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chinadotcom Q1 2002 Net Loss Narrows by 71% y-y

Acquisitions broaden service offerings

chinadotcom's Q1 2002 Results Highlights:

- Q1 2002 net loss fell 71% year-over-year versus Q1 2001 and 38% versus Q4 2001 to US\$8.0 million.
- Q1 2002 cash operating loss* was US\$6.6 million, a 73% improvement from US\$24.5 million year-over-year.
- In line with previous guidance, Q1 2002 revenues of US\$16.4 million were down 8% versus Q4 2001 on the back of harsh economic conditions and the extended Chinese New Year and Easter Holiday periods.
- Mainland China revenues were 23% of Q1 2002 revenue compared to 16% a year ago.
- Two strategic acquisitions to broaden service offerings.
- An adjustment of US\$2.77 million in additional impairment of goodwill and intangible assets was recorded in Q4 2001 results, resulting in total impairment of US\$40.7 million for the full year 2001. The charge has no impact on the company's cash operating results (see Other Developments below).

[Hong Kong, May 14, 2002] chinadotcom corporation (NASDAQ: CHINA; Website: www.corp.china.com), a leading integrated Internet company in Asia, today announced its financial results for the first quarter ending March 31, 2002. The company continues to make progress as net loss under US GAAP narrowed by 71% from a year ago and 38% compared to the previous quarter to US\$8.0 million, representing the third consecutive quarter of improvement. Q1 2002 loss per share was US\$0.08 versus \$0.27 in Q1 2001.

In line with previous guidance, chinadotcom posted revenue of US\$16.4 million in Q1 2002 compared to US\$17.8 million in the previous quarter affected by a challenging economic environment and the extended Chinese New Year and Easter Holiday periods.

Looking ahead, current indications suggest a modest improvement in revenue and gross margins for the second quarter driven by organic growth as well as the contribution from recent acquisitions.



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Q1 2002 cash operating loss was US\$6.6 million, down 73% from a year ago, on the back of significant improvement in cost control, as SG&A was reduced by 62% over Q1 2001 to US\$12.4 million.

“We are pleased to report continued progress across our operations,” said Daniel Widdicombe, Chief Financial Officer of chinadotcom. “We have worked hard on getting our business to its current state. Although market conditions remain challenging and demand for IT products and services remains weak, we are now seeing signs of a stronger business pipeline, and, enhanced by our recent acquisitions, we should be well positioned to improve our operating metrics going forward.”

During the quarter, the company continued the purchase of its shares pursuant to its US\$20 million stock repurchase program that was announced in September 2001. The company reiterates that this is a long-term program and reflects the company’s confidence in its future and business growth prospects in China and the Asia Pacific region.

The information presented in the results highlights herein should be read in conjunction with the more detailed financial statements included at the end of this press release.

Strategic Acquisitions

chinadotcom is continuing to execute its strategy of becoming one of the leading providers of enterprise solutions, in the Asia Pacific region, in order to capitalize on the growing demand by enterprises across the region, particularly in China, to utilize enterprise solutions to raise efficiency, automate business processes and optimize revenue potential. In line with this strategy, chinadotcom completed the acquisition of a majority stake in OpusOne Technologies International Inc. and IncNet.

OpusOne is an established developer of business management software solutions for state enterprises and multi-national corporations in Greater China. One of the leading products developed by OpusOne is OpusOne PowerHRP, a Human Resources & Payroll Management software solution that is localized for the Mainland China market with a simplified Chinese interface and meets the various tax, statutory benefits and administrative requirements of different Mainland China provinces. This customized product has helped OpusOne PowerHRP gain market share and brand recognition among numerous companies with over 350 site installations throughout Greater China. Customers include Swire Beverages, Shanghai GM and Legend Computer.

IncNet is one of the leading database marketing firms in Australia with a database containing one of the most comprehensive sources of Australia’s top 30,000 companies. The self developed database and the management methodologies are unique in the market and have been widely used by well-known multi-national clients including Citibank, Drake International, AC Neilsen and IBM in Australia and New Zealand. This strategic acquisition, while small in terms of its effect on chinadotcom’s financial results, expands MEZZO’s service offering.



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These investments have important strategic value and will serve to further expand chinadotcom's existing portfolio of enterprise solutions. Conversely, chinadotcom will offer these companies significant value with respect to strategic initiatives, business development opportunities and a platform for long-term growth. Both Ion Global and e2e Business Solutions have become additional distribution channels for OpusOne while IncNet's extensive network of reseller partners in Australia and New Zealand is a valuable channel for the resale of MEZZO's service offerings.

"Where we see opportunities, we will continue to develop our existing portfolio of enterprise solutions that can strategically broaden our business mix and drive high margin and recurrent revenue," said Peter Yip, Chief Executive Officer of chinadotcom. "These acquisitions also provide opportunities for joint sales calls, the sharing of market intelligence and cross platform product developments enabling us to achieve our long-term goal of becoming one of leading providers of enterprise solutions in Asia-Pacific."

Business Units

Ion Global, Asia's leading e-business integrator, maintained a firm revenue base during the quarter despite continued weakness in the business environment. Cash operating loss narrowed by 19% quarter-over-quarter as the company realized further cost savings. During the quarter, over 82% of revenue was generated from repeat customers as Ion Global continues to work closely with a strong base of global clients including Cathay Pacific, DaimlerChrysler (Taiwan), GE, HSBC, Sony and Cisco Systems. ABN-AMRO Bank, Marriott Hotel Singapore, Haier Group and Guangzhou Honda were some of the newly secured clients in the first quarter.

Ion Global continues to capitalize on its unique network organization by leveraging its China capabilities into new client wins and partnerships. On the back of the company's successful win of a two-year contract from the United Kingdom Government's Department of Trade and Industry (DTI), Ion Global has been selected as the preferred vendor for the next three years by another UK Government agency.

chinadotcom's e-solutions arm, e2e Business Solutions, continues to make steady progress with its Software Development Center (SDC) in Beijing as part of the company's focus on proprietary enterprise software applications for SMEs and Multinationals particularly in Mainland China. One of the first products from this SDC will be an Internet-based technology platform automating Customer Relationship Management (CRM) processes especially tailored for Mainland China. A number of potential customers have already expressed interest in this product.

MEZZO Marketing posted a strong performance with its fourth consecutive quarter of revenue growth although e-marketing as a whole saw a decline in revenue by 7% sequentially. MEZZO's revenue per headcount continued to show improvements, increasing by 11% and cash operating loss reduced 66% quarter-on-quarter. Non-advertising revenue, comprising of direct-marketing and technology revenue, doubled during the quarter to 9% of MEZZO's revenue, reflecting new customers such as Qinghua University, Diners Club, Mitsubishi, Sun Microsystems, IKEA China, and the New South Wales Government, among others. In addition, MEZZO continued ongoing multi-country relationships with Citibank, Samsung and Johnson & Johnson.



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Demonstrating its industry leadership, MEZZO announced the findings of an audit of its privacy practices in March 2002, the first of its kind in Asia, as conducted by PriceWaterhouseCoopers over a 3-month period, examining the internal controls over those aspects of information privacy practices for consumers' personally identifiable information collected or managed by MEZZO.

chinadotcom's portals continued to develop and introduce subscription services based on the strength of its well-recognized domain names china.com, taiwan.com and hongkong.com. The China team's entry into the World Cup Finals generated positive interest from users as well as from enterprises. Various content channels, SMS/Interactive games and promotional packages with World Cup themes were launched during the quarter. chinadotcom's wireless initiatives are still in the early stages of development and the company continues to evaluate its full potential.

"We continue to execute to our game plan and believe that we are on the right track with these earning accretive acquisitions," said Raymond Ch'ien, Executive Chairman of chinadotcom. "What is paramount for us at this stage is to step up our focus on securing strategic acquisitions that will provide a foundation for our long-term growth. The current state of our business places us in a favorable position to continue with this strategy."

Other Developments

With regard to the company's treasury program, which consists principally of investment grade debt securities, the value of its debt instruments will continue to be assessed on a quarterly basis in accordance with US GAAP. Where any declines in market value are deemed 'other than temporary', the company will recognize such declines as losses in its statement of operations. The market value of the company's treasury portfolio fluctuates, and to date, declines in market value have been recorded in the balance sheet under Accumulated Other Comprehensive Income.

An adjustment has been made to the previously released Q4 2001 and full year 2001 financial results, reflecting the ongoing conservative policy towards the impairment of goodwill and intangible assets. Upon further review, the company has recorded additional impairment of goodwill and intangible assets of US\$2.77 million in Q4 2001, to a total of US\$40.7 million for the full year 2001. As a result, the net loss of the company for both Q4 2001 and for the full year 2001 has been increased by US\$2.77 million. As indicated in the company's attached financial statements, Q4 2001 net loss has been adjusted to US\$12.97 million, as compared to the previously reported US\$10.2 million loss, while the full year 2001 net loss has increased to US\$124.4 million from the previously reported US\$121.6 million loss. This adjustment is below the cash operating line and the cash operating results of the company remain unchanged.

Conference Call

chinadotcom will hold a conference call to review its first quarter 2002 earnings and operations at 4:00 pm on May 14, 2002 Hong Kong time. Investors can call at that time to Toll Free 888-390-6586, US Toll Number: 712-271-3300, or Hong Kong Number: 852-2258-4100; alternatively the conference call can be heard on the Internet at



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[<http://webcast.ibeam.com/starthere.asp?pres=19255>]. For those unable to listen to call in or listen to the live broadcast via the web, a replay will be available after the call at www.corp.china.com/shares.htm.

* Cash operating loss is defined as gross profit minus selling, general & administrative (SG&A) expenses.

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About chinadotcom corporation

chinadotcom corporation (NASDAQ: CHINA; Website: www.corp.china.com) is a leading integrated Internet company offering e-business solutions, media assets and e-marketing services. Through its three-dimensional business model, chinadotcom provides a full range of Internet services around the world that: 1) build e-business strategies and solutions (chinadotcom **e-solutions**), 2) distribute content via its media assets (chinadotcom **media assets**), and 3) sell services through online marketing (chinadotcom **e-marketing**).

The company and its subsidiaries have offices in 10 markets - Japan, Korea, Australia, Mainland China, Hong Kong, Taiwan, Singapore, Malaysia, the UK and the US. For more information about chinadotcom corporation, please visit www.corp.china.com

Safe Harbor Statement

This press release includes certain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements are based on chinadotcom management's current expectations and are subject to risks and uncertainties and changes in circumstances. Actual results may vary materially from those expressed or implied by the statements herein. Furthermore, while chinadotcom believes that its pro forma financial results as attached are reflective of its recurrent trends and the on-going status of our business, there can be no assurance that its pro forma results will accurately reflect these trends and status and therefore, its investors are urged not to rely solely upon the pro forma results when making their investing decision and the pro forma results should always be reviewed together with its actual financial results as attached. All forward-looking statements included in this press release are based upon information available to chinadotcom as of the date of the press release, and it assumes no obligation to update or alter its forward looking statements whether as a result of new information, future events or otherwise. Further information on risks or other factors that could affect chinadotcom's results of operations is detailed in its filings with the United States Securities and Exchange Commission, including the Annual Report for the year ended December 31, 2000 on Form 20-F filed on May 10, 2001.

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