

chinadotcom corporation
Consolidated Statement of Operations
(Amounts in thousands of U.S. dollars, except per share data)

	Quarter ended June 30, 2003 <u>(unaudited)</u>	Quarter ended September 30, 2003 <u>(unaudited)</u>
Revenues		
Software and consulting services	11,327	13,428
Advertising and marketing activities	4,563	4,662
Mobile services and applications ⁽¹⁾	5,056	5,942
Other income	540	394
	<hr/> 21,486	<hr/> 24,426
Cost of revenues		
Software and consulting services	(7,899)	(8,961)
Advertising and marketing activities	(3,303)	(2,946)
Mobile services and applications	(692)	(543)
Other income	(172)	(192)
	<hr/> (12,066)	<hr/> (12,642)
Gross margin	9,420	11,784
Selling, general and administrative expenses	(7,759)	(9,305)
Depreciation and amortization expenses ⁽²⁾	(1,620)	(708)
Stock compensation expense	(50)	(49)
	<hr/> (9)	<hr/> 1,722
Operating income/(loss)		
Interest income	3,384	3,228
Interest expense	(273)	(278)
Gain on disposal of available-for-sale securities	1,343	879
Gain/(loss) on disposal of subsidiaries and investments	(182)	350
Other non-operating gains	-	998
Other non-operating losses	(519)	-
Dividend income, net of related expenses	(113)	-
Share of income in equity investees	11	84
	<hr/> 3,642	<hr/> 6,983
Income before income taxes		
Income taxes benefits/(expenses)	(591)	401
	<hr/> 3,051	<hr/> 7,384
Income before minority interests		
Minority interests in income of consolidated subsidiaries	(136)	(1,014)
	<hr/> 2,915	<hr/> 6,370
Income from continuing operations		
Discontinued operations		
Loss from operations	(1,137)	(12)
Income/(loss) from disposals	2,300	(268)
	<hr/> 4,078	<hr/> 6,090
Net income		
Basic earnings per share	<hr/> 0.04	<hr/> 0.06
Diluted earnings per share	<hr/> 0.04	<hr/> 0.06

chinadotcom corporation
Consolidated Balance Sheets
(Amounts in thousands of U.S. dollars)

	June 30, 2003 <u>(unaudited)</u>	September 30, 2003 <u>(unaudited)</u>
ASSETS		
Current assets:		
Cash and cash equivalents	60,796	78,346
Restricted cash	59	59
Accounts receivable	17,525	23,005
Deposits, prepayments and other receivables	8,018	11,788
Available-for-sale debt securities	271,167	259,357
Restricted debt securities	47,312	65,165
Amount due from related parties	-	34
Total current assets	<u>404,877</u>	<u>437,754</u>
Property, plant and equipment, net	7,239	7,741
Available-for-sale equity securities	2,198	1,168
Available-for-sale debt securities	20,000	20,000
Goodwill	29,581	42,183
Intangible assets ⁽²⁾	16,356	28,485
Restricted debt securities	11,894	11,899
Investment in equity investees	409	494
Investments under cost method	889	1,889
Other assets	3,822	5,508
Total assets	<u><u>497,265</u></u>	<u><u>557,121</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	13,620	13,232
Other payables	8,412	11,277
Accrued liabilities	9,645	17,130
Short-term bank loans	39,197	54,184
Long-term bank loans, current portion	155	1,921
Deferred revenue	2,409	10,349
Taxation	-	1,068
Amount due to related companies	684	-
Total current liabilities	<u>74,122</u>	<u>109,161</u>
Long term debts, less current portion	11,498	15,800
Minority interests	34,718	44,666
Shareholders' equity:		
Share capital	25	25
Additional paid-in capital	608,573	613,810
Treasury stock	(4,402)	(4,067)
Accumulated other comprehensive income	1,760	665
Accumulated deficit	(229,029)	(222,939)
Total shareholders' equity	<u>376,927</u>	<u>387,494</u>
Total liabilities and shareholders' equity	<u><u>497,265</u></u>	<u><u>557,121</u></u>

Notes:

(1) Revenues recorded in the segment "Mobile services and application revenues" are derived principally from providing value-added short messaging services (SMS) such as dating, fortune-telling, jokes, ringtone and logo downloads and various other related products to mobile phone users. Mobile services and application revenues are typically recognized in the month in which the service is performed. In order to recognize revenue and get paid for services provided, we rely on billing confirmations from the mobile network operators as to the actual amount of services they have billed to their mobile customers. We do not collect mobile services fees from an operator in certain circumstances where the operator's billing system does not record that our service or products has been delivered to the operator's subscribers. The difference between our records as to services performed, and the confirmation from the operator, or the 'reconciliation rate', can vary from operator to operator. At the end of each reporting period, where an operator has not provided the Company with the monthly statement for any month confirming the amount of mobile services charges billed to that operator's mobile phone subscribers for the month, we accrue revenue using our own internal data and reference to historical data to estimate the reconciliation rate and the amount of collectable mobile services fees, and accrue revenue accordingly.

(2) Depreciation and amortization includes US\$136,000 for two quarters of amortization expenses of intangible assets relating to our April 2003 acquisition of Newpalm. The amount is based on internal assessments and will be finalized upon completion of an external independent valuation of the intangible assets, with any adjustments expected to be reflected in the Q4 2003 financial results.