

SOHU COM INC
Form 8-K/A
March 15, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 6)

CURRENT REPORT

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

Date of Report (Date of earliest event reported): November 24, 2003

SOHU.COM INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction)

(Of incorporation)

0-30961
(Commission File Number)

98-0204667
(I.R.S. Employer

Identification No.)

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7 Jianguomen Nei Avenue

Bright China Chang An Building

Tower 2, Room 1519

Beijing 100005

People s Republic of China

(011) 8610-6510-2160

(Address, including zip code, of registrant s principal executive offices

and registrant s telephone number, including area code)

Items 7(a) and 7(b) of the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission (the SEC) on December 5, 2003, as amended by Amendment No. 1 filed with the SEC on December 23, 2003, Amendment No. 2 filed with the SEC on February 6, 2004, Amendment No. 3 filed with the SEC on February 9, 2004, Amendment No. 4 filed with the SEC on March 2, 2004, and Amendment No. 5 filed with the SEC on March 15, 2004 is hereby amended as follows:

1. The Statement of Direct Revenues and Direct Expenses relating to the 17173.com Web Site (a division of Netdragon Websoft Inc.), as set forth in Item 7(a) of Form 8-K/A No. 3, is hereby amended and restated in its entirety as set forth below:

17173.COM WEB SITE (A DIVISION OF NETDRAGON WEBSOFT INC.)

STATEMENT OF DIRECT REVENUES AND DIRECT EXPENSES

(Amounts in thousands of US dollars)

| | For the nine months ended September 30, 2003 |
|--|---|
| Revenues | \$ 1,197 |
| Direct Expenses | |
| Cost of revenues | 153 |
| Product development | 42 |
| Sales and marketing | 109 |
| General and administrative | 31 |
| | <u>(335)</u> |
| Excess of direct revenues over direct expenses | <u>\$ 862</u> |

The accompanying notes are an integral part of this financial statement.

2. Note (f) of the Notes to Statement of Direct Revenues and Direct Expenses of 17173.com Web site (a Division of Netdragon Websoft Inc.), as set forth in Item 7(a) of Form 8-K/A No. 3, is hereby amended and restated in its entirety as set forth below:

(f) Direct Expenses

Certain direct expenses, mainly payroll and bandwidth, are specifically identifiable, and others, mainly office rent expenses and administrative expenses, are allocated to the 17173.com Web site based on management's estimate. Office rent expense is allocated based on headcount and administrative expenses are allocated based on management's estimate of the portion of time spent by the administrative employees on 17173.com Web site related tasks. The direct expenses consist of the following four categories:

(i) Cost of revenues

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Cost of revenues mainly includes payroll for content department employees, bandwidth leasing charge, and depreciation expenses. Cost of revenues for the nine months ended September 30, 2003 includes \$20,000 of allocated expenses.

(ii) Product development expenses

Product development expenses mainly include payroll for product development department and maintenance of the Web site. Product development expenses for the nine months ended September 30, 2003 include \$5,000 of allocated expenses.

(iii) Sales and marketing expenses

Sales and marketing expenses mainly include payroll for sales and marketing department employees and office supplies. Sales and marketing expenses for the nine months ended September 30, 2003 include \$15,000 of allocated expenses.

(iv) General and administrative expenses

General and administrative expenses mainly include payroll for general and administrative department employees, provision for bad debts and professional fees. General and administrative expenses for the nine months ended September 30, 2003 include \$1,000 of allocated expenses.

3. The unaudited Pro Forma Combined Balance Sheet and Statement of Operations as of September 30, 2003 for Sohu.com and the 17173.com Web site as set forth in Item 7(b) of Form 8-K/A No. 3 are hereby amended and restated in their entirety as set forth below:

SOHU.COM, INC.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

AS OF SEPTEMBER 30, 2003

(Amounts in thousands of US dollars)

| | September 30, 2003 | | |
|--|--------------------|--------------------------|---------------------------|
| | Sohu | Pro Forma Adjustments | Pro Forma, as Adjusted |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 117,255 | \$ (20,500)B | \$ 96,755 |
| Accounts receivable, net | 11,814 | | 11,814 |
| Accounts receivable from a related party | | | |
| Prepaid and other current assets | 2,945 | | 2,945 |
| Assets held for disposal | 2,331 | | 2,331 |
| Current portion of long-term investments in marketable debt securities | 14,898 | | 14,898 |
| Total current assets | 149,243 | | 128,743 |
| Long-term investments in marketable debt securities | 29,402 | | 29,402 |
| Fixed assets, net | 5,574 | 111A | 5,684 |
| Long-term loans to related parties | | | |
| Intangible assets, net | | 2,690A | 2,690 |
| Goodwill | | 17,859A, C | 17,859 |
| Other assets, net | 3,560 | | 3,560 |
| Total assets | \$ 187,779 | 160 | \$ 187,939 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 855 | | 855 |
| Accrued liabilities and deferred revenues | 19,012 | 160C | 19,172 |
| Total current liabilities | 19,867 | | 20,027 |
| Commitments and contingencies | | | |
| Zero coupon convertible senior notes | 90,000 | | 90,000 |
| Shareholders' equity: | | | |
| Common Stock | 36 | | 36 |
| Treasury Stock | (2,003) | | (2,003) |
| Additional paid-in capital | 137,852 | | 137,852 |
| Deferred compensation | (20) | | (20) |
| Accumulated other comprehensive income | 446 | | 446 |
| Accumulated deficit | (58,399) | | (58,399) |

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| | | | |
|--|-------------------|-------------------|-------------------|
| Total shareholders' equity | <u>77,912</u> | <u> </u> | <u>77,912</u> |
| Total liabilities and shareholders' equity | <u>\$ 187,779</u> | <u>160</u> | <u>\$ 187,939</u> |

SOHU.COM, INC.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

(Amounts in thousands of US dollars, except per share data)

| | Nine Months Ended September 30, 2003 | | | |
|---|--------------------------------------|-----------------------|--------------------------|---------------------------|
| | Sohu | 17173.com Web site | Pro Forma Adjustments | Pro Forma, as Adjusted |
| Revenues | \$ 55,840 | \$ 1,197 | \$ | \$ 57,037 |
| Cost of revenues | 18,428 | 153 | | 18,581 |
| Gross profit | 37,412 | 1,044 | | 38,456 |
| Operating expenses: | | | | |
| Product development | 5,721 | 42 | | 5,763 |
| Sales and marketing | 7,366 | 109 | | 7,475 |
| General and administrative | 3,575 | 31 | | 3,606 |
| Amortization of intangibles | | | 585D | 585 |
| Total operating expenses | 16,662 | 182 | 585 | 17,429 |
| Operating profit | 20,750 | 862 | (585) | 21,027 |
| Other expense | (743) | | | (743) |
| Interest income | 1,202 | | | 1,202 |
| Net income before taxes | 21,209 | 862 | (585) | 21,486 |
| Income tax expense | 6,500 | | | 6,500 |
| Net income | \$ 14,709 | \$ 862 | \$ (585) | \$ 14,986 |
| Basic net income per share | \$ 0.42 | | | \$ 0.42 |
| Shares used in computing basic net income per share | 35,289 | | | 35,289 |
| Diluted net income per share | \$ 0.37 | | | \$ 0.37 |
| Shares used in computing diluted net income per share | 39,728 | | | 39,728 |

4. Note (A) of the Pro Forma Adjustments and Assumptions relating to the 17173.com Web site as set forth in Item 7(b) of Form 8-K/A No. 3 is hereby amended and restated in its entirety as set forth below:

(A) To allocate the purchase price to the fair value of the acquired assets of the 17173.com Web site as of September 30, 2003. Assuming the transaction had occurred on September 30, 2003, the allocation would have been as follows (in thousands):

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| | |
|--------------------------------|-----------|
| Fixed assets | \$ 111 |
| Identifiable intangible assets | 2,690 |
| Goodwill | 17,699 |
| | <hr/> |
| Total | \$ 20,500 |
| | <hr/> |

5. Note (D) of the Pro Forma Adjustments and Assumptions relating to the 17173 Web site as set forth in Item 7(b) of Form 8-K/A No. 3 is hereby amended and restated in its entirety as set forth below:

(D) To record amortization expense of identifiable intangible assets of \$585,000 for the nine months ended September 30, 2003, as if the 17173 Acquisition had occurred on January 1, 2003. The identifiable intangible assets of \$2,690,000, consisting of domain name, advertiser relationship, existing advertising contract and software are recognized and amortized over their estimated useful life as follows:

| | Amount (in thousands) | Weighted average life (years) |
|-----------------------------|--|--|
| Domain name | \$ 1,332 | 15 |
| Seller advertising contract | 933 | 3 |
| Advertising relationships | 375 | 3 |
| Software | 50 | 3 |
| Total | \$ 2,690 | 8.94 |

The amortization expense is estimated to be \$797,000, \$797,000, \$25,000, \$25,000, and \$25,000 during the years ending December 31, 2004, 2005, 2006, 2007 and 2008, respectively.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SOHU.COM INC.

Date: March 15, 2004

By: /s/ Charles Zhang

Charles Zhang
President and Chief Executive Officer