisition; and (c) approximately $525,000 in legal and professional fees related to the acquisition. The two contingent considerations are based on Crillion's financial performances in 2004 and 2005. The contingent considerations would be roughly 1.5 to 2.0 times of 2004 and 2005 earnings, provided that Crillion's pretax net income for 2004 and 2005 is over $6.7 million and $13.3 million, respectively. The total consideration is subject to a cap of $125.0 million and will be 60% in cash and 40% in SINA ordinary shares. As of December 31, 2004, we estimated that the additional consideration related to the achievement of the 2004 performance target was approximately $28.1 million, which was recorded as additional goodwill in the fourth quarter of fiscal 2004. As a result of the acquisition, we recorded intangible assets relating to the customer lists, content provider contracts and non-competition arrangements clauses in the amount of $4.5 million, which were amortized over periods ranging from sixteen to thirty-six months. Amortization expense related to intangible assets for fiscal 2004 amounted to $2.0 million. As of December 31, 2004, total goodwill recorded for the Crillion acquisition was $38.0 million, which included an initial $9.9 million, representing the excess of the initial purchase price over the fair value of the net tangible and identifiable intangible assets acquired, and the $28.1 million for the achievement of the 2004 performance target. In accordance with SFAS 142, goodwill is not amortized but is subject to annual impairment assessment. We performed an impairment test relating to goodwill arising from Crillion acquisition and concluded there was no impairment as to the carrying value of the goodwill as of December 31, 2004. The purchase price allocation for the Crillion acquisition was based on an appraisal performed by an independent appraisal firm in the United States. Immediately after the closing of the acquisition, the operating results of Crillion were consolidated with our operating results starting March 25, 2004.

On July 1, 2004, we entered into an agreement to acquire Davidhill Capital Inc., a British Virgin Islands limited liability corporation ("Davidhill"), and its UC instant messaging technology platform. The closing of the acquisition occurred on October 19, 2004, but the operating results of Davidhill have been consolidated with those of SINA starting July 1, 2004, when we took over the effective control of Davidhill. The primary purpose of the acquisition was to leverage the UC instant messaging technology platform to SINA's long-term web and wireless strategy. Davidhill owns the UC instant messaging technology platform and certain fixed assets (the "asset group") via its wholly-owned subsidiary in the PRC. We acquired the asset group through a purchase of all of the outstanding shares of Davidhill. We considered EITF 98-3, "Determining Whether a Non-monetary Transaction Involves Receipt of Productive Assets or of a Business", and concluded that the asset group constitutes a business. We therefore applied SFAS No. 141, "Business Combinations", to account for the acquisition of Davidhill. As a result of such acquisition, Davidhill became one of our wholly-owned subsidiaries. The aggregate purchase price is comprised of an initial consideration and a contingent consideration on achieving specified performances in future periods. The initial consideration of $15,250,000 is comprised of three elements: (a) $12,600,000 in cash; (b) 63,828 newly issued SINA ordinary shares, valued at $2,400,000 in accordance with the average of per share closing prices of SINA ordinary shares on the NASDAQ National Market during the thirty (30) calendar days immediately preceding July 1, 2004, delivered at the closing of the acquisition; and (b) approximately $250,000 in legal and professional fees related to the acquisition. The contingent consideration of the Davidhill acquisition is based on certain simultaneous online user targets being reached by Davidhill in the 15 months after the agreement date. The contingent consideration is subject to a cap of $21.0 million and will be 84% in cash and 16% in SINA ordinary shares. As a result of the acquisition, we recorded intangible assets relating to technology and non-competition arrangements in the amount of $10.8 million, which were amortized over periods ranging from twenty-seven months to ten years. Amortization expense of related intangible assets for fiscal 2004 amounted to $0.6 million. Goodwill of $4.3 million was recorded representing the excess of the initial purchase price over the fair value of the net tangible and identifiable intangible assets acquired. The contingent consideration, if any, will be recorded as additional goodwill. In accordance with SFAS 142, goodwill is not amortized but is tested for impairment at initial valuation and annually thereafter. The purchase price allocation and initial valuation of goodwill for the Davidhill acquisition was based on an appraisal performed by an independent appraisal firm in the United States in September 2004. Davidhill and its subsidiary have not commenced generating any revenue from the UC instant messaging services.

See further discussion on the acquisitions of MeMeStar, Crillion and Davidhill in Note 2 in Notes to Consolidated Financial Statements on pages 42 – 45.

Financing

We had incurred net losses through September 30, 2002. We had an accumulated deficit of approximately $17.1 million as of December 31, 2004. 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 our net income from operations. We raised additional financing by issuing 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.

CRITICAL ACCOUNTING POLICIES 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 accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments 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, income taxes, financing operations, restructuring, employee benefits, and 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.

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

Revenue recognition policies

Advertising

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. Advertising revenues from online advertising arrangements are recognized ratably over the displayed period of the contract when the collectibility is reasonably assured. Sponsorship arrangements allow advertisers to sponsor a particular area on our web sites in exchange for a fixed payment over the contract period. Advertising revenues are recognized ratably over the period of sponsorship. Advertising revenues derived from the design, coordination and integration of online advertising and sponsorship arrangements to be placed on our web sites are recognized ratably over the term of such programs.

In accordance with EITF 00-21 "Accounting for Revenue Arrangements with Multiple Deliverables," advertising arrangements involving multiple deliverables are broken down into single-element arrangements based on relative fair value for revenue recognition purpose. We recognize revenue on the elements delivered and defer the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied.

Revenues from barter transactions are recognized during the period in which the advertisements are displayed on our properties. Barter transactions are recorded at the lower of the fair value of the goods and services received or the fair value of the advertisement given, provided the fair value of the transaction is reliably measurable. Revenues from barter transactions were minimal for all periods presented.

Non-advertising

Non-advertising revenues are mainly derived from MVAS, fee-based services, e-commerce and enterprise services.

MVAS. MVAS revenues are derived principally from providing mobile phone users with SMS, MMS, WAP and IVR services. These services include news and other content subscriptions, mobile dating service, picture and logo download, ring tones, ring back tones, mobile games, chat rooms and access to music files. Revenues from MVAS are charged on a monthly or per-usage basis. Such revenues are recognized in the period in which the service is performed, provided that no significant company obligations remain, collection of the receivables is reasonably assured and the amounts can be accurately estimated.

We contract with third-party mobile operators for billing and transmission services related to the MVAS transmitted to our users. In accordance with EITF 99-19, revenues are recorded on a gross basis when we are considered the primary obligor to the MVAS users. Under the gross method, the amount billed to MVAS users are recognized as revenues and the fees charged or retained by the third party mobile operators are recognized as cost of revenues. Revenues on MVAS where we are not considered the primary obligor to the user are recorded on a net basis. Under the net method, revenues are recorded net of fees charged or retained by the third party mobile operators.

Due to the time lag of receiving billing statements from third-party mobile operators, MVAS revenues are estimated based on our internal records of billings and transmissions for the month, adjusting for prior period confirmation rates with mobile operators and prior period discrepancies between internally estimated revenues and actual revenues confirmed by mobile operators. Prior period confirmation rate applies 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, given that we have obtained six months of confirmation rates. Historically, there have been no significant true up adjustments to the estimates. To the extent that such revenues cannot be accurately estimated, we rely on the billing statements from the mobile operators to record revenues.

Historically, due to the time lag of mobile operator billing statements and lack of adequate information to make estimates, we adopted the one-month lag reporting policy for our MVAS revenues described above. This policy has been applied on a consistent basis but does not apply to MVAS revenues from acquired entities MeMeStar and Crillion. For the years ended December 31, 2004, 2003 and 2002, we recorded $124.0 million, $64.4 million and $9.1 million of revenues from our MVAS, respectively. If we had not used the one-month lag reporting policy, our revenues from MVAS for those periods would have been $124.7 million, $68.3 million and $9.7 million, respectively.

We purchase certain content from third party content providers for our MVAS. Most of these arrangements state that the fees payable to the third party content providers are calculated based on certain percentages of the revenue earned by their content after deducting the fees paid to third party mobile operators. Our MVAS revenue is inclusive of such fees since we act as the principal in these arrangements by having the ability to determine the fees charged to end users and being the primary obligor to the end users with respect to providing such services.

Fee-based services. Fee-based services allow our users to subscribe for services on our web sites including online games, virtual ISP and paid email services. Revenues from these services are recognized in the period in which the service is performed, provided that no significant company obligations remain, collection of the receivables is reasonably assured and the amounts can be accurately estimated.

E-commerce. E-commerce revenues are derived principally from slotting fees charged to merchants for selective positioning and promoting their goods or services within our online mall, SinaMall, and from commissions calculated as a percentage of the online sales transaction value of the merchants. Slotting fee revenue is recognized ratably over the period the products are shown on our web site while the commission revenue is recognized on a net basis after both successful online verification of customers' credit cards and shipment of products. Product returns have not been significant and are assumed by vendors.

Enterprise services. Enterprise services mainly include paid search and directory listings, corporate emails, classified listings and enterprise e-solutions. Revenues are recognized in the period in which the service is performed, provided that no significant company obligations remain, collection of the receivables is reasonably assured and the amounts can be accurately estimated.

In accordance with generally accepted accounting principles in the United States of America, the recognition of these revenues is partly based on our assessment of the probability of collection of the resulting accounts receivable balance. As a result, the timing or amount of revenue recognition may have been different if different assessments of the probability of collection of accounts receivable had been made at the time the transactions were recorded in revenue.

Allowances for doubtful accounts

We determine the allowance for doubtful accounts based on actual bad debt rate in the prior year and other factors. We also provide specific provisions for bad debts when facts and circumstances indicate that the receivable is unlikely to be collected, including an assessment of all receivables over 180 days. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Consolidation of Variable Interest Entities

We have adopted FASB Interpretation No. 46R ("FIN 46R") "Consolidation of Variable Interest Entities ("VIEs"), an Interpretation of ARB No. 51". FIN 46R requires a VIE to be consolidated by a company if that company is subject to a majority of the risk of loss for the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns.

To comply with PRC laws and regulations, we provide substantially all our Internet content provision, MVAS and advertising services in China via our VIEs. These VIEs are wholly or partially owned by certain of our PRC employees. The capital is funded by us and recorded as interest-free loans to these PRC employees. These loans were eliminated with the capital of the VIEs during consolidation.

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 loans outstanding. All voting rights of the VIEs are assigned to us and we have the right to appoint all directors and senior management personnel of the VIEs. We have also entered into exclusive technical service agreements with the VIEs under which we provide technical and other services to the VIEs in exchange for substantially all net income of the VIEs. In addition, employee shareholders of the VIEs have pledged their shares in the VIEs as collateral for the non-payment of loans or for the fees for technical and other services due to us. As of December 31, 2004, the total amount of interest-free loans to the employee shareholders of VIEs listed below and the two other inactive VIEs was $9.0 million.

The following is a summary of our 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 and selling the related advertising space to the Ad Company or to advertisers directly. It is also responsible for providing MVAS in China via third party mobile operators to the users. It is 1.5% owned by Yan Wang, our Chief Executive Officer and director, and 98.5% owned by six other of our non-executive PRC employees. The registered capital of the ICP Company is $2.4 million.

- Beijing SINA Interactive Advertising Co., Ltd. (the "Ad Company"), a China company controlled through business agreement. The Ad Company was responsible for placing advertisements on www.sina.com.cn for its third party customers under its advertising license. It is 75% owned by Yan Wang and 25% owned by Beijing SINA Information Technology Co. Ltd., one of our subsidiaries in China. The registered capital of the Ad Company is $0.1 million.

- 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 has been inactive since late 2004. It is 10% owned by Yan Wang and 90% owned by six other of our non-executive PRC employees. 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 of our non-executive PRC employees. 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 of our non-executive PRC employees. 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 of our non-executive PRC employees. 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 of our non-executive PRC employees. 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.

We began to consolidate the Ad Company in April 2000 and the ICP Company in October 2001 (see Note 8 on pages 48 – 49 Related Party Transactions). The GDICP Company was established in 2002 but did not begin activities until 2003. Operating results for the GDICP Company were consolidated for the year ended December 31, 2003. Xunlong and Star VI were acquired from the MeMeStar acquisition (see Note 2 on pages 42 – 43 Acquisition – MeMeStar) in January 2003 and the operating results for these two companies were consolidated in our consolidated statement of operations since January 6, 2003. Wangxing was acquired from the Crillion acquisition (see Note 2 on pages 43 – 44 Acquisition – Crillion) in March 2004 and the operating results for Wangxing were consolidated in our consolidated statement of operations since March 24, 2004. The operating results for IAD have been consolidated into our consolidated statement of operations since its establishment in the fiscal 2004.

As of December 31, 2004, the aggregate accumulated losses of all VIEs were approximately $2.4 million and have been included in the consolidated financial statements.

Available for sale securities investments

Investments classified as available for sale securities are reported at fair value with unrealized gains (losses), if any, recorded as accumulated other comprehensive income in shareholders' equity. Realized gains or losses are charged to income statement during the period in which the gain or loss is realized. If we determine a decline in fair value is other-than-temporary, the cost basis of the individual security shall be written down to fair value as a new cost basis and the amount of the write-down will be accounted for a realized loss. The new cost basis will not be changed for subsequent recoveries in fair value. Determination of whether declines in value are other-than-temporary requires significant judgment. Subsequent increases and decreases in the fair value of available for sale securities will be included in comprehensive income through a credit or charge to shareholders' equity, except for an other-than-temporary impairment which will be charged to income statement.

Investments classified as available for sales securities include marketable equity securities of Sun Media Group and marketable debt securities. We invest in marketable debt securities with the intent to make such funds readily available for operating or acquisition purposes and, accordingly, classify them as short-term investments.

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 the similar industries. If different judgments or assumptions were used, the amounts assigned to the individual acquired assets or liabilities could be materially different. We apply the criteria specified in EITF 98-3 "Determining Whether a Non-monetary Transaction Involves Receipt of Productive Assets or of a Business." to determine whether acquired asset groups constitute a 'business'.

Goodwill and intangible assets, net

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of our acquisitions of interests in its subsidiaries and variable interest entities. We adopted SFAS No. 142 "Goodwill and Other Intangible Assets" ("SFAS142") on January 1, 2002. Under SFAS 142, goodwill is no longer amortized, but tested for impairment upon first adoption and annually thereafter, or more frequently if events or changes in circumstances indicate that it might be impaired. We assess goodwill for impairment in accordance with SFAS 142.

We apply the criteria specified in SFAS No. 141, "Business Combinations", ("SFAS 141") to determine whether an intangible asset should be recognized separately from goodwill. Intangible assets acquired through business acquisitions are recognized as assets separate from goodwill if they satisfy either the "contractual-legal" or "separability" criterion. Per SFAS 142, intangible assets with definite lives are amortized over their estimated useful life and reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets", ("SFAS 144"). Intangible assets, such as purchased technology, trademark, customer list, user base and non-compete agreements, arising from the acquisitions of subsidiaries and variable interest entities are recognized and measured at fair value upon acquisition. Intangible assets are amortized over their estimated useful lives from one to ten years. We review the amortization methods and estimated useful lives of intangible assets regularly. The recoverability of an intangible to be held and used is evaluated by comparing the carrying amount of the intangible to its future net undiscounted cash flows. If the intangible is considered to be impaired, the impairment loss is measured as the amount by which the carrying amount of the intangible exceeds the fair value of the intangible calculated using a discounted future cash flow analysis.

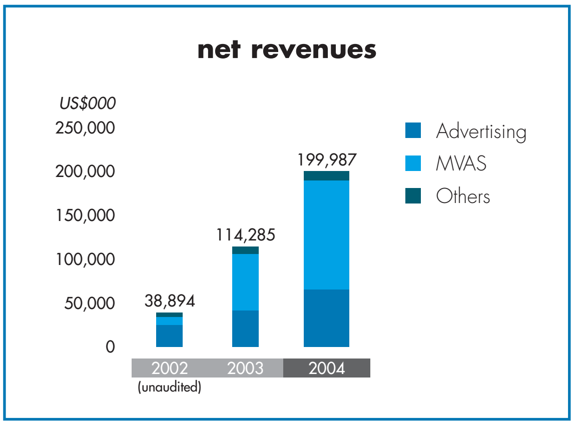
We use estimates and judgments in its impairment tests and if different estimates or judgments had been utilized, the timing or the amount of the impairment charges could be different.

Deferred tax assets

We record a valuation allowance for deferred tax assets, if any, based on our estimates of our future taxable income as well as our tax planning strategies when it is more likely than not that a portion or all of our deferred tax assets will not be realized. If we are able to utilize more of our deferred tax assets than the net amount previously recorded when unanticipated events occur, an adjustment to deferred tax assets would increase our net income when those events occur.

RESULTS OF OPERATIONS

Years ended December 31, 2004, 2003 and 2002



Net Revenues

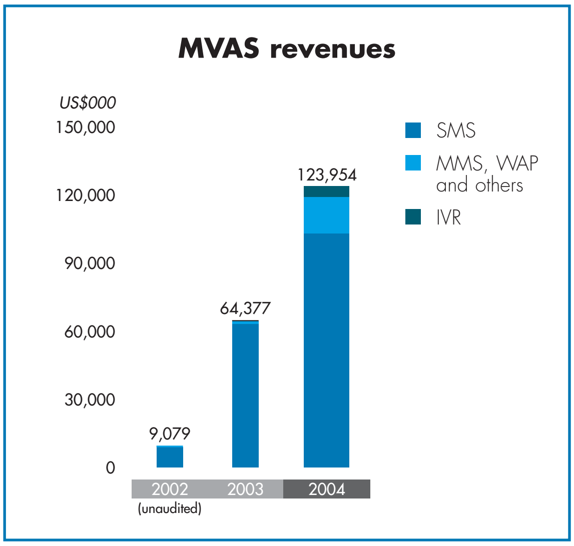
Total net revenues increased 75% from fiscal 2003 to fiscal 2004 and 194% from fiscal 2002 to fiscal 2003 primarily due to growth in MVAS. MVAS contributed to 62%, 56% and 23% of fiscal 2004, 2003 and 2002 of total net revenues, respectively. The increases in revenues from MVAS were primarily driven by the growth of MVAS market in China and our acquisitions of MeMeStar in January 2003 and Crillion in March 2004.

Advertising. Advertising revenues grew 59% from fiscal 2003 to fiscal 2004. The increase was primarily due to the growth of online advertising spending in the PRC market, as more advertisers began to accept the Internet as a medium for advertisement. For fiscal 2004, advertising revenues from China accounted for 94% of our total advertising revenues, compared to 90% and 79% of our total advertising revenues for fiscal 2003 and 2002, respectively. The number of advertising customers in China was approximately 763 for the year ended December 31, 2004, as compared to 582 and 503 for the years ended December 31, 2003 and 2002, respectively. Average revenues per advertising customer in China were $81,000 for fiscal 2004, as compared to $63,000 and $39,000 for fiscal 2003 and 2002, respectively.

Non-advertising. Non-advertising grew 84% from fiscal 2003 to fiscal 2004 and 415% from fiscal 2002 to fiscal 2003. The increases were primarily driven by the growth of our MVAS revenues in China, which represent 92% of our total non-advertising revenues in fiscal 2004, as compared to 88% and 64% in fiscal 2003 and 2002, respectively.

MVAS

MVAS revenues grew 93% from fiscal 2003 to fiscal 2004 and 609% from fiscal 2002 to 2003. The growth came primarily from our China market from the introduction of new products and the acquisitions of MeMeStar in January 2003 and Crillion in March 2004. MVAS revenues generated by MeMeStar were $30.6 million for both fiscal 2004 and 2003. MVAS revenues generated by Crillion in fiscal 2004 were approximately $30.2 million.



Our SMS revenues increased 63% from fiscal 2003 to fiscal 2004, primarily driven by market growth, the Crillion acquisition, as well as an increase in promotional efforts for usage-based SMS products. SMS revenues grew 612% from fiscal 2002 to fiscal 2003, mostly due to market growth and the MeMeStar acquisition.

SMS accounted for 83% of MVAS revenues in fiscal 2004 and 98% in fiscal 2003. Changes in the regulatory environment and mobile operators' policies including the transition onto a new SMS billing platform by China Mobile, have been impacting our SMS revenues since the third quarter of fiscal 2004. During the middle of 2004, mobile operators started transitioning SMS providers to a new billing platform. As of December 31, 2004, fourteen provinces have been moved onto China Mobile's new billing platform. In the first half of 2005, we will be required to switch the remaining provinces to the new billing platform. Starting in March 2005, China Mobile is expected to transition MMS to the new billing platform and our MMS will be subject to this change. We have been monitoring the extent of the impact of the new billing platforms to our business and to our current revenue recognition policy. These new billing platforms have resulted in added operational controls and procedures in areas such as customer subscription and customer billing, and correspondingly, have increased the difficulties for new user recruitment and the failure rate for fee collection from our users. In general, the new billing platforms have had significant negative impact on our SMS revenues although we were not able to quantify such impact.

In the past, China Mobile allowed MVAS providers to sign service agreement with any one of its provincial subsidiaries for providing nationwide service and for bill collection. Starting January 2005, China Mobile requires service agreement to be signed with and new product application to be approved by each individual province. This increases the difficulty and length of time to launch new products which may adversely impact our MVAS revenue growth. Also, certain provincial operators who historically have acted as an agent in advancing payments for other provincial operators instituted a new procedure that requires the fees to be reconciled with the respective provinces before payments are made. This new procedure may delay our receivables collection from mobile operators in the future.

In January 2005, the Chinese State Administration of Radio, Film and Television ("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 from 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 from operations or cash flows.

Revenues from 2.5G (MMS and WAP) and other products grew 1,359% from fiscal 2003 to fiscal 2004 and 487% from fiscal 2002 to fiscal 2003. Starting in January 2005, China Mobile stopped its "MMS Album" service. MMS Album allows users to receive their subscribed MMS messages from China Mobile's web site when the subscribed MMS messages could not be delivered to their mobile phones. With the termination of such service, we are no longer able to collect fees from users when the MMS messages could not be delivered to the users' mobile phones. As a result, our MMS revenue suffered significant decline in January 2005 and we will have to grow our

MMS revenue from a lower base going forward. MMS revenues accounted for approximately 13% of our total MVAS revenues for the three months ended December 31, 2004. In addition, in March 2005 China Mobile will start to migrate MMS onto a new billing platform and our MMS revenue may decline further due to such migration.

We contract with third-party mobile operators for billing and transmission services related to the MVAS transmitted to our users. In accordance with EITF 99-19, revenues are recorded on a gross basis when we are considered the primary obligor to the MVAS users. Under the gross method, the amount billed to MVAS users are recognized as revenues and the fees charged or retained by the third party mobile operators are recognized as cost of revenues. Revenues on MVAS where we are not considered the primary obligor to the user are recorded on a net basis. Under the net method, revenues are recorded net of fees charged or retained by the third party mobile operators. If we were to enter into new arrangements with mobile operators or mobile operators were to request us to change the existing arrangements that 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 significant impact on our gross margin. For the year 2004, 96% of our MVAS revenues were recorded on a gross basis.

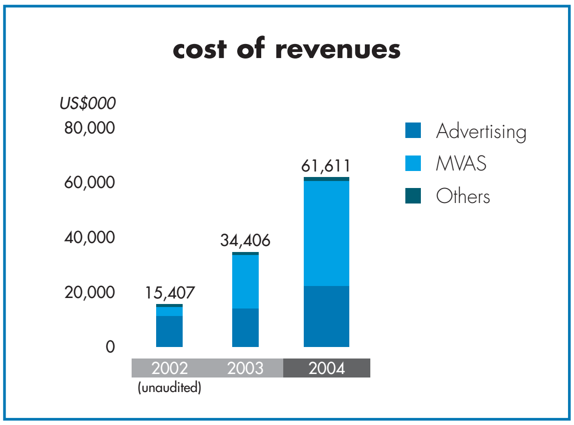
Substantially all of our revenue growth from MVAS in the second half of fiscal 2004 came from growth in SMS and MMS. With the developments described above, we may experience significant decline in MVAS revenues in 2005.

During the third quarter of fiscal 2004, our IVR service was temporarily suspended by China Mobile due to the violation of certain operating procedures. On October 15, 2004, our IVR service was resumed by China Mobile. However, we do not expect to generate significant revenues from IVR service in near future, as resumed services usually take times to ramp up.

For the month of December 2004, we had approximately 15.9 million unique paid users for our MVAS. This compared to 15.3 million unique paid users for the month of September 2004, 11.7 million unique paid users for the month of June 2004 and 12.5 million unique paid users for the month of March 2004, including the users from the acquisition of Crillion on a pro-forma basis, assuming acquisition had occurred on March 1, 2004.

Other non-advertising revenues

Other non-advertising revenues include fee-based services such as virtual ISP and paid email services, online hotel booking commission income, e-commerce and other enterprise services such as paid search and directory listings. For fiscal 2004, revenues from paid search and directory listings were $5.5 million, as compared to $3.7 million and $0.5 million for fiscal 2003 and 2002, respectively. Such revenues accounted for 52%, 42% and 10% of our other non-advertising revenues for fiscal 2004, 2003 and 2002, respectively. Online hotel booking commission income became a new income stream subsequent to our acquisition of Bravado in February 2004. It contributed $1.5 million or 14% of our other non-advertising revenues in fiscal 2004.



Cost of revenues

Cost of revenues increased 79% from fiscal 2003 to fiscal 2004 and 123% from fiscal 2002 to fiscal 2003. The increases were primarily driven by the increase in MVAS revenues in the last two years.

Advertising. Cost of advertising revenues consists 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. Cost of advertising revenues also includes the business taxes on advertising sales in the PRC. Business taxes levied on advertising sales are approximately 8.5% of the advertising revenues. The year-over-year increases of 59% and 24% in cost of advertising revenues from fiscal 2003 to fiscal 2004 and from fiscal 2002 to fiscal 2003, respectively, were due to the increase in web production costs driven by an increase in web production personnel and content fees, an increase in Internet connection costs associated with the additional bandwidth as well as an increase in business taxes associated with higher advertising revenues. Content fees for fiscal 2004 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. Cost of non-advertising revenues consists 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 content associated with our MVAS, and costs for providing our enterprise services. Cost of non-advertising revenues also includes business taxes levied on non-advertising sales in the PRC. Business taxes levied on MVAS are at 3% of mobile related revenues and at 5% for other non-advertising revenues. The year-over-year increases of 93% and 393% in cost of non-advertising revenues from fiscal 2003 to fiscal 2004 and from fiscal 2002 to fiscal 2003, respectively, were mainly due to the increase in fees to mobile operators and third party mobile content providers as well as an increase in business taxes associated with higher non-advertising revenues in the PRC. Fees retained by or paid to mobile operators for fiscal 2004, 2003 and 2002 were $28.9 million, $14.3 million and $2.4 million, respectively, or 23%, 22% and 26%, respectively, of our MVAS revenues. Fees paid to third party content providers for fiscal 2004, 2003 and 2002 were $6.6 million, $3.6 million and $0.6 million, respectively, or 5%, 6% and 7%, respectively, of our MVAS revenues.

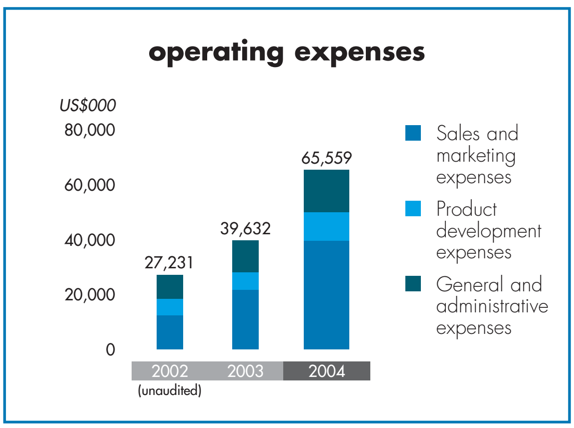
Gross profit margins

	Years ended December 31		
	2004	2003	2002 (unaudited)
Gross profit margins:			
Advertising	66%	66%	54%
Non-advertising			
MVAS	69%	70%	64%
Other	89%	89%	83%
Non-advertising	71%	72%	71%
Overall	69%	70%	60%

Overall gross margin declined 1% to 69% from fiscal 2003 to fiscal 2004 and grew from 60% in fiscal 2002 to 70% in fiscal 2003.

Advertising. For fiscal 2004, we paid $1.1 million in revenue-share expenses to an exclusive Olympic content partner and incurred an additional $0.1 million of other one-time content purchases relating to the Olympic coverage. Excluding these one-time content purchases, gross profit margin for advertising revenues for fiscal 2004 would have been 68%. The year-to-year increases in advertising gross profit margins from fiscal 2003 to fiscal 2004 and from fiscal 2002 to fiscal 2003 were primarily due to the increase in advertising revenues without proportionally increasing the costs of web site production. Although certain web site production expenses have stayed relatively flat in proportion to the growth of advertising revenues, we may have to increase our investments in these areas to maintain our competitiveness, causing future results to be materially different from historical trends.

Non-advertising. Gross profit margin for non-advertising revenues for fiscal 2004 was relatively flat compared to that for fiscal 2003, as the majority of the costs associated with non-advertising revenues are variable costs. The increase of our gross margins for non-advertising revenues from fiscal 2002 to fiscal 2003 was primarily due to the increase in revenues from monthly subscription services of our self-developed products, which have higher gross margins. To a lesser extent, the improvement was due to a decrease in business tax rate levied on MVAS revenues from 5% to 3% in China.



Sales and marketing expenses

Sales and marketing expenses consist primarily of compensation expenses, sales commissions, advertising and promotion expenditures and travel expenses. The year-to-year increase in the absolute dollar from fiscal 2003 to fiscal 2004 was due to an increase in sales compensation expenses and an increase in promotion expenditures for MVAS, as well as approximately $1 million of marketing expenses relating to the Olympics. Marketing expenses for MVAS products were $13.2 million and $2.6 million for fiscal 2004 and 2003, respectively. Excluding marketing expenses relating to the Olympics, sales and marketing expenses would have been 19% of total net revenues for fiscal 2004. The year-to-year increase in the absolute dollar amount from fiscal 2002 to fiscal 2003 was due to an increase in sales compensation expenses and an increase in promotion expenditures for MVAS. The year-to-year decrease in sales and marketing expenses as a percentage of total net revenues from fiscal 2002 to fiscal 2003 was primarily due to the rapid growth of revenues.

As a result of factors such as the ban on promoting certain SMS products via direct advertising on radio and television, the uncertainty of marketing new SMS products via direct advertising on radio and television and the potential introduction of new MVAS business models with mobile operators discussed above, historical sales and marketing expense trends may not be representative of actual results in the future.

Product development expenses

Product development expenses consist primarily of personnel related expenses incurred for enhancement to and maintenance of our web sites as well as costs associated with new product development such as email, search, instant messaging, casual games and new MVAS products. The year-to-year increase in product development expenses in the absolute dollar amount from fiscal 2003 to fiscal 2004 was primarily due to an increase in headcount and investments in new products, especially in instant messaging and search engine development in fiscal 2004. The year-to-year decreases in product development expenses as a percentage of total net revenues from fiscal 2003 to fiscal 2004 and from fiscal 2002 to fiscal 2003 were primarily due to an increase of labor productivity as well as the rapid growth of revenues. We expect that our product development expenses will continue to increase in absolute dollar amount in the near future.

General and administrative expenses

General and administrative expenses consist primarily of compensation for personnel, fees for professional services, and provisions for doubtful accounts. Our general and administrative expenses also include expenses relating to the transfer of the economic benefits generated from our VIEs in the PRC to our subsidiaries. The year-to-year increase in the absolute dollar amount from fiscal 2003 to fiscal 2004 was mainly due to an increase in professional service fees relating to compliance with the regulations under the Sarbanes-Oxley Act of 2002 and related rules and an increase in expenses paid for transferring economic benefits generated from our VIEs in the PRC to our subsidiaries. We incurred approximately $1 million in related expenses for compliance with the regulations under the Sarbanes-Oxley Act of 2002 and related rules in fiscal 2004. The year-to-year increase in the absolute dollar amount from fiscal 2002 to fiscal 2003 was mainly due to the severance expense of $0.6 million, an increase in professional service fees relating to our merger and acquisition activities and an increase in expenses paid for transferring economic benefits generated from our VIEs in China to our subsidiaries. Expenses paid for transferring economic benefits generated from our VIEs in China to our subsidiaries were $4.7 million, $1.7 million and nil for fiscal 2004, 2003 and 2002, respectively. The year-to-year decreases from fiscal 2003 to fiscal 2004 and from fiscal 2002 to fiscal 2003 as a percentage of total net revenues were primarily due to the growth of revenues. We expect that our general and administrative expenses will continue to increase in absolute dollar amount in the near future. However, we do not expect the expenses as a percentage of total net revenues to vary significantly in the near future.

Stock-based compensation expenses

Deferred stock compensation represents the difference between the exercise price of options granted and the fair market value of the underlying stock at the date of grant. Deferred stock compensation is amortized on an accelerated basis over the vesting period of the applicable options, which is generally four years. The amortization of deferred compensation was $0.6 million and $1.8 million for fiscal 2003 and 2002, respectively. As of December 31, 2003, deferred stock compensation had been fully amortized.

Amortization and write-off of intangible assets

As of December 31, 2004, the net carrying amount of our intangible assets mainly includes technology, content provision contracts, hotel reservation contracts, customer lists, and non-competition arrangements. These intangible assets are amortized over their respective useful lives. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the succeeding five years ending December 31, 2005, 2006, 2007, 2008 and 2009 is $3.4 million, $2.0 million, $1.0 million, $1.0 million and $1.0 million, respectively.

As a result of the acquisition of Techur in November 2002, we recorded intangible assets relating to customer relationships of approximately $1.1 million, which were being amortized over a period of three years. Because the revenue and the gross margin of Techur did not grow as expected, our management reassessed the carrying value of the intangible assets and concluded that there would not be significant future income generated from these customer relationships. The carrying value of the intangible assets of $0.9 million was therefore written off during the second quarter of fiscal 2003 due to the permanent impairment of value.

Interest income

Interest income was $5.1 million, $2.8 million and $2.8 million for fiscal 2004, 2003 and 2002, respectively. The increase in interest income from fiscal 2003 to fiscal 2004 was due to higher balance of cash and cash equivalent and short-term investments generated from our operation and the issuance of convertible notes in July 2003. Despite higher balance of cash and cash equivalents and short-term investments from fiscal 2002 to fiscal 2003, interest income did not increase due to lower interest rate. See "Quantitative and Qualitative Disclosures about Market Risk" on page 27 for a description of our investment policy.

Amortization of convertible debt issuance cost

As a result of our sale of zero coupon convertible subordinated notes in July 2003, we recorded convertible debt issuance cost of approximately $2.7 million, which are being amortized over four years. The amortization expense was $0.7 million and $0.3 million for fiscal 2004 and 2003, respectively.

Loss on investment, net

In September 2001, we completed the acquisition of an approximately 27.6% equity interest in Sun Media Group ("Sun Media"), a Hong Kong Stock Exchange listed company, from Ms. Lan Yang, the chairperson and a major shareholder of Sun Media for consideration of $7.9 million in cash and approximately 4.6 million of SINA newly issued ordinary shares and transaction costs of $731,000 for a total purchase price of $13.7 million.

The above investment was accounted for using the equity method of accounting until September 30, 2002 when our equity interest in Sun Media dropped to below 20% and we ceased to maintain

The following table summarizes the amortization expenses of intangibles for the periods presented:

(In thousands)	Years ended December 31		
	2004	**2003**	**2002 (unaudited)**
Amortization expenses			
Sinanet	**$ –**	$ –	$ 1,687
Techur	**–**	90	90
MeMeStar	**569**	1,659	–
Bravado	**341**	–	–
Crillion	**1,960**	–	–
Davidhill	**622**	–	–
Total amortization expenses	**$ 3,492**	$ 1,749	$ 1,777

significant influence over its operations. Commencing October 1, 2002, such investment was accounted for as an investment in marketable equity securities under the provisions of SFAS 115 and was classified as available for sale and reported at fair value with unrealized gains (losses), if any, recorded as a component of comprehensive income (loss) included in shareholders' equity. We had recorded $0.9 million of equity loss from this investment through September 30, 2002 and the carrying value of this investment was $12.9 million at the time when the accounting method changed. For the three months ended December 31, 2002, we recorded $3.8 million of unrealized gains on the Sun Media investment as a component of comprehensive income in shareholders' equity. The fair market value of such investment was $16.7 million as of December 31, 2002.

The fair market value of this investment began to drop below the carrying value starting May 2003. At December 31, 2003, the fair market value of this investment was $6.8 million. We considered the decline in the value of this investment to be other-than-temporary and recognized $6.1 million as impairment of investment during the three months ended December 31, 2003. During the three months ended March 31, 2004, we sold $0.2 million of this investment and obtained a gain of $59,000. The realized gain was recorded as gain on investment in Sun Media Group for the three months ended March 31, 2004. At September 30, 2004, the fair market value of this investment was $4.0 million as compared to its carrying value of $6.6 million. We considered the decline in the value of this investment to be other-than-temporary and recognized $2.6 million as impairment of investment during the three months ended September 30, 2004. The fair market value of this investment was $5.5 million on December 31, 2004. We recorded an unrealized gain of $1.5 million as a component of comprehensive income for the year ended December 31, 2004. At March 10, 2005, the fair market value of this investment was $5.2 million. We will continue to monitor the investment and if there is a decline in fair value, we may have to recognize additional impairment charges in future periods.

Loss on investments for fiscal 2004, net, also includes a gain of $1.2 million from the sale of a minority interest investment.

Loss on equity investments

In January 2003, we formed a joint venture named Shanghai NC-Sina Information Technology Co. Ltd. ("Shanghai NC-SINA) in China with NCsoft, a Korean online game company. We invested $3.3 million in cash for 51% of the equity interest in the joint venture. We accounted for the investment in the joint venture using the equity method of accounting as NCsoft has certain participating rights as defined in EITF 96-16. As of December 31, 2004, the carry value of this investment was $1.4 million.

In January 2004, we formed a joint venture named China Online Auction Limited ("COAL") in China with Yahoo!. According to the agreement, we will contribute certain services, advertising spaces and cash in exchange for 33% equity interest in the joint venture. We accounted for this investment using the equity method of accounting. As of December 31, 2004, the carry value of this investment was $1.9 million.

Provision for income taxes

We generated substantially all of our net income from our PRC operations for fiscal 2004 and 2003. We recorded a current income tax provision in the amount of $3.4 million and $1.8 million, net of an income tax benefit of $0.2 million and $0.9 million, relating to the recognition of net deferred tax assets, for fiscal 2004 and 2003, respectively, relating to our China operations. Our PRC 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 qualify as new technology enterprises and, under PRC Income Tax Laws, 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 from the first operating year; or a two-year tax exemption followed by three years with a 50% reduction in the tax rate, commencing from the first profitable year. To the extent that our 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%. We expect that based on our current operating and tax structure in the PRC, our overall effective income tax rates will be approximately 5% to 10% for fiscal 2005 and 2006, respectively. Such expected effective rates are subject to change at any time if Chinese tax authorities challenge us on our tax arrangements between our subsidiaries and VIEs. We are in the process of applying for new preferential tax treatments for certain subsidiaries and VIEs in the PRC. If these applications are approved, our projected effective tax rates will be further reduced. There is no assurance that such tax treatments will be approved. Over the longer term, if the Chinese government phases out preferential tax treatment for foreign investment

The following summarizes the gain (loss) on our equity investments for the periods presented:

(In thousands)	Years ended December 31		
	2004	**2003**	**2002 (unaudited)**
Shanghai NC-SINA	**$ (964)**	$ (967)	$ –
COAL	**(2,168)**	–	–
Others	**(33)**	53	(453)
Total	**$ (3,165)**	$ (914)	$ (453)

enterprises or for new technology enterprises, our effective tax rates 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 cost of transferring economic benefit generated from these VIEs. We believe that the terms of such service agreements are in compliance with the laws in the PRC. Some of these agreements were reviewed by the tax authorities in the PRC in the past and no comments were raised. 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 challenge the transfer prices that we used for the related party transactions among our entities in the PRC in the future.

LIQUIDITY AND CAPITAL RESOURCES

We have funded our recent operations and capital expenditures primarily using the net proceeds of $97.5 million raised through the sale of preference shares, $68.8 million raised from the sale of ordinary shares in the initial public offering and $97.3 million raised from the sale of zero coupon convertible subordinated notes in July 2003, as well as net income from our operations.

On July 7, 2003, we sold $100 million aggregate amount of zero coupon convertible subordinated notes (the "Notes") due 2023 in a private offering, which resulted in net proceeds to us of approximately $97.3 million. The Notes were issued at par and bear no interest. The Notes will be convertible into our ordinary shares, upon satisfaction of certain conditions, at an initial conversion price of $25.79 per share, subject to adjustments for certain events. Upon conversion, we have the right to deliver cash in lieu of ordinary shares, or a combination of cash and ordinary shares. We may redeem for cash all or part of the Notes on or after July 15, 2012, at a price equal to 100% of the principal amount of the Notes. The purchasers may require us to repurchase all or part of the Notes for cash on July 15 annually from 2007 through 2013, and on July 15, 2018, and upon a change of control, at a price equal to 100% of the principal amount of the Notes. We filed a Registration Statement on Form S-3 for the resale of the Notes and the ordinary shares issuable upon conversion of the Notes. The SEC has declared the Registration Statement to be effective.

One of the conditions for conversion of the Notes to SINA ordinary shares is that the sale price (defined as closing per share sales 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. For the quarter ended December 31, 2004, the sale price of SINA ordinary shares exceeded 115% of the conversion price per ordinary share for five consecutive trading days. The Notes are therefore convertible into SINA ordinary shares according to the threshold (i) described above. As of December 31, 2004, we did not receive any request for conversion of the Notes to SINA ordinary shares. Upon a purchaser's election to convert the Notes in the future periods, we have the right to deliver cash in lieu of ordinary shares, or a combination of cash and ordinary shares.

We have also entered into various lease agreements for our office premises in China, the United States of America, Hong Kong and Taiwan. The obligations for the rental expenses under these operating leases total $7.2 million as of December 31, 2004, or $3.1 million, $2.6 million, $1.5 million and $0.01 million for fiscal 2005, 2006, 2007 and 2008, respectively.

We are obligated to pay additional consideration on our acquisition of Crillion. Total consideration related to 2004 performance achievement was estimated at $28.1 million, as of December 31, 2004, 60% payable in cash and the other 40% in SINA ordinary shares.

As of December 31, 2004, we had $275.6 million in cash and cash equivalents and short-term investments to meet the future requirements of our operating activities. We believe that our existing cash, cash equivalents and short-term investments will be sufficient to fund our operating activities, capital expenditures and other obligations for at least the next twelve months. However, we may sell additional equities or obtain credit facilities to enhance our liquidity position or to increase our cash reserve for future acquisitions. The sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

The following tables set forth the movements of our cash and cash equivalents for the periods presented.

(In thousands)	Years ended December 31		
	2004	**2003**	**2002 (unaudited)**
Net cash provided by operating activities	**$ 74,858**	$ 47,246	$ 4,551
Net cash provided by (used in) investing activities	**(95,007)**	(46,700)	25,450
Net cash provided by financing activities	**15,769**	104,340	74
Net increase (decrease) in cash and cash equivalents	**(4,380)**	104,886	30,075
Cash and cash equivalents at beginning of period	**158,148**	53,262	23,187
Cash and cash equivalents at end of period	**$153,768**	$ 158,148	$ 53,262

Operating activities
Fiscal 2004, 2003 and 2002

Net cash provided by operating activities for fiscal 2004 was $74.9 million. This was primarily attributable to our net income of $66.0 million, adjusted by non-cash related expenses including loss on investments of $1.4 million comprising an impairment charge of investments in Sun Media Group of $2.6 million, offset by a gain from the sale of a minority interest investment of $1.2 million, depreciation of $5.8 million, amortization of intangible assets of $3.5 million, loss on equity investments of $3.2 million and amortization of convertible debt issuance cost of $0.7 million; an increase in accrued liabilities of $13.0 million, an increase in accounts payable of $0.7 million and an increase in income taxes payable of $1.5 million. The increases to cash and cash equivalents were partially offset by an increase in account receivables of $18.4 million and an increase in prepaid expenses and other current assets of $2.6 million. The increase in accrued liabilities was primarily due to the increase in accrual for services fees or royalties paid to third party content providers for services and content associated with our web sites production and MVAS of $1.7 million, accrual for marketing expenses of $1.4 million, customer advances of $5.5 million and sales rebates of $4.0 million. The increase in account receivables resulted from the significant increase in our net revenues, especially our MVAS during fiscal 2004. The increase in prepaid expenses and other current assets was mainly related to prepayments for our office lease and renovation work of our new office premises in Beijing.

Net cash provided by operating activities for fiscal 2003 was $47.3 millions. This was primarily attributable to our net income of $31.4 million, adjusted by non-cash related expenses including impairment of investments in Sun Media Group of $6.1 million, depreciation of $5.1 million, amortization of intangible assets of $1.8 million, loss on equity investments of $0.9 million, stock-based compensation of $0.6 million, amortization of convertible debt issuance cost of $0.3 million and write-off of intangible assets of $0.9 million; an increase in accrued liabilities of $11.8 million and an increase in income taxes payable of $1.8 million. The increases to cash and cash equivalents were partially offset by an increase in account receivables of $8.8 million, an increase in prepaid expenses and other current assets of $2.2 million, an increase in deferred tax assets of $0.9 million, an increase in other assets of $0.9 million and a decrease in accounts payable of $0.8 million. The increase in accrued liabilities was primarily due to the increase in accrual for services fees or royalties paid to third party content providers for services and content associated with our web sites production and our MVAS of $1.5 million, accrual for payroll and related expenses of $3.5 million, customer advances of $0.9 million, business taxes payable of $1.8 million, sales rebates of $1.9 million and increase in withholding tax from employees for stock options exercised of $1.6 million. The increase in account receivables was resulted from the significant increase in our net revenues, especially our MVAS during fiscal 2003. The increase in prepaid expenses and other current assets was mainly related to prepayments for the rental of our office lease in Beijing.

Net cash provided by operating activities for fiscal 2002 was $4.6 million. This was primarily attributable to our net loss of $4.9 million, adjusted by non-cash related expenses including depreciation of $5.1 million, amortization of intangible assets of $1.8 million, loss on equity investments of $0.5 million and stock-based compensation of $1.8 million; and an increase in accrued liabilities of $3.1 million. The net increase to cash and cash equivalents were partially offset by an increase in accounts receivables of $2.2 million and an increase in prepaid expenses and other current assets of $1.0 million.

Investing activities
Fiscal 2004, 2003 and 2002

Net cash used in investing activities for fiscal 2004 was $95.0 million. This was primarily due to the purchase of equipment of $13.0 million, acquisition of Bravado, Crillion and Davidhill (net of cash acquired) of $27.6 million, investment in joint ventures of $2.7 million and purchase of short-term investments of $53.0 million. The decrease in cash and cash equivalents was offset by the proceeds of $1.2 million from the sale of a minority interest investment. Cash used in business acquisitions (net of cash acquired) included the last two installments of our acquisition of MeMeStar of $2.6 million, acquisition of Bravado of $0.9 million, acquisition of Crillion of $8.5 million, acquisition of Davidhill of $15.0 million and direct costs associated with the acquisitions of $0.6 million.

Net cash used in investing activities for fiscal 2003 was $46.7 million. This was primarily due to the purchase of equipment of $6.1 million, acquisition of MeMeStar (net of cash acquired) of $10.5 million, investment in joint ventures of $2.8 million and purchase of short-term investments of $27.3 million.

Net cash provided by investing activities for fiscal 2002 was $25.5 million. This was primarily due to the proceeds from the sale of our short-term investments of $29.5 million, partially offset by the purchase of equipment of $2.6 million, acquisition of Techur (net of cash acquired) of $1.1 million and investment in joint ventures of $0.2 million.

Financing activities
Fiscal 2004, 2003 and 2002

Net cash provided by financing activities for fiscal 2004 was $15.8 million representing the proceeds from the exercise of stock options and the issuance of ordinary shares pursuant to the Employee Stock Purchase Plan.

Net cash provided by financing activities for fiscal 2003 was $104.3 million. This was primarily attributable to the net proceeds of $97.3 from the issuance of Notes in fiscal 2003, the proceeds from the exercise of stock options and the issuance of ordinary shares pursuant to the Employee Stock Purchase Plan totaling $6.0 million and the proceeds from the repayment of shareholders' notes of $1.0 million.

Net cash provided by financing activities for fiscal 2002 was $74,000 representing the proceeds from the exercise of stock options and the issuance of ordinary shares pursuant to the Employee Stock Purchase Plan.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of December 31, 2004:

(In thousands)	Payments due by period				
	Total	Less than one year	One to three years	Three to five years	More than five years
Contractual obligations:					
Long-term debt obligations	$ 100,000	$ –	$ –	$ 100,000	$ –
Operating lease obligations	7,165	3,062	4,089	14	–
Purchase obligations	25,708	24,325	1,383	–	–
Other long-term liabilities	2,142	–	2,142	–	–
Total contractual obligations	$ 135,015	$ 27,387	$ 7,614	$ 100,014	$ –

Long-term debt obligations represent the Notes issued on July 7, 2003. Please see Note 16 - "Convertible debts" on page 58 for further information.

Operating lease obligations include the commitments under the lease agreements for our office premises. We lease office facilities under non-cancelable operating leases with various expiration dates beginning 2005 through 2008. Rental expenses for the years ended December 31, 2004 and 2003, six months ended December 31, 2002 and the year ended June 30, 2002 are $3.0 million, $1.7 million, $0.7 million and $1.1 million, respectively. Base on the current rental lease agreements, future minimum rental payments required as of December 31, 2004 was $7.2 million, or $3.1 million, $2.6 million, $1.5 million and $0.01 million for the years ending December 31, 2005, 2006, 2007 and 2008, respectively. The majority of the commitment was from our office lease agreements in PRC. During 2004, we entered into lease agreements for new premises in Beijing that we began to occupy in phases starting November 2004. We expect to complete our move by the middle of 2005. The new lease agreements are for approximately three years expiring 2007. It is our intent to sublease our existing non cancelable facilities in Beijing. However, we may not be successful in subleasing the facilities or subleasing at a rate that will cover our current cost.

Purchase obligations mainly include the commitments for Internet connection fees associated with web sites production, content fees associated with web sites production and MVAS, advertising serving services and marketing activities.

Besides the above contractual obligations, we are also obligated to pay contingent consideration on our acquisitions of Bravado, Crillion and Davidhill in addition to the initial consideration with respect to each. The contingent consideration for the Bravado acquisition is based on Bravado achieving certain earnings targets in 2004. As of December 31, 2004, Bravado did not achieve its earning targets and no additional consideration is required. The contingent consideration for the Crillion acquisition is based on Crillion's financial performance in fiscal 2004 and 2005. If Crillion's pretax net income for fiscal 2004 and 2005 exceeds $6.7 million and $13.3 million, respectively, the contingent consideration would be between roughly 1.5 to 2.0 times of fiscal 2004 and 2005 earnings. The total consideration is subject to a cap of $125.0 million and would be paid 60% in cash and 40% in SINA ordinary shares. As of December 31, 2004, we estimated that the additional consideration related to the achievement of the 2004 performance target was approximately $28.1 million, which had not been paid as of year end. The contingent consideration for the Davidhill acquisition is based on its UC instant messaging services achieving certain concurrent online user targets by fiscal 2005. The contingent consideration is subject to a cap of $21.0 million and would be 84% in cash and 16% in SINA ordinary shares.

Apart from the above, we did not have any other material long-term debt obligations, capital lease obligations, operating lease obligations or purchase obligations as of December 31, 2004.

There are uncertainties regarding the legal basis of our ability to operate an Internet business and telecom value-added services in China. Although the country has implemented a wide range of market-oriented economic reforms, the telecommunication, information and media industries remain highly regulated. Not only are restrictions currently in place, but regulations are unclear regarding in what specific segments of these industries companies with foreign investors, including us, may operate. Therefore, we might be required to limit the scope of our operations in China, and this could have a material adverse effect on our financial position, results of operations and cash flows.

For a discussion of current lawsuits, please refer to Item 3 Legal Proceedings in the full 10K document which can be downloaded from our web site http://corp.sina.com.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any unconsolidated third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued SFAS No. 123 (revised 2004), ''Share-Based Payment'' (''SFAS 123R''), which replaces SFAS No. 123, ''Accounting for Stock-Based Compensation'' (''SFAS 123'') and supercedes APB Opinion No. 25, ''Accounting for Stock Issued to Employees.'' SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values, beginning with the first interim or annual period after June 15, 2005. The pro-forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. We are required to adopt SFAS 123R in our three months ending September 30, 2005. Under SFAS 123R, we must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The transition methods include prospective and retroactive adoption options. Under the retroactive options, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. We are evaluating the requirements of SFAS 123R, and we expect that the adoption of SFAS 123R will have a material impact on our consolidated results of operations and earnings per share. We have not yet determined the method of adoption or the effect of adopting SFAS 123R, and we have not determined whether the adoption will result in amounts that are similar to the current pro-forma disclosures under SFAS 123.

In September 2004, the EITF Issue No. 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." ("EITF 04-08") was issued stating that contingently convertible debt should be included in diluted earnings per share computations regardless of whether the market price trigger has been met. This Issue is effective for reporting periods ending after December 15, 2004. We adopted EITF 04-08 in the three months ended December 31, 2004 and applied retroactively to all prior periods. The retroactive application of EITF 04-08 resulted in a reduction of $0.02 to the diluted earnings per share for the quarter ended September 30, 2004, and had no impact to the diluted earnings per share for all other prior periods.

In March 2004, the FASB issued EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-01") which provides new guidance for assessing impairment losses on debt and equity investments. Additionally, EITF Issue No. 03-1 includes new disclosure requirements for investments that are deemed to be temporarily impaired. In September 2004, the FASB delayed the accounting provisions of EITF Issue No. 03-1; however, the disclosure requirements remain effective and have been adopted by us (see Note 6. Short-term investments on page 47). We will evaluate the effect, if any, of EITF Issue No. 03-1 when final guidance is released.

quantitative and qualitative disclosures about market risk

INTEREST RATE AND SECURITY MARKET RISK

Our investment policy limits our investments of excess cash to government or quasi-government securities and in high-quality corporate securities and limits the amount of credit exposure to any one issuer. We protect and preserve our invested funds by limiting default, market and reinvestment risk. Due to the fact that a majority of our investments are in short-term instruments, we have concluded that there is no material market risk exposure in this area. As of December 31, 2004 we had unrealized losses of $0.4 million included in accumulated other comprehensive loss in shareholders' equity.

Our Convertible Notes issued in July 2003 in the amount of $100 million bear no interest and are denominated in U.S. dollars and therefore there is no interest or foreign currency exchange risk associated with the outstanding Convertible Notes.

FOREIGN CURRENCY EXCHANGE RATE RISK

The majority of our revenues derived and expenses and liabilities incurred are in Chinese renminbi with a relatively small amount in Taiwan dollars, Hong Kong dollars and U.S. dollars. Thus, our revenues and operating results may be impacted by exchange rate fluctuations in the currencies of China, Taiwan and Hong Kong. See "Risk Factors – 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 revenue in U.S. dollar terms" in the full 10K document which can be downloaded from our web site http://corp.sina.com.

We have not tried to reduce our exposure to exchange rate fluctuations by using hedging transactions. However, we may choose to do so in the future. We may not be able to do this successfully. Accordingly, we may experience economic losses and negative impacts on earnings and equity as a result of foreign exchange rate fluctuations. The effect of foreign exchange rate fluctuation during the year ended December 31, 2004 was not material to us.

INVESTMENT RISK

For a discussion on the investment risk of Sun Media Group, please refer to our disclosure in the Results of Operations section under "Loss on Investment, net" on pages 21 – 22.

management's report
on internal control over financial reporting

The management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). The management evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. In conducting this evaluation, the management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-integrated Framework*. Based on these criteria, the management has concluded that, the Company's internal control over financial reporting was effective as of December 31, 2004.

The management has excluded Crillion Corporation from its assessment of internal control over financial reporting as of December 31, 2004 because it was acquired by the Company in a purchase business combination during 2004. Crillion Corporation is a wholly-owned subsidiary whose total assets and total revenues represent 4% and 15%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2004.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, has been audited by PricewaterhouseCoopers Zhong Tian CPA Limited Company, an independent registered public accounting firm, as stated in their report which is included herein.

report of independent registered public accounting firm

To the Board of Directors and Shareholders of SINA CORPORATION:

We have completed an integrated audit of SINA Corporation's 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of SINA Corporation and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that the Company maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control – Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded Crillion Corporation ("Crillion") from its assessment of internal control over financial reporting as of December 31, 2004 because it was acquired by the Company in a purchase business combination during 2004. We have also excluded Crillion from our audit of internal control over financial reporting. Crillion is a wholly-owned subsidiary whose total assets and total revenues represent 4% and 15%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2004.

PricewaterhouseCoopers Zhong Tian CPA Limited Company
Beijing, the People's Republic of China
March 15, 2005

consolidated balance sheets

(In thousands, except par value)	December 31 2004	December 31 2003
ASSETS		
Current assets:		
Cash and cash equivalents	**$153,768**	$ 158,148
Short-term investments	**121,867**	69,016
Accounts receivable, net	**39,942**	17,606
Short-term deferred tax assets	**689**	907
Prepaid expenses and other current assets	**10,699**	4,579
Total current assets	**326,965**	250,256
Investment in Sun Media Group	**5,468**	6,793
Property and equipment, net	**16,152**	8,646
Long-term investments	**4,541**	2,085
Intangible assets, net	**13,218**	569
Goodwill	**61,172**	18,091
Other assets	**2,909**	3,457
Total assets	**$430,425**	$ 289,897
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 2,052**	$ 1,147
Accrued liabilities	**68,384**	27,442
Income taxes payable	**4,502**	1,801
Total current liabilities	**74,938**	30,390
Convertible debt	**100,000**	100,000
Other long-term liabilities	**2,142**	–
Total liabilities	**177,080**	130,390
Commitments and contingencies (Note 17)		
Shareholders' equity:		
Ordinary Shares: $0.133 par value; 150,000 shares authorized; 51,359 and 48,627 shares issued and outstanding	**6,834**	6,471
Additional paid-in capital	**263,912**	236,222
Ordinary shares subject to subsequent issuance: 0 and 177 shares	**–**	1,349
Accumulated deficit	**(17,058)**	(83,054)
Accumulated other comprehensive income (loss):		
Unrealized loss on investment in marketable securities	**(395)**	(1,510)
Cumulative translation adjustments	**52**	29
Total shareholders' equity	**253,345**	159,507
Total liabilities and shareholders' equity	**$430,425**	$ 289,897

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

consolidated statements of operations

(In thousands, except per share amount and share amounts)	Years Ended December 31		Six Months Ended December 31	Year Ended June 30
	2004	2003	2002	2002
Net revenues:				
Advertising	**$ 65,417**	$ 41,173	$ 13,869	$ 21,105
Non-advertising	**134,570**	73,112	9,347	7,403
	199,987	114,285	23,216	28,508
Cost of revenues:				
Advertising	**22,187**	14,001	5,824	11,537
Non-advertising	**39,424**	20,405	2,676	1,938
Stock-based compensation	**–**	31	42	133
	61,611	34,437	8,542	13,608
Gross profit	**138,376**	79,848	14,674	14,900
Operating expenses:				
Sales and marketing	**39,585**	21,741	6,457	12,468
Product development	**10,355**	6,340	2,755	6,666
General and administrative	**15,619**	11,551	4,480	8,237
Stock-based compensation*	**–**	523	699	2,208
Amortization of intangible assets	**3,492**	1,749	90	5,063
Write-off of intangible assets	**–**	903	–	–
Total operating expenses	**69,051**	42,807	14,481	34,642
Income (loss) from operations	**69,325**	37,041	193	(19,742)
Interest income	**5,139**	2,757	1,034	4,212
Other expenses	**–**	(162)	–	–
Amortization of convertible debt issuance cost	**(685)**	(341)	–	–
Loss on investments, net	**(1,390)**	(6,063)	–	–
Loss on equity investments	**(3,165)**	(914)	(311)	(562)
Income (loss) before income taxes	**69,224**	32,318	916	(16,092)
Provision for income taxes	**(3,228)**	(895)	–	–
Net income (loss)	**$ 65,996**	$ 31,423	$ 916	$ (16,092)
Basic net income (loss) per share	**$ 1.33**	$ 0.66	$ 0.02	$ (0.36)
Diluted net income (loss) per share	**$ 1.15**	$ 0.58	$ 0.02	$ (0.36)
Weighted average shares:				
Basic	**50,274**	47,840	45,725	44,315
Diluted	**58,204**	54,794	48,030	44,315
*Stock-based compensation expense by function:				
Sales and marketing	**$ –**	$ 16	$ 21	$ 66
Product development	**–**	168	223	707
General and administrative	**–**	339	455	1,435
	$ –	$ 523	$ 699	$ 2,208

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

consolidated statements of shareholders' equity

(In thousands)	Ordinary Shares		Additional Paid-in Capital	Ordinary Shares Subject to Subsequent Issuance
	Shares	Amount		
Balances at June 30, 2001	41,358	$ 5,504	$ 220,671	$ –
Issuance of ordinary shares pursuant to stock plans, net of repurchases	(61)	(8)	(69)	–
Repayments of notes receivable from shareholders	–	–	–	–
Deferred stock compensation	–	–	(1,783)	–
Amortization of deferred stock-based compensation	–	–	—	–
Acquisition of long-term investment	4,593	611	4,487	–
Comprehensive loss:				
Net loss	–	–	–	–
Currency translation adjustments	–	–	–	–
Comprehensive loss				
Balances at June 30, 2002	45,890	6,107	223,306	–
Issuance of ordinary shares pursuant to stock plans, net of repurchases	56	7	56	–
Deferred stock compensation	–	–	(4)	–
Amortization of deferred stock-based compensation	–	–	–	–
Comprehensive income:				
Net income	–	–	–	–
Unrealized gain on investments in marketable securities	–	–	–	–
Currency translation adjustments	–	–	–	–
Comprehensive income				
Balances at December 31, 2002	45,946	6,114	223,358	–
Issuance of ordinary shares pursuant to stock plans, net of repurchases	1,737	231	5,777	–
Repayment of notes receivable from shareholders	–	–	–	–
Amortization of deferred stock-based compensation	–	–	–	–
Business acquisition	944	126	7,087	1,349
Comprehensive income:				
Net income	–	–	–	–
Unrealized loss on investments in marketable securities	–	–	–	–
Currency translation adjustments	–	–	–	–
Comprehensive income				
Balances at December 31, 2003	48,627	6,471	236,222	1,349
Issuance of ordinary shares pursuant to stock plans	2,296	305	15,464	—
Business acquisition	436	58	12,226	(1,349)
Comprehensive income:				
Net income	–	–	–	–
Unrealized gain on investments in marketable securities	–	–	–	–
Currency translation adjustments	–	–	–	–
Comprehensive income				
Balances at December 31, 2004	**51,359**	**$ 6,834**	**$ 263,912**	**$ –**

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

Notes Receivable From Shareholders	Deferred Stock Compensation	Accumulated Deficit	Others	Total Shareholders' Equity	Other Comprehensive Income (Loss)
$ (1,479)	$ (5,423)	$ (99,301)	$ (5)	$ 119,967	
–	–	–	–	(77)	
429	–	–	–	429	
–	1,783	–	–	–	
–	2,341	–	–	2,341	
–	–	–	–	5,098	
–	–	(16,092)	–	(16,092)	$ (16,092)
–	–	–	24	24	24
					$ (16,068)
(1,050)	(1,299)	(115,393)	19	111,690	
–	–	–	–	63	
–	4	–	–	–	
–	741	–	–	741	
–	–	916	–	916	$ 916
–	–	–	4,004	4,004	4,004
–	–	–	(27)	(27)	(27)
					$ 4,893
(1,050)	(554)	(114,477)	3,996	117,387	
–	–	–	–	6,008	
1,050	–	–	–	1,050	
–	554	–	–	554	
–	–	–	–	8,562	
–	–	31,423	–	31,423	$ 31,423
–	–	–	(5,514)	(5,514)	(5,514)
–	–	–	37	37	37
					$ 25,946
–	–	(83,054)	(1,481)	159,507	
–	–	–	–	15,769	
–	–	–	–	10,935	
–	–	65,996	–	65,996	$ 65,996
–	–	–	1,115	1,115	1,115
–	–	–	23	23	23
					$ 67,134
$ –	**$ –**	**$ (17,058)**	**$ (343)**	**$ 253,345**	

consolidated statements of cash flows

(In thousands)	Years Ended December 31		Six Months Ended December 31	Year Ended June 30
	2004	2003	2002	2002
Cash flows from operating activities:				
Net income (loss)	**$ 65,996**	$ 31,423	$ 916	$ (16,092)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Loss on equity investments	**3,165**	914	311	562
Loss on disposal of fixed assets	**33**	160	101	267
Loss on investments, net	**1,390**	6,063	–	–
Depreciation	**5,827**	5,113	2,513	5,186
Stock-based compensation	**–**	554	741	2,341
Amortization of convertible debt issuance cost	**685**	341	–	–
Amortization of intangible assets	**3,492**	1,749	90	5,063
Write-off of intangible assets	**–**	903	–	–
Changes in assets and liabilities (net of effect of acquisition):				
Accounts receivable, net	**(18,409)**	(8,813)	(1,075)	(460)
Prepaid expenses and other current assets	**(2,586)**	(2,166)	(550)	(356)
Receivable from related parties	**–**	–	–	556
Deferred tax assets	**218**	(907)	–	–
Other assets	**(120)**	(918)	206	(178)
Accounts payable	**671**	(792)	212	(514)
Income taxes payable	**1,490**	1,801	–	–
Accrued liabilities	**13,006**	11,821	2,836	(2,735)
Net cash provided by (used in) operating activities	**74,858**	47,246	6,301	(6,360)
Cash flows from investing activities:				
Acquisition of property and equipment	**(13,000)**	(6,058)	(1,701)	(2,035)
Cash paid for business acquisition, net of cash acquired	**(27,573)**	(10,548)	(1,121)	–
Investment in joint ventures	**(2,660)**	(2,818)	(181)	–
Deposit for business acquisition	**(241)**	–	–	–
Acquisition of long-term investment	**–**	–	–	(8,595)
Sale (purchase) of short-term investments	**(53,043)**	(27,276)	18,806	(4,772)
Proceeds from sale of investment in Sun Media Group	**295**	–	–	–
Proceeds from sale of long-term investment	**1,215**	–	–	–
Net cash provided by (used in) investing activities	**(95,007)**	(46,700)	15,803	(15,402)
Cash flows from financing activities:				
Proceeds from issuance of convertible debt, net	**–**	97,282	–	–
Proceeds from issuance of ordinary shares, net	**15,769**	6,008	63	30
Repurchase of ordinary shares	**–**	–	–	(107)
Repayments of notes receivable from shareholders	**–**	1,050	–	429
Net cash provided by financing activities	**15,769**	104,340	63	352
Net increase (decrease) in cash and cash equivalents	**(4,380)**	104,886	22,167	(21,410)
Cash and cash equivalents at beginning of year	**158,148**	53,262	31,095	52,505
Cash and cash equivalents at end of year	**$153,768**	$ 158,148	$ 53,262	$ 31,095

consolidated statements of cash flows (Continued)

(In thousands)	Years Ended December 31		Six Months Ended December 31	Year Ended June 30
	2004	2003	2002	2002
Supplemental disclosure of operating activities:				
Income taxes paid	**$ 1,090**	$ –	$ –	$ –
Supplemental disclosure of investing activities:				
Cash paid for business acquisition	**$ (29,100)**	$ (12,904)	$ (1,874)	$ –
Cash acquired	**1,527**	2,356	753	–
Cash paid for business acquisition, net	**$ (27,573)**	$ (10,548)	$ (1,121)	$ –
Supplemental disclosure of noncash financing activities:				
Ordinary shares issued for business acquisition	**$ 12,284**	$ 7,213	$ –	$ –
Ordinary shares subject to subsequent issuance for business acquisition	**$ –**	$ 1,349	$ –	$ –
Ordinary shares issued for acquisition of long term investment	**$ –**	$ –	$ –	$ 5,098
Deferred non-advertising services exchanged for equity interest in joint venture	**$ 3,430**	$ –	$ –	$ –

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

notes to consolidated financial statements

1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

SINA CORPORATION ("SINA" or the "Company"), a Cayman Islands corporation, is a leading 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 Online (community-based services and games), SINA.net (search and enterprise services) and SINA E-Commerce (online shopping and travel). 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, online games, virtual ISP, classified listings, fee-based services, e-commerce and enterprise e-solutions.

Principles of consolidation and basis of presentation

The consolidated financial statements include the accounts of the Company, its subsidiaries and variable interest entities ("VIEs") for which the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. Investments in entities in which the Company can exercise significant influence, but which are less than majority owned and not otherwise controlled by the Company, are accounted for under the equity method.

The Company has adopted FASB Interpretation No. 46R ("FIN 46R") "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46R requires a VIE to be consolidated by a company if that company is subject to a majority of the risk of loss for the VIEs or is entitled to receive a majority of the VIE's residual returns.

To comply with PRC laws and regulations the Company provides substantially all its Internet content provision, MVAS and advertising services in China via its VIEs. These VIEs are wholly or partially owned by certain employees of the Company. The capital are funded by the Company and recorded as interest-free loans to these PRC employees. These loans were eliminated with the capital of the VIEs during consolidation.

Under various contractual agreements, employee shareholders of the VIEs are required to transfer their ownership in these entities to the Company's subsidiaries in China when permitted by PRC laws and regulations or to designees of the Company at any time for the amount of loans outstanding. All voting rights of the VIEs are assigned to the Company and the Company has the right to appoint all directors and senior management personnel of the VIEs. The Company has also entered into exclusive technical service agreements with the VIEs under which the Company provides technical and other services to the VIEs in exchange for substantially all net income of the VIEs. In addition, employee shareholders of the VIEs have pledged their shares in the VIEs as collateral for the non-payment of loans or for the fees for technical and other services due to the Company. As of December 31, 2004, the total amount of interest-free loans to the employee shareholders of VIEs listed below and the other two inactive VIEs was $9.0 million.

The following is a summary of the VIEs of the Company:

- 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 and selling the advertisements to advertisers directly under its online advertising license. It is also responsible for providing MVAS in China via third party mobile operators to the users. It is 1.5% owned by Yan Wang, the Company's Chief Executive Officer and director, and 98.5% owned by six other non-executive PRC employees of the Company. The registered capital of the ICP Company is $2.4 million.

- Beijing SINA Interactive Advertising Co., Ltd. (the "Ad Company"), a China company controlled through business agreement. The Ad Company was responsible for placing advertisements on www.sina.com.cn for its third party customers under its advertising license. It is 75% owned by Yan Wang and 25% owned by Beijing SINA Information Technology Co. Ltd., one of the Company's subsidiaries in China. The registered capital of the Ad Company is $0.1 million.

- 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 Company began to consolidate the Ad Company in April 2000 and the ICP Company in October 2001 (see Note 7– Related Party Transactions). The GDICP Company was established in 2002 but did not begin activities until 2003. Operating results for the GDICP Company were consolidated for the year ended December 31, 2003. Xunlong and Star VI were acquired from the MeMeStar acquisition (see Note 2 – Acquisition – MeMeStar) in January 2003 and the operating results for these two companies were consolidated by the Company since January 6, 2003. Wangxing was acquired from the Crillion acquisition (see Note 2 – Acquisition – Crillion) in March 2004 and the operating results for Wangxing were consolidated by the Company since March 24, 2004. The operating results of the IAD company were consolidated since their establishment in 2004.

As of December 31, 2004, the aggregate accumulated losses of all VIEs were approximately $2.4 million and have been reflected in the consolidated financial statements.

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, such differences may be material to the financial statements. Certain prior year amounts have been reclassified to conform to the current year presentation.

Fiscal year

The Company changed its financial year end from June 30 to December 31 in 2002.

Cash equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2004 and 2003, cash equivalents were comprised primarily of investments in commercial paper and money market accounts stated at cost plus accrued interest, which approximated fair value.

Allowances for doubtful accounts

The Company determines the allowance for doubtful accounts based on actual bad debt rate in the prior year and other factors. The Company also provides specific provisions for bad debts when facts and circumstances indicate that the receivable is unlikely to be collected, including an assessment of all receivables over 180 days. If the financial condition of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Deferred tax assets

The Company records a valuation allowance for deferred tax assets, if any, based on its estimates of its future taxable income as well as its tax planning strategies when it is more likely than not that a portion or all of its deferred tax assets will not be realized. If the Company is able to utilize more of its deferred tax assets than the net amount previously recorded when unanticipated events occur, an adjustment to deferred tax assets would increase the Company net income when those events occur.

Available for sale securities investments

Investments classified as available for sale securities are reported at fair value with unrealized gains (losses), if any, recorded as accumulated other comprehensive income in shareholders' equity. Realized gains or losses are charged to income statement during the period in which the gain or loss is realized. If the Company determines a decline in fair value is other-than-temporary, the cost basis of the individual security shall be written down to fair value as a new cost basis and the amount of the write-down will be accounted for as a realized loss. The new cost basis will not be changed for subsequent recoveries in fair value. Determination of whether declines in value are other-than-temporary requires significant judgment. Subsequent increases and decrease in the fair value of available for sale securities will be included in comprehensive income through a credit or charge to shareholders' equity except for an other-than-temporary impairment which will be charged to income statement.

Investments classified as available for sales securities include marketable equity securities of Sun Media Group and marketable debt securities. The Company invests in marketable debt securities with the intent to make such funds readily available for operating or acquisition purposes and, accordingly, classifies them as short-term investments.

Property and equipment

Property and equipment, including leasehold improvements, 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. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or the remaining lease term.

The expenditures for repair and maintenance are expensed as incurred. The gain or loss on disposal of property and equipment, the difference between the net sales proceeds and the carrying amount of the relevant assets, is recognized in the consolidated statements of operations.

Long-term investments

Long-term investments comprise investments in joint ventures which were accounted for using equity method of accounting.

Business combinations

The Company accounts for its business combinations using the purchase method of accounting. This method requires that the acquisition cost to be allocated to the assets and liabilities the Company acquired based on their fair values. The Company makes 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 its experience with similar assets and liabilities in the similar industries. If different judgments or assumptions were used, the amounts assigned to the individual acquired assets or liabilities could be materially different. When consider whether an acquired assets group constitutes a "business", we based the consideration on the criteria defined by EITF 98-3 "Determining Whether a Non-monetary Transaction Involves Receipt of Productive Assets or of a Business".

Goodwill and intangible assets, net

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of the Company's acquisitions of interests in its subsidiaries and variable interest entities. The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and Intangible Assets" ("SFAS 142") on January 1, 2002. Under SFAS 142, goodwill is no longer amortized, but tested for impairment upon first adoption and annually thereafter, or more frequently if events or changes in circumstances indicate that it might be impaired. The company assess goodwill for impairment in accordance with SFAS 142.

The Company applies the criteria specified in SFAS No. 141 "Business Combinations" ("SFAS 141") to determine whether an intangible asset should be recognized separately from goodwill. Intangible assets acquired through business acquisitions are recognized as assets separate from goodwill if they satisfy either the "contractual-legal" or "separability" criterion. Per SFAS 142, intangible assets with definite lives are amortized over their estimated useful life and reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-lived Assets" ("SFAS 144"). Intangible assets, such as purchased technology, trademark, customer list, user base and non-compete agreements, arising from the acquisitions of subsidiaries and variable interest entities are recognized and measured at fair value upon acquisition. Intangible assets are amortized over their estimated useful lives from one to ten years. The Company reviews the amortization methods and estimated useful lives of intangible assets regularly. The recoverability of an intangible to be held and used is evaluated by comparing the carrying amount of the intangible to its future net undiscounted cash flows. If the intangible is considered to be impaired, the impairment loss is measured as the amount by which the carrying amount of the intangible exceeds the fair value of the intangible calculated using a discounted future cash flow analysis.

The Company uses estimates and judgments in its impairment tests and if different estimates or judgments had been utilized, the timing or the amount of the impairment charges could be different.

Revenue recognition

Advertising

Advertising revenues are derived principally from online advertising and sponsorship arrangements. Online advertising arrangements allow advertisers to place advertisements on particular areas of the Company's web sites, in particular formats and over particular periods of time. Advertising revenues from online advertising arrangements are recognized ratably over the displayed period of the contract when the collectibility is reasonably assured. Sponsorship arrangements allow advertisers to sponsor a particular area on its web sites in exchange for a fixed payment over the contract period. Advertising revenues are recognized ratably over the period of sponsorship. Advertising revenues derived from the design, coordination and integration of online advertising and sponsorship arrangements to be placed on the Company's web sites are recognized ratably over the term of such programs.

In accordance with EITF 00-21 "Accounting for Revenue Arrangements with Multiple Deliverables," advertising arrangements involving multiple deliverables are broken down into single-element arrangements based on relative fair value for revenue recognition purpose. The Company recognizes revenue on the elements delivered and defers the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied.

Revenues from barter transactions are recognized during the period in which the advertisements are displayed on the Company's properties. Barter transactions are recorded at the lower of the fair value of the goods and services received or the fair value of the advertisement given, provided the fair value of the transaction is reliably measurable. Revenues from barter transactions were minimal for all periods presented.

Non-advertising
MVAS revenues are derived principally from providing mobile phone users with SMS, MMS, WAP and IVR services. These services include news and other content subscriptions, mobile dating service, picture and logo download, ring tones, ring back tones, mobile games, chat rooms and access to music files. Revenues from MVAS are charged on a monthly or per-usage basis. Such revenues are recognized in the period in which the service is performed, provided that no significant company obligations remain, collection of the receivables is reasonably assured and the amounts can be accurately estimated.

The Company contracts with third-party mobile operators, China Mobile Communication Corporation ("China Mobile") and its subsidiaries and China Unicom Co., Ltd. ("China Unicom") and its subsidiaries, for billing and transmission services related to the MVAS transmitted to its users. In accordance with EITF 99-19, revenues are recorded on a gross basis when the Company is considered the primary obligor to the MVAS users. Under the gross method, the amounts billed to MVAS users are recognized as revenues and the fees charged or retained by the third party mobile operators are recognized as cost of revenues. Revenues on MVAS where the Company is not considered the primary obligor to the user are recorded on a net basis. Under the net method, revenues are recorded net of fees charged or retained by the third party mobile operators. Revenues recorded on a net basis were $5.1 million or 4% of the Company's MVAS revenues for the year ended December 31, 2004 and were not significant to the Company's MVAS revenues for the prior periods.

Due to the time lag of receiving billing statements from third-party mobile operators, MVAS revenues are estimated based on the Company's 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. Prior periods' confirmation rate applies 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, given that the Company had obtained six month confirmation rates. Historically, there have been no significant true up adjustments to the estimates. To the extent that such revenues cannot be accurately estimated, the Company relies on the billing statements from the mobile operators to record revenues.

Historically, due to the time lag of mobile operator billing statements and lack of adequate information to make estimates, the Company has adopted a one-month lag reporting policy for MVAS revenues. This policy has been applied on a consistent basis. Such policy does not apply to revenues from acquired entities, MeMeStar and Crillion. For the years ended December 31, 2004, 2003 and 2002, the Company recorded $124.0 million, $64.4 million and $9.1 million of revenues from its MVAS, respectively. If the Company had not used the one-month lag reporting policy, its revenues from MVAS for those periods would have been $124.7 million, $68.3 million and $9.7 million, respectively.

China Mobile and its subsidiaries have started transitioning MVAS providers to a new billing platform for SMS since the middle of 2004. Certain of their provincial subsidiaries have required the Company to switch to this new billing platform recently. Other provincial subsidiaries will require the Company to switch to the new billing platform in other provinces in the future. China Unicom and its subsidiaries are also in the process of implementing a new billing system. The new billing platforms may result in more controls by the mobile operators in the operation, a higher failure rate for fee collection from the Company's users or make it more difficult for it to recruit new users and hence may reduce its revenues from MVAS significantly. The Company has been monitoring the extent of the impact of the new billing platforms to its business and its confirmation rates used. The Company has been evaluating the current MVAS revenue recognition policy. If there were no consistent confirmation rate trends or there are constant significant true up adjustments to its estimates under the new billing platforms, its current policy of estimating MVAS revenues may not be appropriate. The Company may have to record the MVAS revenues when it receives the billing statements from third-party mobile operators. Due to the time lag of receiving the billing statements, its MVAS revenues may fluctuate with the collection of billing statements if the Company were to record the MVAS revenues when it received the billing statements. As of December 31, 2004, the Company has moved fourteen provinces onto China Mobile's new billing platform. The Company is not yet able to isolate the effect of the new platform on the collection failure rates, however in general the new billing systems have resulted in a higher failure rate on its SMS billing based on the limited history.

The Company purchases certain contents from third-party content providers for its MVAS. Most of these arrangements state that the fees payable to the third-party content providers are calculated based on certain percentages of the revenue earned by their contents after deducting the fees paid to the third-party mobile operators. The Company's MVAS revenues are inclusive of such fees since the Company acts as the principal in these arrangements by having the ability to determine the fees charged to end users and being the primary obligor to the end users with respect to providing such services.

Fee-based services. Fee based services allow the Company's users to subscribe for services on its web sites including online games, virtual ISP and paid email services. Revenues from these services are recognized in the period in which the service is performed, provided that no significant company obligations remain, collection of the receivables is reasonably assured and the amounts can be accurately estimated.

E-commerce. E-commerce revenues are derived principally from slotting fees charged to merchants for selective positioning and promoting their goods or services within its online mall, SinaMall, and from commissions calculated as a percentage of the online sales transaction value of the merchants. Slotting fee revenue is recognized ratably over the period the products are shown on its web site while the commission revenue is recognized on a net basis after both successful online verification of customers' credit cards and shipment of products. Product returns have not been significant and are assumed by vendors.

Enterprise services. Enterprise services mainly include paid search and directory listings, corporate emails, classified listings and enterprise e-solutions. Revenues are recognized in the period in which the service is performed, provided that no significant company obligations remain, collection of the receivables is reasonably assured and the amounts can be accurately estimated.

In accordance with generally accepted accounting principles in the United States of America, the recognition of these revenues is partly based on the Company's assessment of the probability of collection of the resulting accounts receivable balance. As a result, the timing or amount of revenue recognition may have been different if different assessments of the probability of collection of accounts receivable had been made at the time the transactions were recorded in revenue.

Cost of revenues

Advertising

Cost of advertising revenues consists mainly of costs associated with the production of web sites, which includes fees paid to third parties for Internet connection, content and services, personnel related costs, and equipment depreciation associated with our web site production. Cost of advertising revenues also includes the business taxes levied on advertising sales in China.

Non-advertising

Cost of non-advertising revenues consists mainly of fees paid to or retained by the third-party mobile operators for their services relating to the collection of the Company's MVAS revenues and for using their transmission gateways, and fees or royalties paid to third-party content providers for services and content associated with the MVAS and costs for providing the enterprise services. Cost of non-advertising revenues also includes the business taxes levied on non-advertising sales in China.

Product development expenses

Product development expenses consist primarily of personnel related expenses incurred for enhancement to and maintenance of the Company's web sites as well as costs associated with new product development such as email, search, instant messaging and casual games. The Company recognizes web site development costs in accordance with SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." As such, the Company expenses all costs incurred that relate to the planning and post implementation phases of development and costs associated with repair or maintenance of the existing site or the development of web site content. Costs incurred in the development phase are capitalized and amortized on a straight-line basis over the estimated product life or on the ratio of current revenues to total projected product revenue, whichever is greater. Since inception, the amount of costs qualifying for capitalization has been immaterial and as a result, all product development costs have been expensed as incurred.

Advertising expenses

Advertising expenses generally represent the cost of promotions for corporate image or for product marketing and are expensed as incurred.

Stock-based compensation

The Company accounts for stock-based employee compensation arrangements in accordance with provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," as amended by FASB Interpretation No. ("FIN") 44 and Emerging Issues Task Force ("EITF") No. 00-23 and complies with the disclosure provisions of SFAS No. 123 "Accounting for Stock-Based Compensation" as amended by SFAS No. 148 "Accounting for Stock-Based Compensation – Transition and Disclosure". Under APB No. 25, as amended, compensation cost is, in general, recognized based on the difference, if any, on the date of grant between the fair value of the Company's stock and the amount an employee must pay to acquire the stock. Total compensation cost as determined at the grant date of option is recorded in shareholders' equity as additional paid-in capital with an offsetting entry recorded to deferred stock compensation. Deferred stock compensation is amortized over the vesting period of 4 years on an accelerated basis using the model presented in paragraph 24 of FIN 28. Accordingly, the percentages of the deferred compensation amortized in the first, second, third and fourth years following the option grant date are approximately 52%, 27%, 15% and 6%, respectively. SFAS No. 148 amends SFAS No. 123 to provide alternative methods of transition for companies that voluntarily change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

Prior to the Company's initial public offering, the fair value of each option grant was determined using the minimum value method. Options granted subsequent to the initial public offering have been valued using the Black-Scholes model considering the expected volatility of our stock price, determined in accordance with SFAS 123, in arriving at an option valuation. The minimum value method does not consider stock price volatility. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for the awards under a method prescribed by SFAS No. 123, the Company's net income (loss) per share would have been adjusted to the pro-forma amounts as follows:

(In thousands)	Years Ended December 31		Six Months Ended December 31	Year Ended June 30
	2004	**2003**	**2002**	**2002**
Net income (loss):				
As reported	**$ 65,996**	$ 31,423	$ 916	$ (16,092)
Add: Stock-based employee compensation expenses included in reported net income	**–**	554	741	2,341
Deduct: Employee stock purchase plan related compensation expenses determined under fair value based method	**(135)**	(119)	(30)	(4)
Deduct: Stock-based employee compensation expenses determined under fair value based method	**(11,063)**	(7,712)	(1,406)	(2,558)
Pro-forma	**$ 54,798**	$ 24,146	$ 221	$ (16,313)
Diluted net income (loss) per share:				
As reported	**$ 1.15**	$ 0.58	$ 0.02	$ (0.36)
Pro-forma	**$ 0.95**	$ 0.44	$ 0.00	$ (0.37)

The Company calculated the fair value of each option grant on the date of grant using the Black-Scholes pricing method with the following assumptions:

	Years Ended December 31		Six Months Ended December 31	Year Ended June 30
	2004	**2003**	**2002**	**2002**
Risk-free interest rate	**1.19% – 3.32%**	2.04% – 3.47%	2.44% – 3.07%	3.70% – 4.36%
Expected life (in years)	**1 – 4**	1 – 4	1 – 4	1 – 4
Expected dividend yield	**–**	–	–	–
Volatility	**88%**	93%	92%	49%

Income taxes

Income taxes are accounted for using an asset and liability approach which requires the recognition of income taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. The measurement of current and deferred tax liabilities and assets is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence assessed using the criteria in SFAS No. 109, "Accounting for Income Taxes," will not more-likely-than-not be realized.

Foreign currency

The Company's reporting currency is the U.S. dollar. The Company's operations in China, Hong Kong and Taiwan use the local currencies as their functional currencies. Accordingly, all assets and liabilities of the entities in China, Hong Kong and Taiwan are translated at the exchange rates in effect at the balance sheet date and revenues and expenses are translated at the average exchange rates in effect during the reporting period. Gains and losses resulting from foreign currency translation are recorded in accumulated other comprehensive income (loss) as a component of shareholders' equity. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statement of operations and were not significant during the periods presented.

Net income (loss) per share

Basic net income (loss) per share is computed using the weighted average number of the ordinary shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted average number of ordinary share and ordinary share equivalents outstanding during the period.

Per EITF Issue No. 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share" ("EITF 04-08"), which became effective for reporting periods ending after December 15, 2004, contingently convertible debt are included in diluted earnings per share computations regardless of whether the market price trigger has been met. As a result of adopting EITF 04-08 for the three months ended December 31, 2004, and retroactively, the Company included the dilution effect of its outstanding contingent convertible debt in its diluted earnings per share calculations. The retroactive application of EITF 04-08 resulted in a reduction of $0.02 to the diluted earnings per share for the three months ended September 30, 2004, and had no impact to the diluted earnings per share for all other prior periods.

Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in equity of a company during a period from transactions and other events and circumstances excluding transactions resulting from investments from owners and distributions to owners. For the Company, comprehensive income (loss) for the periods presented includes net income (loss), foreign currency translation adjustments and unrealized gains (losses) on marketable securities classified as available for sale.

Recent accounting pronouncements

In September 2004, the EITF Issue No. 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." ("EITF 04-08") was issued stating that contingently convertible debt should be included in diluted earnings per share computations regardless of whether the market price trigger has been met. This Issue is effective for reporting periods ending after December 15, 2004. The Company adopted EITF 04-08 in the three months ended December 31, 2004 and applied retroactively to all prior periods. The retroactive application of EITF 04-08 resulted in a reduction of $0.02 to the diluted earnings per share for the quarter ended September 30, 2004, and had no impact to the diluted earnings per share for all other prior periods.

In March 2004, the FASB issued EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-1") which provides new guidance for assessing impairment losses on debt and equity investments. Additionally, EITF 03-1 includes new disclosure requirements for investments that are deemed to be temporarily impaired. In September 2004, the FASB delayed the accounting provisions of EITF 03-1; however, the disclosure requirements remain effective and have been adopted by the Company (see Note 6. Short-term investments). The Company will evaluate the effect, if any, of EITF 03-1 when final guidance is released.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), ''Share-Based Payment'' (''SFAS 123R''), which replaces SFAS No. 123, ''Accounting for Stock-Based Compensation'' (''SFAS 123'') and supercedes APB Opinion No. 25, ''Accounting for Stock Issued to Employees.'' SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values, beginning with the first interim or annual period after June 15, 2005. The pro-forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. The Company is required to adopt SFAS 123R in its three months ending September 30, 2005. Under SFAS 123R, The Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The transition methods include prospective and retroactive adoption options. Under the retroactive options, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. The Company is evaluating the requirements of SFAS 123, and it expects that the adoption of SFAS 123R will have a material impact on its consolidated results of operations and earnings per share.

2. ACQUISITIONS

MeMeStar. In January 2003, the Company completed the acquisition of MeMeStar Limited, a British Virgin Islands limited liability corporation ("MeMeStar"), through a purchase of all of the outstanding shares of MeMeStar. As a result of such acquisition, MeMeStar became a wholly-owned subsidiary of SINA. MeMeStar, through its various subsidiaries and exclusive contractual arrangements with two local entities in the PRC (Xunlong and Star VI) is engaged in the business of providing MVAS in the PRC. The primary purposes of the acquisition were to enhance the Company's MVAS as well as increase its market share in the PRC MVAS market.

The aggregate purchase price of $24,255,113 is comprised of five elements: (a) $10,277,675 in cash paid at the closing of the acquisition; (b) 560,369 newly issued SINA ordinary shares, valued at $4,281,219 at the time of signing the definitive agreement, delivered at the closing of the acquisition; (c) $5,250,000 in cash paid in four equal installments after the closing date of the acquisition' (d) 560,369 newly issued SINA ordinary shares, valued at $4,281,219 at the time of signing the definitive agreement, to be delivered on the first anniversary of the closing date of the acquisition, 383,733 of which were issued in August 2003, prior to the first anniversary of the closing, as a result of an amendment to the share purchase agreement, and (e) approximately $165,000 in legal and professional fees related to the acquisition.

The purchase price was allocated as follows (in thousands):

Cash	$ 2,356
Accounts receivable	2,946
Other assets	351
Intangible assets	2,228
Goodwill	18,091
Current liabilities	(1,717)
Purchase price	$ 24,255

Amortizable intangible assets acquired, including customer lists and non-compete arrangements with certain MeMeStar executives, have estimated useful lives ranging from fourteen to eighteen months. The amortization expense for the year ended December 31, 2004 was $0.6 million. Goodwill of $18.1 million represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and is not deductible for tax purposes. In accordance with SFAS 142, goodwill is not amortized but is tested for impairment annually. The Company performed an impairment test relating to goodwill arising from MeMeStar acquisition and concluded there was no impairment as to the carrying value of the goodwill as of December 31, 2004. The purchase allocation for MeMeStar acquisition is based on an appraisal performed by an independent appraisal firm in the United States. Immediately after the signing of the definitive agreement, the Company obtained effective control over MeMeStar. Accordingly, the operating results of MeMeStar have been consolidated with those of the Company starting January 6, 2003.

Bravado. In February 2004, the Company completed the acquisition of Bravado Investments Limited, a British Virgin Islands limited liability corporation ("Bravado"), through a purchase of all of the outstanding shares of Bravado. As a result of such acquisition, Bravado became a wholly-owned subsidiary of SINA. Bravado, through its subsidiary in the PRC, is engaged in the business of providing online and offline hotel reservation services under the brand Fortune Trip in the PRC. The primary purpose of the acquisition was to enter the PRC online travel market.

The aggregate purchase price is comprised of an initial consideration and a contingent consideration on achieving specified earnings in future periods. The initial consideration of $1,836,414 is comprised of two elements: (a) $1,812,251 in cash; and (b) approximately $24,163 in legal and professional fees related to the acquisition. The contingent consideration is based on Bravado's financial performance in 2004. The contingent consideration will be $303,000 or $606,000 in cash, based on Bravado achieving certain earnings targets in 2004. As of December 31, 2004, Bravado did not achieve the earning targets and no additional consideration will be paid.

The initial purchase price of $1,836,414 was allocated as follows (in thousands):

Cash	$ 64
Accounts receivable	82
Other assets	109
Intangible assets	895
Goodwill	824
Current liabilities	(138)
Purchase price	$ 1,836

Amortizable intangible assets acquired, including hotel reservation contracts and non-competition arrangements with certain Bravado executives, have estimated useful lives ranging from twenty-eight to thirty-six months. The amortization expense of intangible assets for the year ended December 31, 2004 was $341,000. Goodwill of $824,000 represents the excess of the initial purchase price over the fair value of the net tangible and identifiable intangible assets acquired and is not deductible for tax purposes. In accordance with SFAS 142, goodwill is not amortized but is tested for impairment annually. The Company performed an impairment test relating to goodwill arising from Bravado acquisition and concluded there was no impairment as to the carrying value of the goodwill as of December 31, 2004. Immediately after the closing of the acquisition, the operating results of Bravado were consolidated with those of the Company starting February 1, 2004.

Crillion. In March 2004, the Company completed the acquisition of Crillion Corporation, a British Virgin Islands limited liability corporation ("Crillion"), through a purchase of all of the outstanding shares of Crillion. As a result of such acquisition, Crillion became a wholly-owned subsidiary of SINA. Crillion, through its subsidiary and exclusive contractual arrangement with a local entity in the PRC, is engaged in the business of providing *MVAS* in the PRC. The primary purposes of the acquisition were to enhance the Company's *MVAS* as well as increase its market share in the PRC *MVAS* market.

The aggregate purchase price is comprised of an initial consideration and two contingent considerations on achieving specified earnings in future periods. The initial consideration of $18,958,486 is comprised of three elements: (a) $9,898,785 in cash; (b) 195,593 newly issued SINA ordinary shares, valued at $8,534,701 at the time of closing, delivered at the closing of the acquisition; and (c) approximately $525,000 in legal and professional fees related to the acquisition. The two contingent considerations are based on Crillion's financial performances in 2004 and 2005. The contingent considerations would roughly be 1.5 to 2.0 times Crillion's 2004 and 2005 earnings basis, respectively, provided that Crillion's pretax net income for 2004 and 2005 is over $6.7 million and $13.3 million, respectively. The total consideration is subject to a cap of $125.0 million and will be 60% in cash and 40% in SINA ordinary shares. As of December 31, 2004, the Company estimated that the additional consideration related to the achievement of the 2004 performance target was approximately $28.1 million, which was recorded as additional goodwill in the three months ended December 31, 2004.

The initial purchase price of $18,958,486 was allocated as follows (in thousands):

Cash	$ 1,453
Accounts receivable	3,845
Other assets	772
Intangible assets	4,466
Goodwill	9,898
Current liabilities	(1,475)
Purchase price	$ 18,959

Amortizable intangible assets acquired, including customer list, content provider contracts and non-competition arrangements with certain Crillion executives, have estimated useful lives ranging from sixteen to thirty-six months. The amortization expense of intangible assets for the year ended December 31, 2004 was $2.0 million. As of December 31, 2004, total goodwill recorded for the Crillion acquisition was $38.0 million, which included an initial $9.9 million, representing the excess of the initial purchase price over the fair value of the net tangible and identifiable intangible assets acquired, and the estimated $28.1 million of additional consideration for the achievement of the 2004 performance target. In accordance with SFAS 142, goodwill is not amortized but is subject to annual impairment assessment. The Company performed an impairment test relating to goodwill arising from the Crillion acquisition and concluded there was no impairment as to the carrying value of the goodwill as of December 31, 2004. The purchase price allocation for the Crillion acquisition was based on an appraisal performed by an independent appraisal firm in the United States. Immediately after the closing of the acquisition, the operating results of Crillion were consolidated with those of the Company starting March 25, 2004.

Davidhill. On July 1, 2004, the Company entered into an agreement to acquire Davidhill Capital Inc., a British Virgin Islands limited liability corporation ("Davidhill"), and its UC instant messaging technology platform. The closing of the acquisition occurred on October 19, 2004, but the operating results of Davidhill have been consolidated with those of SINA starting July 1, 2004, when the Company took over the effective control of Davidhill. Launched in 2002, the UC instant messaging service allows users to communicate in real-time over the Internet and mobile phone networks, via text messages, images and voice. UC also provides community services such as chat rooms, online games, alumni clubs, online karaoke and other entertainment services. The primary purpose of the acquisition was to leverage UC instant messaging technology platform to SINA's long-term web and wireless strategy.

Davidhill owns the UC instant messaging technology platform and certain fixed assets (the "asset group") via its wholly-owned subsidiary in the PRC. Davidhill and its subsidiary have not commenced generating any revenue from the UC instant messaging services. The Company acquired the asset group through a purchase of all of the outstanding shares of Davidhill. As a result of such acquisition, Davidhill became a wholly-owned subsidiary of SINA. The Company considered EITF 98-3 "Determining Whether a Non-monetary Transaction Involves Receipt of Productive Assets or of a Business" and concluded that the asset group constitutes a business. The Company therefore applied SFAS141 "Business Combinations" to account for the acquisition of Davidhill.

The aggregate purchase price is comprised of an initial consideration and a contingent consideration on achieving specified performances in future periods. The initial consideration of $15,250,000 is comprised of three elements: (a) $12,600,000 in cash; (b) 63,828 newly issued SINA ordinary shares, valued at $2,400,000 in accordance with the average of per share closing prices of SINA ordinary shares on the Nasdaq National Market during the thirty (30) calendar days immediately preceding July 1, 2004, delivered at the closing of the acquisition; and (b) approximately $250,000 in legal and professional fees related to the acquisition. The contingent consideration of the Davidhill acquisition are based on certain simultaneous online user targets being reached by Davidhill in the 15 months after the agreement date. The contingent consideration is subject to a cap of $21.0 million and will be 84% in cash and 16% in SINA ordinary shares.

The initial purchase price of $15,250,000 was allocated as follows (in thousands):

Cash	$ 10
Fixed assets	187
Intangible assets	10,780
Goodwill	4,273
Purchase price	$ 15,250

Amortizable intangible assets acquired, including technology and non-competition arrangements with certain Davidhill executives, have estimated useful lives ranging from twenty-seven months to ten years. The amortization expense of intangible assets for the year ended December 31, 2004 was $0.6 million. Goodwill of $4.3 million represents the excess of the initial purchase price over the fair value of the net tangible and identifiable intangible assets acquired, and is not deductible for tax purposes. The contingent consideration, if any, will be recorded as additional goodwill. In accordance with SFAS 142, goodwill is not amortized but is tested for impairment at initial valuation and annually thereafter. The purchase price allocation for the Davidhill acquisition was based on an appraisal performed by an independent appraisal firm in the United States. The operating results of Davidhill were consolidated with those of the Company starting July 1, 2004 after the Company took effective control over the operations of Davidhill.

The following unaudited pro-forma information presents a summary of the results of operations of the Company assuming the acquisition of MeMeStar, Bravado, Crillion and Davidhill had occurred on January 1, 2003 (in thousands, except per share amounts):

	Years Ended December 31	
	2004	2003
Net revenues:	**$205,049**	$ 125,979
Net income	**$ 66,855**	$ 31,863
Basic net income per share	**$ 1.34**	$ 0.67
Diluted net income per share	**$ 1.16**	$ 0.58

3. INTANGIBLE ASSETS

The following table summarizes the intangible assets acquired from MeMeStar, Bravado, Crillion and Davidhill:

(In thousands)	AS of December 31	
	2004	2003
(i) Davidhill:		
Non-Compete agreements	**$ 480**	–
Technology	**10,300**	–
	10,780	–
Less: Accumulated amortization	**(622)**	–
Net	**10,158**	–
(ii) Crillion:		
Non-Compete agreements	**1,891**	–
Customer list	**2,494**	–
Content provision contracts	**81**	–
	4,466	–
Less: Accumulated amortization	**(1,960)**	–
Net	**2,506**	–
(iii) Bravado:		
Non-Compete agreements	**121**	–
Hotel reservation contracts	**774**	–
	895	–
Less: Accumulated amortization	**(341)**	–
Net	**554**	–
(iv) MeMeStar:		
Non-Compete agreements	**$ 1,256**	$ 1,256
Customer lists	**972**	972
	2,228	2,228
Less: Accumulated amortization	**(2,228)**	(1,659)
Net	**–**	569
Total intangible assets, net	**$ 13,218**	$ 569

Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the succeeding five years is $3.4 million, $2.0 million, $1.0 million, $1.0 million and $1.0 million for the years ending December 31, 2005, 2006, 2007, 2008 and 2009, respectively.

4. INVESTMENT IN SUN MEDIA GROUP

In September 2001, the Company completed the acquisition of an approximately 27.6% equity interest in Sun Media Group ("Sun Media"), a Hong Kong Stock Exchange listed company, from Ms. Lan Yang, the chairperson and a major shareholder of Sun Media for consideration of $7.9 million in cash and approximately 4.6 million of the Company's newly issued ordinary shares and transaction costs of $731,000 for a total purchase price of $13.7 million.

The above investment was accounted for using the equity method of accounting until September 30, 2002 when the Company's equity interest in Sun Media dropped to below 20% and the Company ceased to maintain significant influence over its operations. Commencing October 1, 2002, such investment was accounted for as an investment in marketable equity securities under the provisions of SFAS 115 and was classified as available for sale and reported at fair value with unrealized gains (losses), if any, recorded as a component of comprehensive income (loss) included in shareholders' equity. The Company had recorded $0.9 million of equity loss from this investment through September 30, 2002 and the carrying value of this investment was $12.9 million at the time when the accounting method changed. For the three months ended December 31, 2002, the Company recorded $3.8 million of unrealized gains on the Sun Media investment as a component of comprehensive income in shareholders' equity. The fair market value of such investment was $16.7 million as of December 31, 2002.

The fair market value of this investment began to drop below the carrying value starting May 2003. At December 31, 2003, the fair market value of this investment was $6.8 million. The Company considered the decline in the value of this investment to be other-than-temporary and recognized $6.1 million as impairment of investment during the three months ended December 31, 2003.

During the three months ended March 31, 2004, the Company sold $0.2 million of this investment and obtained a gain of $59,000. The realized gain was recorded as gain on investment in Sun Media Group for the three months ended March 31, 2004. At September 30, 2004, the fair market value of this investment was $4.0 million as compared to its carrying value of $6.6 million. The Company considered the decline in the value of this investment to be other-than-temporary and recognized $2.6 million as impairment of investment during the three months ended September 30, 2004. The fair market value of this investment was $5.5 million on December 31, 2004. The Company recorded an unrealized gain of $1.5 million as a component of comprehensive income for the year ended December 31, 2004. At March 10, 2005, the fair market value of this investment was $5.2 million. The Company will continue to monitor the investment and if there is a decline in fair value, the Company may have to recognize additional impairment charges in future periods.

5. LONG-TERM INVESTMENTS

Long-term investments comprise investments in joint ventures which were accounted for using equity method of accounting. As of December 31, 2004, the carrying value of long-term investments of $4.5 million mainly comprise investments in: i) a joint venture Shanghai NC-SINA Information Technology Co. Ltd. ("Shanghai NC-SINA) in PRC with NCsoft, a Korean online game company, of $1.4 million; ii) a joint venture China Online Auction Limited ("COAL") in PRC with Yahoo! of $1.9 million. The following summarizes the gain (loss) on the Company's equity investments for the periods presented:

(In thousands)	Shanghai NC-SINA	COAL	Sun Media Group	Others	Total
Balances at June 30, 2001	$ —	$ —	$ —	$ —	$ —
Investment	—	—	13,729	—	13,729
Loss on equity investment	—	—	(562)	—	(562)
Balances at June 30, 2002	—	—	13,167	—	13,167
Loss on equity investment	—	—	(311)	—	(311)
Change to accounted for as available for sale securities	—	—	(12,856)	—	(12,856)
Balances at December 31, 2002	—	—	—	—	—
Investments	2,550	—	—	449	2,999
Gain/(loss) on equity investments	(967)	—	—	53	(914)
Balances at December 31, 2003	1,583	—	—	502	2,085
Investments or additional investment	765	4,100	—	1,225	6,090
Sale of investment	—	—	—	(469)	(469)
Loss on equity investments	(964)	(2,168)	—	(33)	(3,165)
Balances at December 31, 2004	**$ 1,384**	**$ 1,932**	**$ —**	**$ 1,225**	**$ 4,541**

6. SHORT-TERM INVESTMENTS

The investment in marketable debt securities is classified as available for sale securities. The Company invests in these securities with the intent to make such funds readily available for operating or acquisition purposes and accordingly, classifies them as short-term investments. The aggregate fair value of marketable debt securities was $121.9 million as of December 31, 2004 and $69.0 million as of December 31, 2003 and was summarized as following:

(In thousands)	December 31 2004	December 31 2003
Time deposits	**$ 1,329**	$ 35
Marketable debt securities*	**120,538**	68,981
	$121,867	$ 69,016
*Marketable debt securities due within one year	**$ 56,473**	$ 13,094
Marketable debt securities due after one year through five years	**64,065**	55,887
	$120,538	$ 68,981

During the years ended December 31, 2004 and 2003, the Company recorded $0.4 million and $1.7 million, respectively, of unrealized losses on its marketable debt securities as a component of comprehensive income. During the six months ended December 31, 2002, the Company recorded $0.2 million of unrealized gains on its marketable debt securities as a component of comprehensive income. The Company considered the declines in value as not other-than-temporary, because the declines in market value were attributable to changes in interest rates, not credit quality, and because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity. Investments in available-for-sale debt securities at fair value were as follows:

(In thousands)	As of December 31, 2004				
			Unrealized gain (loss)		
	Cost	Accrued interest	Less than one year	Over one year	Estimated fair value
Time deposits	**$ 1,329**	**$ –**	**$ –**	**$ –**	**$ 1,329**
Securities	**209**	**–**	**42**	**–**	**$ 251**
Supranational Bonds	**5,000**	**46**	**–**	**(31)**	**5,015**
U.S. Treasury and federal agency	**20,988**	**81**	**(16)**	**(929)**	**20,124**
China government and agency	**47,382**	**–**	**–**	**–**	**47,382**
Corporate bonds and notes	**43,348**	**441**	**(488)**	**(173)**	**43,128**
Floating rate notes	**4,958**	**–**	**–**	**(320)**	**4,638**
Total	**$123,214**	**$ 568**	**$ (462)**	**$ (1,453)**	**$121,867**

(In thousands)	As of December 31, 2003				
			Unrealized losses		
	Cost	Accrued interest	Less than one year	Over one year	Estimated fair value
Time deposits	$ 35	$ —	$ —	$ —	$ 35
Supranational Bonds	8,013	102	(279)	—	7,836
U.S. Treasury and federal agency	20,984	88	(921)	—	20,151
China government and agency	5,468	45	(46)	—	5,467
Corporate bonds and notes	30,476	362	(174)	—	30,664
Floating rate notes	4,953	—	(90)	—	4,863
Total	$ 69,929	$ 597	$ (1,510)	$ —	$ 69,016

7. BALANCE SHEET COMPONENTS

(In thousands)	AS of December 31 2004	2003
Cash and cash equivalents:		
Cash and investment in money market accounts	**$134,780**	$ 153,149
Commercial paper	**18,988**	4,999
	$153,768	$ 158,148
Accounts receivable, net:		
Accounts receivable	**$ 41,696**	$ 19,183
Less: Allowance for doubtful accounts*	**(1,754)**	(1,577)
	$ 39,942	$ 17,606
*Balance at beginning of year	**$ (1,577)**	$ (1,579)
Charge to expenses	**(1,060)**	(1,348)
Write-offs net of recoveries	**883**	1,350
Balance at end of year	**$ (1,754)**	$ (1,577)
Property and equipment, net:		
Computer equipment and software	**$ 30,760**	$ 19,340
Furniture and fixtures	**1,695**	1,295
Automobiles	**239**	231
Leasehold improvements	**2,904**	1,499
	35,598	22,365
Less: Accumulated depreciation and amortization	**(19,446)**	(13,719)
	$ 16,152	$ 8,646
Goodwill:		
Davidhill	**4,273**	–
Crillion	**37,984**	–
Bravado	**824**	–
MeMeStar	**18,091**	18,091
	$ 61,172	$ 18,091
Accrued liabilities:		
Payroll and related expenses	**$ 3,984**	$ 6,147
Customer advances	**9,717**	4,253
Business taxes	**1,905**	2,485
Sales rebates	**7,234**	3,222
Marketing expenses	**2,600**	1,207
Professional fees	**1,534**	1,193
Content fees	**3,675**	1,970
Withholding tax from employees for stock options exercised	**3,964**	1,547
Payment for Crillion acquisition	**28,087**	–
Payment for MeMeStar acquisition	**–**	2,625
Others	**5,684**	2,793
	$ 68,384	$ 27,442

8. RELATED PARTY TRANSACTIONS

Transactions with ICP Company and Ad Company. To comply with Chinese regulations, in April 2000, Beijing SINA Information Technology Co. Ltd. or BSIT, the Company's subsidiary in China, entered into agreements with two limited liability companies incorporated in China: Beijing SINA Interactive Advertising Co., Ltd. (the "Ad Company") and Beijing SINA Internet Information Services Co., Ltd. (the "ICP Company".) The Ad Company is a Chinese advertising company that is 75% owned by Yan Wang, the Company's Chief Executive Officer, and 25% owned by BSIT. The ICP Company is a Chinese Internet content provider that is 3% owned by Yan Wang and 97% by six other PRC employees of the Company. All individual shareholders of the Ad Company and the ICP Company are required under their agreements with BSIT to transfer their interest in the Ad Company or ICP Company to BSIT or to any person specified by BSIT at any time at BSIT's request, provided that such transfer is not in violation of Chinese laws and regulations. In the opinion of SINA's Chinese counsel, the ownership of BSIT and its businesses comply with existing Chinese laws and regulations.

Pursuant to these agreements, the ICP Company is responsible for operating www.sina.com.cn in connection with its Internet content company license and sells advertising space on the China web site to the Ad Company. The Ad Company, in turn, places advertisements in this space for third parties under its advertising license. The Ad Company has become inactive after the ICP Company obtained an online advertising license in May 2002 and the ICP Company began to sell advertising directly to advertisers. In addition, BSIT licensed intellectual property and transferred equipment to the ICP Company and acts as the ICP Company's provider of technical services, all in exchange for fees or other payments. BSIT is also a consultant and service provider to the Ad Company for its domestic Chinese customers. Substantially all of the income received from sales by the Ad Company and ICP Company from third parties is paid to BSIT.

Through ten-year proxies ending in the years 2011 and 2010, BSIT has complete voting control over the ICP Company and the Ad Company. The employee owners of the ICP Company and the Ad Company do not have participating rights as defined in EITF 96-16 with respect to the management of the ICP Company and the Ad Company. Therefore, the financial position and results of operations of the ICP Company and the Ad Company are consolidated with the financial statements of SINA, and intercompany transactions and balances are eliminated in the consolidation.

BSIT was formerly known as Beijing Stone Rich Sight Information Technology Co. Ltd. or BSRS.

Transactions with joint ventures. The Company sold advertising space to Shanghai NC-SINA to allow the joint venture to promote its online game on the Company's web site. The contract terms are at rates and terms that management believes are comparable with those entered into with independent third parties. Revenues derived from the advertising arrangement with Shanghai NC-SINA were $0.3 million and $0.1 million, respectively, for the years ended December 31, 2004 and 2003. The company also provides a payment platform for customers of Shanghai NC-SINA to purchase virtual point cards to play its online game. Payments from its customers are recorded as customer advances received on behalf of Shanghai NC-SINA. As of December 31, 2004, the balance for such customer advances was $3.7 million.

As part of the joint venture arrangement with COAL, the Company agreed to divert certain number of users to COAL's auction site in exchange for equity interest in COAL. Such obligation was recorded as deferred revenue at the time the Company recorded the equity investment in COAL. Non-advertising revenues from this arrangement are recognized on a pro-rated basis, based on the number of users diverted to COAL's auction site. Non-advertising revenues from this arrangement was $0.4 million for the year ended December 31, 2004. As of December 31, 2004, deferred revenue from COAL was $3.0 million, $2.1 million of which related to long-term liabilities.

Shareholder notes. In 1999, certain officers of the Company exercised stock options prior to being vested with notes payable to the Company. The notes have a five-year term expiring in 2004 with full recourse and bear interest at rates ranging from 5.74% to 5.87%. Ordinary shares issued with notes payable are subject to rights of repurchase by the Company until such shares are vested. During the year ended December 31, 2003, six months ended December 31, 2002, and years ended June 30, 2002 and 2001, notes of $1.1 million, nil, $0.4 million and $0.6 million were repaid, respectively. As of December 31, 2004 and 2003, there were no outstanding notes receivable from shareholders.

9. INCOME TAXES

The Company is registered in the Cayman Islands and has operations in four tax jurisdictions including the PRC, the United States of America, Hong Kong and Taiwan. The operations in Taiwan represent a branch office of the subsidiary in the United States. For operations in the United States of America, Hong Kong and Taiwan, the Company has incurred net accumulated operating losses for income tax purposes. The Company believes that it is more likely than not that these net accumulated operating losses will not be utilized in the future and hence the Company has not recorded income tax provisions or benefits for these locations as of December 31, 2004. The Company generated substantially all its net income from its PRC operations for the years ended December 31, 2004 and 2003, and the Company has recorded income tax provisions for the years ended December 31, 2004 and 2003.

The components of income before income taxes are as follows:

(In thousands, except percentage)	Years Ended December 31		Six Months Ended December 31	Year Ended June 30
	2004	2003	2002	2002
Loss subject to non China operation	**$ (7,798)**	$ (11,864)	$ (2,770)	$ (12,155)
Income (loss) subject to China operation	**77,022**	44,182	3,686	(3,937)
Income (loss) before taxes	**$ 69,224**	$ 32,318	$ 916	$ (16,092)
Income tax expenses subject to non China operation	**$ –**	$ –	$ –	$ –
Effective tax rate for non China operation	**–**	–	–	–
Income tax expenses subject to China operation	**$ 3,228**	$ 895	$ –	$ –
Effective tax rate for China operation	**4%**	2%	–	–

Cayman Islands

Under the current tax laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

United States of America

The components of income (loss) before income taxes separating U.S. and non U.S. operations are as follows:

(In thousands)	Years Ended December 31		Six Months Ended December 31	Year Ended June 30
	2004	2003	2002	2002
Income (loss) subject to U.S. operation (including Taiwan branch)	**$ 41**	$ (1,515)	$ (1,186)	$ (6,154)
Loss subject to other operations	**(7,839)**	(10,349)	$ (1,584)	$ (6,001)
Income (loss) subject to China operation	**77,022**	44,182	3,686	(3,937)
Income (loss) before taxes	**$ 69,224**	$ 32,318	$ 916	$ (16,092)

As of December 31, 2004, the Company's subsidiary in the United States of America had approximately $57.6 million of federal and $19.4 million of state net operating loss carryforwards available to offset future taxable income. The federal net operating loss carryforwards will expire, if unused, in the years ending December 31, 2011 through 2025, and the state net operating loss carryforwards will expire, if unused, in the years ending December 31, 2005 through 2015. Included in the net operating loss carryforwards is $31.2 million and $19.2 million of federal and state net operating loss carryforwards relating to employee stock options, the benefit of which will be credited to equity when realized. The Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforwards in certain situations when changes occur in the stock ownership of a company. In the event the Company has a change in ownership, utilization of carryforwards could be restricted. The deferred tax assets for the United States subsidiary at December 31, 2004 consists mainly of net operating loss carryforwards and were fully reserved as management believes it is more likely than not that these assets will not be realized in the future.

The following table set forth the significant components of the net deferred tax assets for operation in the United States of America as of December 31, 2004, 2003 and 2002, and June 30, 2002:

(In thousands)	December 31			June 30
	2004	2003	2002	2002
Deferred tax assets:				
Net operating loss carryforwards	**$ 20,817**	$ 18,251	$ 15,323	$ 14,805
Allowances for doubtful accounts, accruals and other liabilities	**131**	139	248	282
Depreciation	**–**	–	117	113
Other tax credits	**549**	564	592	622
Total deferred tax assets	**21,497**	18,954	16,280	15,822
Less: valuation allowance	**(21,497)**	(18,954)	(16,280)	(15,822)
Deferred tax assets	**$ –**	$ –	$ –	$ –

Hong Kong

As of December 31, 2004, the Company's Hong Kong subsidiary had approximately $11.2 million net operating loss carryforwards which can be carried forward indefinitely to offset future taxable income. The deferred tax assets for Hong Kong subsidiary at December 31, 2004 consists mainly of net operating loss carryforwards and were fully reserved as management believes it is more likely than not that these assets will not be realized in the future.

The following table set forth the significant components of the net deferred tax assets for Hong Kong operation as of December 31, 2004, 2003 and 2002, and June 30, 2002:

(In thousands)	December 31			June 30
	2004	2003	2002	2002
Deferred tax assets:				
Net operating loss carryforwards	**$ 1,798**	$ 1,778	$ 1,624	$ 1,524
Allowances for doubtful accounts, accruals and other liabilities	**–**	16	–	–
Total deferred tax assets	**1,798**	1,794	1,624	1,524
Less: valuation allowance	**(1,798)**	(1,794)	(1,624)	(1,524)
Deferred tax assets	**$ –**	$ –	$ –	$ –

China

Pursuant to the PRC Income Tax Laws, the Company's subsidiaries and VIEs are generally subject to Enterprise Income Taxes ("EIT") at a statutory rate of 33%, which comprises 30% national income tax and 3% local income tax. Some of these 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 the Company's 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. The VIEs are wholly owned by the Company's employees and controlled by the Company through various contractual agreements. To the extent that these VIEs have undistributed after-tax net income, the Company has to pay taxes on behalf of its employees when dividends are distributed from these local entities in the future. The dividend tax rate is 20%.

Composition of income tax expenses for China operation

The following table set forth current and deferred portion of income tax expenses of the Company's China subsidiaries and VIEs, which were included in the consolidated statements for the periods presented:

(In thousands)	Years Ended December 31		Six Months Ended December 31	Year Ended June 30
	2004	**2003**	**2002**	**2002**
Current income taxes benefits (expenses)	**$ (3,441)**	$ (1,802)	$ –	$ –
Change in deferred tax assets	**(1,113)**	1,545	(190)	274
Change in valuation allowance	**1,326**	(638)	190	(274)
Income tax expenses	**$ (3,228)**	$ (895)	$ –	$ –

Reconciliation of the differences between statutory tax rate and the effective tax rate for China operation

The following table set forth reconciliation between the statutory EIT rate and the effective tax rate for China operation for the periods presented:

	Years Ended December 31		Six Months Ended December 31	Year Ended June 30
	2004	**2003**	**2002**	**2002**
Statutory EIT rate	**33%**	33%	33%	33%
Tax differential from statutory rate applicable to the subsidiaries and VIEs	**(1%)**	(1%)	(23%)	(7%)
Effect on tax holiday	**(32%)**	(30%)	–	–
Permanent differences	**2%**	2%	1%	(20%)
Change in valuation allowance	**2%**	(2%)	(5%)	(7%)
Others	**–**	–	(6%)	1%
Effective tax rate for China operations	**4%**	2%	—	—

The following table set forth the significant components of the net deferred tax assets for China operation as of December 31, 2004, 2003 and 2002, and June 30, 2002:

(In thousands)	December 31			June 30
	2004	**2003**	**2002**	**2002**
Deferred tax assets:				
Net operating loss carryforwards	**$ –**	$ 566	$ 1,394	$ 1,691
Allowances for doubtful accounts, accruals and other liabilities	**260**	1,048	192	202
Depreciation	**859**	619	378	261
Total deferred tax assets	**1,119**	2,233	1,964	2,154
Less: valuation allowance	**–**	(1,326)	(1,964)	(2,154)
Deferred tax assets	**$ 1,119**	$ 907	$ –	$ –

Aggregate net deferred tax assets

The following table set forth the significant components of the aggregate net deferred tax assets of the Company as of December 31, 2004, 2003 and 2002, and June 30, 2002:

(In thousands)	December 31			June 30
	2004	2003	2002	2002
Short-term deferred tax assets:				
Net operating loss carryforwards	**$ –**	$ 566	$ 577	$ –
Allowances for doubtful accounts, accruals and other liabilities	**391**	1,203	440	484
Depreciation	**429**	619	495	374
Total deferred tax assets	**820**	2,388	1,512	858
Less: valuation allowance	**(131)**	(1,481)	(1,512)	(858)
Short-term deferred tax assets	**$ 689**	$ 907	$ –	$ –
Long-term deferred tax assets included in other assets:				
Net operating loss carryforwards	**$ 22,615**	$ 20,029	$ 17,764	$ 18,020
Depreciation	**430**	–	–	–
Other tax credits	**549**	564	592	622
Total deferred tax assets	**23,594**	20,593	18,356	18,642
Less: valuation allowance	**(23,164)**	(20,593)	(18,356)	(18,642)
Long-term deferred tax assets	**$ 430**	$ –	$ –	$ –
Net deferred tax assets	**$ 1,119**	$ 907	$ –	$ –

Movement of valuation allowances for deferred tax assets

The following table set forth the movement of the aggregate valuation allowances for deferred assets for the periods presented:

(In thousands)	Years Ended December 31		Six Months Ended December 31	Year Ended June 30
	2004	2003	2002	2002
Balance at beginning of the year	**$ 22,074**	$ 19,868	$ 19,500	$ 16,547
Provision for the year	**2,547**	3,348	1,075	2,953
Recoveries of deferred tax assets	**(1,326)**	(1,142)	(707)	—
Balance at end of the year	**$ 23,295**	$ 22,074	$ 19,868	$ 19,500

10. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed using the weighted average number of ordinary shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted average number of ordinary share and ordinary share equivalents outstanding during the period.

The following table sets forth the computation of basic and diluted net income (loss) per share for the periods indicated:

(In thousands, except per share amounts)	Years Ended December 31		Six Months Ended December 31	Year Ended June 30
	2004	2003	2002	2002
Numerator:				
Net income (loss)	$ 65,996	$ 31,423	$ 916	$ (16,092)
Amortization of convertible debt issuance cost	685	341	–	–
Net income (loss) used in computing diluted net income (loss) per share	$ 66,681	$ 31,764	$ 916	$ (16,092)
Denominator:				
Weighted average ordinary shares outstanding	50,274	47,518	45,725	44,315
Ordinary shares to be issued for business acquisition	–	322	–	–
Shares used in computing basic net income (loss) per share	50,274	47,840	45,725	44,315
Weighted average ordinary share equivalents:				
Stock options	4,053	4,994	2,113	–
Unvested restricted shares	–	21	192	–
Convertible debt	3,877	1,939	–	–
	7,930	6,954	2,305	–
Shares used in computing diluted net income (loss) per share	58,204	54,794	48,030	44,315
Basic net income (loss) per share	$ 1.33	$ 0.66	$ 0.02	$ (0.36)
Diluted net income (loss) per share	$ 1.15	$ 0.58	$ 0.02	$ (0.36)

11. EMPLOYEE BENEFIT PLANS

401(k) Savings Plan

The Company's U.S. subsidiary has a savings plan that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code (the "401(k) Plan"). Under the 401(k) Plan, participating employees may defer 100% of their eligible pretax earnings up to the Internal Revenue Service's annual contribution limit. All employees on the United States payroll of the Company age 21 years or older are eligible to participate in the 401(k) Plan. The Company has not been required to contribute to the 401(k) Plan.

China Contribution Plan

The Company's subsidiaries and VIEs in China participate in a government-mandated multi-employer defined contribution plan pursuant to which certain retirement, medical, housing and other welfare benefits are provided to employees. Chinese labor regulations require the Company's subsidiary to pay to the local labor bureau a monthly contribution at a stated contribution rate based on the monthly basic compensation of qualified employees. The relevant local labor bureau is responsible for meeting all retirement benefit obligations; the Company has no further commitments beyond its monthly contribution. During the year ended December 31, 2004 and 2003, six months ended December 31, 2002 and the year ended June 30, 2002, the Company contributed a total of $4.3 million, $2.3 million, $0.7 million and $0.8 million, respectively, to these funds.

12. PROFIT APPROPRIATION

The Company's subsidiaries and VIEs in China are required to make appropriations to certain non-distributable reserve funds. Its subsidiaries, in accordance with the laws applicable to China's Foreign Investment Enterprises, must make appropriations from its after-tax profit (as determined under PRC GAAP) to non-distributable reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. General reserve fund is at least 10% of the after-tax profits calculated in accordance with the PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. The appropriation of the other two reserve funds is at the Company's discretion. At the same time, the Company's VIEs, in accordance with the China Company Laws, must make appropriations from its after-tax profit (as determined under PRC GAAP) to non-distributable reserve funds including (i) statutory surplus fund, (ii) statutory public welfare fund and (iii) discretionary surplus fund. Statutory surplus fund is at least 10% of the after-tax profits calculated in accordance with the PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. Appropriation to the statutory public welfare fund is 5% to 10% of the after-tax profits calculated in accordance with the PRC GAAP. Appropriation to discretionary surplus fund is made at the discretion of the Company.

General reserve fund and statutory surplus fund are restricted for set off against losses, expansion of production and operation or increase in register capital of the respective company. Statutory public welfare fund is restricted to the capital expenditures for the collective welfare of employees. These reserves are not transferable to the Company in the form of cash dividends, loans or advances. These reserves are therefore not available for distribution except in liquidation. As of December 31, 2004, the Company is subject to a maximum appropriation of $4.8 million to these non-distributable reserve funds.

13. STOCK PLANS

1999 Stock Plan

In May 1999, the Company adopted the 1999 Stock Plan (the "1999 Plan"). The 1999 Plan provides for the granting of stock options to employees, consultants and directors of the Company. Options granted under the Plan may be either incentive stock options or nonqualified stock options. Incentive stock options ("ISO") may be granted only to Company employees (including officers and directors who are also employees). Nonqualified stock options ("NSO") may be granted to Company employees and consultants. As of December 31, 2004, the Company has cumulatively reserved 13,608,000 ordinary shares for issuance under the 1999 Plan, including a previous plan carried over from 1997 and options assumed in the Sinanet acquisition. The 1999 Plan provides for an annual automatic increase in the number of ordinary shares reserved for issuance under the plan on the first day of 2001, 2002, 2003, 2004 and 2005 fiscal years equal to the lesser of (1) 750,000 shares, (2) 3% of the ordinary shares outstanding on the last day of the immediately proceeding fiscal year, or (3) such lesser number of shares as is determined by the Board. The 1999 Plan will continue in effect until May 2009, unless terminated earlier in accordance with the terms of the Plan. As of December 31, 2004, there were a total of 3,882,000 options outstanding and 1,161,000 options were available for grant under the 1999 Plan.

Options under the Company's 1999 Plan may be granted for a term of up to ten years and at prices no less than 85% of the estimated fair value of the shares on the date of grant as determined by the Board of Directors, provided, however, that the exercise price of an ISO and NSO shall not be less than 100% and 85% of the estimated fair value of the shares on the date of grant, respectively. The exercise price of an ISO and NSO granted to a 10% shareholder should not be less than 110% of the estimated fair value of the shares on the date of grant. Options granted under the Plan through December 31, 2002 generally vest 25% after the first year and then 2.083% each month thereafter. Certain options vest monthly over a four year term or a one year term. Certain grants are exercisable immediately under such terms and conditions as determined by the Board of Directors. Ordinary Shares issued upon such early exercises are subject to rights of repurchases by the Company until such shares become fully vested. At December 31, 2004, 2003, 2002, and June 30, 2002, there were nil, nil, 150,000 and 309,000, respectively, shares of such Ordinary Shares issued that were subject to repurchase.

1999 Executive Stock Option Plan

In October 1999, the Board adopted the 1999 Executive Stock Option Plan (the "Executive Plan"). An aggregate of 2,250,000 Ordinary Shares have been reserved for issuance under the Executive Plan. The Executive Plan provides for the granting of options to purchase Ordinary Shares and Ordinary Share purchase rights to eligible employees and consultants. As of December 31, 2004, there were a total of 1,214,000 options outstanding and 6,000 options were available for grant under the Executive Plan. Options under Executive Plan may be granted for a term of up to ten years and at prices no less than 85% of the estimated fair value of the shares on the date of grant as determined by the Board of Directors, provided, however, that the exercise price of an ISO and NSO shall not be less than 100% and 85% of the estimated fair value of the shares on the date of grant, respectively. The exercise price of an ISO and NSO granted to a 10% shareholder should not be less than 110% of the estimated fair value of the shares on the date of grant. Options granted under the Executive Plan through December 31, 2002 generally vest 25% after the first year and then 2.083% each month thereafter. Certain options vest monthly over a four-year term or a one year term. Certain grants are exercisable immediately under such terms and conditions as determined by the Board of Directors. Ordinary Shares issued upon such early exercises are subject to rights of repurchases by the Company until such shares become fully vested. The Executive Plan will continue in effect until October 2009, unless terminated earlier in accordance with the terms of the Executive Plan.

Directors' Stock Option Plan

In October 1999, the Board approved the 1999 Directors' Stock Option Plan (the "Directors' Plan") covering an aggregate of 750,000 ordinary shares. The Directors' Plan became effective on the effective date of the initial public offering and provides a non-employee director after the completion of the offering (1) a non statutory stock option to purchase 37,500 ordinary shares on the date on which he or she first becomes a member of the Board of Directors, and (2) an additional non statutory stock option to purchase 15,000 shares on the date of each annual shareholders' meeting, if on such date he or she has served on the Board for at least six months. All options granted under the Director's Plan shall not be less than 100% of the estimated fair value of the shares on the date of grant and shall have a maximum term of 10 years. All options granted under the Directors' Plan vest in full immediately upon grant. As of December 31, 2004, 322,000 options were outstanding and 150,000 options were available for grant under the Directors' Plan.

Activities of All Stock Option Plans

The following table summarizes stock option activity under the Company's stock option plans:

(In thousands, except per share amounts)	Years Ended December 31				Six Months Ended December 31		Year Ended June 30	
	2004		2003		2002		2002	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Outstanding at beginning of period	**6,270**	**$ 7.00**	6,583	$ 3.38	5,551	$ 3.75	4,469	$ 6.21
Granted	**1,644**	**22.85**	2,077	14.42	1,265	2.11	2,470	1.62
Exercised	**(2,242)**	**6.90**	(1,668)	3.52	(43)	1.07	(37)	0.47
Canceled	**(254)**	**11.98**	(722)	3.30	(190)	6.19	(1,351)	8.08
Outstanding at period end	**5,418**	**11.62**	6,270	7.00	6,583	3.38	5,551	3.75
Weighted average fair value of options granted during the year		**$12.88**		$ 8.56		$ 1.39		$ 0.71

At December 31, 2004, approximately 1,317,000 options were available for grant under the Plans.

(In thousands, except per share amounts)	Options Outstanding at December 31, 2004			Options Exercisable at December 31, 2004	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.16 – $ 1.68	**1,557**	**6.89**	**$ 1.53**	**1,251**	**$ 1.51**
$ 1.88 – $12.98	**1,863**	**7.51**	**8.79**	**638**	**7.98**
$15.00 – $20.86	**1,446**	**9.23**	**19.96**	**135**	**17.22**
$23.08 – $36.40	**552**	**9.26**	**27.76**	**213**	**33.33**
	5,418			**2,237**	

Stock-based compensation. The Company recorded cumulative deferred stock compensation, which represents the difference between the exercise price of options granted and the fair market value of the underlying stock at the date of grant. Deferred stock compensation is amortized on an accelerated basis over the vesting period of the applicable options, which is generally four years. The amortization of deferred compensation was nil, $0.6 million and $0.7 million for the years ended December 31, 2004, 2003 and six months ended December 31, 2002, respectively, and $2.3 million for the year ended June 30, 2002.

Employee Stock Purchase Plan

In October 1999, the Board adopted the 1999 Employee Stock Purchase Plan (the "Purchase Plan"). An aggregate of 3,750,000 ordinary shares have been reserved for issuance under the plan, plus annual increases equal to the lesser of (1) 600,000 shares, (2) 0.5% of the ordinary shares outstanding on the last day of the immediately preceding fiscal year, or (3) such lesser number of shares as is determined by the Board. The Purchase Plan is implemented by a series of overlapping periods of approximately 24 months' duration, with new offering periods (other than the first offering period which will be approximately 9 1/2 months) commencing on February 1 and August 1 of each year. The price at which stock is purchased under the Purchase Plan is equal to the lower of 85% of the fair market value of the Ordinary Shares at the beginning of each offering period or at the end of each purchase period. The eligible employees can have up to 20% of their earnings withheld to be used to purchase shares of the Company's Ordinary Share. The Purchase Plan offers automatic withdrawal and reenrollment provision under which the participant in the ongoing offering period shall automatically be deemed to have withdrawn from the ongoing offering period and enrolled in such new offering period under the same subscription agreement in effect for such ongoing offering period if the fair market value of the shares on the new offering period is lower than the in progress offering period. The 1999 Employee Stock Purchase Plan became effective on the effective date of the initial public offering. As of December 31, 2004, total contributions by employees to the Purchase Plan were $1.1 million and 223,000 shares had been issued under the Purchase Plan.

14. SEGMENT INFORMATION

Based on the criteria established by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Company currently operates in two principal business segments globally; advertising and non-advertising. The Company does not allocate any operating costs or assets to its segments as management does not use this information to measure the performance of these operating segments. Management does not believe that allocating these expenses or assets is meaningful in evaluating these segments' performance.

The following is a summary of revenues, cost of revenues and gross profit margins:

(In thousands, except percentages)	Years Ended December 31		Six Months Ended December 31	Year Ended June 30
	2004	2003	2002	2002
Revenues:				
Advertising	**$ 65,417**	$ 41,173	$ 13,869	$ 21,105
MVAS	**123,954**	64,377	6,047	3,920
Others	**10,616**	8,735	3,300	3,483
	$199,987	$ 114,285	$ 23,216	$ 28,508
Cost of Revenues:				
Advertising	**$ 22,187**	$ 14,001	$ 5,824	$ 11,537
MVAS	**38,277**	19,455	2,258	1,275
Others	**1,147**	950	418	663
	$ 61,611	$ 34,406	$ 8,500	$ 13,475
Gross profit margins:				
Advertising	**66%**	66%	58%	45%
MVAS	**69%**	70%	63%	68%
Others	**89%**	89%	87%	81%
Overall	**69%**	70%	63%	53%

The following is a summary of the Company's geographic operation:

(In thousands)	U.S.	China	Hong Kong	Taiwan	Total
Year ended and as of December 31, 2004:					
Revenues	$ 2,281	$ 194,921	$ 1,807	$ 978	$ 199,987
Long-lived assets	59	15,468	179	446	16,152
Year ended and as of December 31, 2003:					
Revenues	$ 2,398	$ 108,507	$ 1,854	$ 1,526	$ 114,285
Long-lived assets	66	7,592	132	856	8,646
Six months ended and as of December 31, 2002:					
Revenues	$ 1,427	$ 19,675	$ 1,060	$ 1,054	$ 23,216
Long-lived assets	362	5,453	452	1,332	7,599
Year ended and as of June 30, 2002:					
Revenues	$ 2,524	$ 22,832	$ 1,542	$ 1,610	$ 28,508
Long-lived assets	666	5,079	824	1,671	8,240

Revenues are attributed to the countries in which the invoices are issued. Long-lived assets comprise the net book value of property and equipment.

15. CERTAIN RISKS AND CONCENTRATIONS

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, marketable debt securities and accounts receivable. The Company limits its exposure to credit loss by depositing its cash and cash equivalents with financial institutions in the U.S., the PRC, Hong Kong and Taiwan which management believes are of high credit quality. The Company usually invests in marketable debt securities with A ratings or above.

Accounts receivable consist primarily of advertising agencies, direct advertising customers and third party mobile operators. As of December 31, 2004 and 2003, respectively, approximately 98% and 92% of the net accounts receivable were derived from the Company's operations in the PRC. Regarding its advertising operations, no individual advertising customer accounted for more than

10% of total net revenues for the years ended December 31, 2004 and 2003, the six months ended December 2002 and the year ended June 30, 2002. Also, no individual advertising customer accounted for more than 10% of accounts receivables as of December 31, 2004 and 2003. For its MVAS operations in the PRC, the Company contracts with third party mobile operators, China Mobile and its subsidiaries and China Unicom and its subsidiaries, for utilizing their transmission gateways for message delivery and billing systems to collect subscription or usage fees from its subscribers. MVAS fees charged to users via these third party mobile operators accounted for 62% and 56% of the Company's net revenues for the years ended December 31, 2004 and 2003, respectively, 26% of the Company's net revenues for the six months ended December 31, 2002 and 14% of the Company's net revenues for the year ended June 30, 2002. SMS revenues accounted for 52% and 55% of the Company's net revenues for the years ended December 31, 2004 and 2003, respectively, 25% of the Company's net revenues for the six months ended December 31, 2002 and 14% of the Company's net revenues for the year ended June 30, 2002. The following table summarizes the Company's revenue and accounts receivable concentration:

	% of total net revenues			
Customer	**For the year ended December 31 2004**	**For the year ended December 31 2003**	**For the six months ended December 31 2002**	**For the year ended June 30 2002**
China Mobile and its subsidiaries	**54%**	53%	19%	14%
China Unicom and its subsidiaries	**8%**	3%	7%	—

	% of total accounts receivable, net	
Customer	**As of December 31 2004**	**As of December 31 2003**
China Mobile and its subsidiaries	**47%**	45%
China Unicom and its subsidiaries	**9%**	5%

Accounts receivable from third-party mobile operators represent MVAS fees collected on behalf of the Company after deducting their billing services and transmission charges. The Company maintains allowances for potential credit losses and historically the Company has not had any significant direct write off of bad debts.

The Company operates in business segments which are characterized by rapid technological advances, changes in customer requirements and evolving regulatory requirements and industry standards. Any failure by the Company to anticipate or to respond adequately to technological changes in its industry segments, changes in customer requirements or changes in regulatory requirements or industry standards, could have a material adverse effect on the Company's business and operating results. The Company relies on a number of third-party suppliers for various other services, including web server hosting, banner advertising delivery software, Internet traffic measurement software and transmission and billing of MVAS. Any failure of these suppliers to provide services to the Company or any termination of these services with the Company could have a material adverse effect on the Company's business and operating results.

The majority of the Company's net income was derived from China. The operations in China are carried out by the subsidiaries and VIEs. The Company depends on dividend payments from its subsidiaries in China for its revenues after these subsidiaries receive payments from VIEs in China under various services and other arrangements. In addition, under Chinese law, its subsidiaries are only allowed to pay dividends to the Company out of their accumulated profits, if any, as determined in accordance with Chinese accounting standards and regulations. Moreover, these Chinese subsidiaries are required to set aside at least 10% of their respective accumulated profits, if any, up to 50% of their registered capital to fund certain mandated reserve funds that are not payable or distributable as cash dividends. The appropriation to mandated reserve funds are assessed annually. As of December 31, 2004, the Company is subject to a maximum appropriation of $4.8 million to these non-distributable reserve funds. The Company's subsidiaries and VIEs in China are subject to different tax rates. See Note 9 – Income Taxes.

The majority of the Company's revenues derived and expenses incurred were in Chinese renminbi. The Company's cash and short-term investment balance denominated in Chinese renminbi was approximately $123.3 million, which accounted for approximately 45% of its total cash and short-term investment balance as of December 31, 2004. The Company's accounts receivable balance denominated in Chinese renminbi was approximately $38.9 million, which accounted for approximately 98% of its total accounts receivable balance as of December 31, 2004. The Company's liabilities balance denominated in Chinese renminbi was approximately $42.2 million, which accounted for approximately 24% of its total liabilities balance as of December 31, 2004. Accordingly, the Company may experience economic losses and negative impacts on earnings and equity as a result of exchange rate fluctuations in the currency of the PRC. Moreover, the Chinese government imposes controls on the convertibility of renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. The Company may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency.

The Company performed test on the restricted net assets of consolidated subsidiaries and VIEs (the "restricted net assets") in accordance with SEC Rule 12-04 "Condensed financial information of registrant" and concluded that the restricted net assets did not exceed 25% of the consolidated net assets of the Company as of December 31, 2004.

16. CONVERTIBLE DEBTS

As of December 31, 2004, the Company has $100 million of zero coupon convertible subordinated notes (the "Notes") due 2023. The Notes were issued at par and bears no interest. The Notes will be convertible into SINA ordinary shares, upon satisfaction of certain conditions, at an initial conversion price of $25.79 per share, subject to adjustments for certain events.

One of the conditions for conversion of the Notes to SINA ordinary shares is conversion upon satisfaction of market price condition, when the sale price (defined as closing per share sales 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. For the quarter ended December 31, 2004, the sale price of SINA ordinary shares exceeded the threshold set forth in item i) above for the required period of time; therefore, the Notes are therefore convertible into SINA ordinary shares pursuant to the threshold set forth in item i) above during the quarter ending March 31, 2005.

Upon a purchaser's election to convert the Notes in the future, the Company has the right to deliver cash in lieu of ordinary shares, or a combination of cash and ordinary shares. The Company may redeem for cash all or part of the Notes on or after July 15, 2012, at a price equal to 100% of the principal amount of the Notes being redeemed. The purchasers may require the Company to repurchase all or part of the Notes for cash on July 15 annually from 2007 through 2013, and on July 15, 2018, or upon a change of control, at a price equal to 100% of the principal amount of the Notes.

17. COMMITMENTS AND CONTINGENCIES

The following table sets forth the contractual commitments and obligations of the Company as of December 31, 2004:

(In thousands)	Payments due by period				
	Total	Less than one year	One to three years	Three to five years	More than five years
Contractual obligations:					
Long-term debt obligations	$ 100,000	$ —	$ —	$ 100,000	$ —
Operating lease obligations	7,165	3,062	4,089	14	—
Purchase obligations	25,708	24,325	1,383	—	—
Other long-term liabilities	2,142	—	2,142	—	—
Total contractual obligations	$ 135,015	$ 27,387	$ 7,614	$ 100,014	$ —

Long-term debt obligations represent the zero-coupon convertible subordinated notes issued on July 7, 2003. Please see Note 16 – "Convertible debts" for further information.

Operating lease obligations include the commitments under the lease agreements for the Company's office premises. The Company leases office facilities under non cancelable operating leases with various expiration dates through 2008. Rental expenses for the year ended December 31, 2004 and 2003, six months ended December 31, 2002 and the year ended June 30, 2002 were $3.0 million, $1.7 million, $0.7 million and $1.1 million, respectively. Base on the current rental lease agreements, future minimum rental payments required as of December 31, 2004 are $7.2 million and was $3.1 million, $2.6 million, $1.5 million and $0.01 million for the years ending December 31, 2005, 2006, 2007 and 2008, respectively. Majority of the commitment was from the Company's office lease agreements in PRC. During 2004, the Company entered into lease agreements for new premises in Beijing that it began to occupy in phases from November 2004 through the middle of 2005. The new lease agreements are for approximately three years expiring 2007. It is the Company's intent to sublease its existing non cancelable facilities in Beijing. However, the Company may not be successful in subleasing the facilities or subleasing at a rate that will cover its current cost.

Purchase obligations mainly include the commitments for Internet connection fees associated with web sites production, content fees associated with web sites production and MVAS, advertising serving services and marketing activities.

Besides the above contractual obligations, the Company is also obligated to pay contingent consideration on its acquisitions of Bravado, Crillion and Davidhill in addition to the initial consideration with respect to each. The contingent consideration of the Bravado acquisition is based on Bravado's financial performance in 2004. The contingent consideration will be $303,000 or $606,000 in cash, provided that Bravado achieves certain earnings targets for 2004. As of December 31, 2004, Bravado did not achieve the earning targets and no additional consideration was required. The contingent consideration of the Crillion acquisition is based on Crillion's financial performances in 2004 and 2005. The contingent consideration would roughly be 1.5 to 2.0 times 2004 and 2005 earnings basis, respectively, provided that Crillion's pretax net income for 2004 and 2005 is over $6.7 million and $13.3 million, respectively. The total consideration is subject to a cap of $125.0 million and will be 60% in cash and 40% in SINA ordinary shares. As of December 31, 2004, the Company estimated that the additional consideration related to the achievement of the 2004 performance target was approximately $28.1 million, which had not been paid as of year end. The contingent consideration in the Davidhill acquisition is based on certain simultaneous online user targets being reached by Davidhill in the 15 months after the agreement date. The contingent consideration is subject to a cap of $21.0 million and will be 84% in cash and 16% in SINA ordinary shares.

Apart from the above, the Company did not have any other material long-term debt obligations, capital lease obligations, operating lease obligations or purchase obligations as of December 31, 2004.

There are uncertainties regarding the legal basis of the Company's ability to operate an Internet business and provide telecom value-added services in China. Although the country has implemented a wide range of market-oriented economic reforms, the telecommunication, information and media industries remain highly regulated. Not only are there regulations in place, but it is unclear under the regulations what specific segments of these industries companies with foreign investors, including the Company, may operate. Therefore, the Company might be required to limit the scope of its operations in China, and this could have a material adverse effect on the Company's financial position, results of operations and cash flows.

18. SUBSEQUENT EVENTS

In April 2004, the Company entered into several lease agreements with a PRC lessor as part of the Company's initiative to consolidate its office premises in Beijing. The Company has begun moving into the new premises starting in November 2004 and is expected to complete its move by the middle of 2005. Certain vacated, and to be vacated, premises are under non cancelable operating leases expiring through 2008. As of December 31, 2004, obligations from these existing leases are $0.9 million, $0.9 million, $0.7 million and $0.2 million for fiscal 2005, 2006, 2007 and 2008, respectively. It is the Company's intent to sublease existing facilities as they become vacant to offset the lease obligations. Should the Company become unsuccessful in subleasing these facilities or if the subleased rates are significantly lower than its lease rate, the Company would be obligated to incur leasing expense from the new premises as well as the old premises. In addition, the Company may incur additional costs in subleasing these facilities including the write-off of existing leasehold improvements made to these premises, repairs to get the premises in the condition for subleasing and professional fees. Such costs are accrued at the lease cease-used date period. The Company does not expect the amount to be significant.

In February 2005, Shanda Interactive Entertainment Limited ("Shanda") and several of its affiliates reported that they beneficially acquired approximately 19.5% of the Company's outstanding ordinary shares. As a result, Shanda is able to substantially influence all matters requiring the approval of the Company's shareholders, including the election of directors and the approval of significant corporate transactions such as acquisitions. The Company has adopted a shareholder rights plan pursuant to which the Company's 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 the Company's 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 the Company's 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.

In February 2005, multiple purported securities class action complaints were filed against the Company and certain officers and directors, 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. The complaints seek unspecified damaged on alleged violations of federal securities laws during the period from October 26, 2004 to February 7, 2005. The complaints allege violations of the federal securities laws through the issuance of false or misleading statements during the class period covered. Consolidation and the appointment of lead plaintiff are currently pending in these purported class actions. The Company intends to take all appropriate action in response to these lawsuits.

supplementary financial data (unaudited)

QUARTERLY FINANCIAL RESULT

The following table reflects the Company's unaudited quarterly consolidated statement of operations data for the quarters presented. The Company believes that the historical quarterly information has been prepared substantially on the same basis as the audited consolidated financial statements, and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts below to state fairly the unaudited quarterly results of operations data. Please refer to the Company's consolidated financial statements and the notes thereto for an explanation of the computation of basic and diluted net income (loss) per share.

(In thousands, except per share amounts)	Quarterly Results for the Year Ended December 31, 2004			
	December 31 2004	**September 30 2004**	**June 30 2004**	**March 31 2004**
Net revenues	**$ 56,899**	**$ 52,505**	**$ 49,195**	**$ 41,388**
Gross profit	**38,966**	**35,650**	**34,898**	**28,862**
Net income	**$ 17,433**	**$ 14,503**	**$ 18,018**	**$ 16,042**
Basic net income per share	**$ 0.35**	**$ 0.29**	**$ 0.36**	**$ 0.33**
Shares used in computing basic net income per share	**50,967**	**50,387**	**50,257**	**49,329**
Diluted net income per share	**$ 0.30**	**$ 0.25**	**$ 0.31**	**$ 0.28**
Shares used in computing diluted net income per share	**58,729**	**57,763**	**58,110**	**57,826**

(In thousands, except per share amounts)	Quarterly Results for the Year Ended December 31, 2003			
	December 31 2003	**September 30 2003**	**June 30 2003**	**March 31 2003**
Net revenues	$ 38,270	$ 31,914	$ 25,987	$ 18,114
Gross profit	27,608	22,352	17,881	12,007
Net income	9,269	11,657	7,121	3,376
Basic net income per share	$ 0.19	$ 0.24	$ 0.15	$ 0.07
Shares used in computing basic net income per share	48,647	48,279	47,661	46,774
Diluted net income per share	$ 0.16	$ 0.21	$ 0.14	$ 0.07
Shares used in computing diluted net income per share	57,784	57,622	51,971	50,844

company information

Board of Directors:
Daniel Chiang
Co-Chairman, SINA

Yongji Duan
Co-Chairman, SINA and Chairman, Stone Group Corporation

Dr Pehong Chen
Chief Executive Officer, President and Chairman, BroadVision, Inc

Xiaotao Chen
Chief Executive Officer, Executive Director, Sun Media Investment Ltd.

Lip-Bu Tan
Chairman, Walden International Investment Group

Ter Fung Tsao
Chairman, Standard Foods Corporation

Yan Wang
Chief Executive Officer and President, SINA

Songyi Zhang
Advisory Director, Morgan Stanley Hong Kong

Yi-Chen Zhang
Chief Executive Officer, CITIC Capital Markets Holdings Ltd

Corporate Officers:
Yan Wang
Chief Executive Officer and President

Charles Chao
Chief Financial Officer and Co-Chief Operating Officer

Hurst Lin
Co-Chief Operating Officer

Benjamin Tsiang
Executive Vice President, Product Development/
General Manager of SINA Online

Corporate Governance:
Compensation Committee:
Pehong Chen, Yongji Duan and Lip-Bu Tan

Audit Committee:
Lip-Bu Tan, Ter Fung Tsao and Yi-Chen Zhang

Share Administration Committee:
Daniel Chiang and Yan Wang

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Ticker: SINA

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