



chinadotcom
corporation

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chinadotcom Increases Revenue in Q4 2001, Achieves Cash Preservation

chinadotcom's Q4 2001 Results Highlights:

- Q4 2001 total cash operating loss was US\$4.4 million, a 72% improvement quarter-on-quarter, which when combined with net interest income of \$7.4 million resulted in 'cash preservation' *
- Q4 2001 revenues of US\$17.8 million, up 3% sequentially despite a tough economic environment
- Mainland China revenues – 26% of Q4 2001 revenue, Greater China – 41%
- Gross profit margin in Q4 2001 improved to 38% from 34% the previous quarter
- Exceeded annualized SG&A reduction target of US\$50 million set out in early May 2001

[Hong Kong, February 21, 2002] chinadotcom corporation (NASDAQ: CHINA; Website: www.corp.china.com), a leading integrated Internet company in Asia, today announced its financial results for the fourth quarter ending December 31, 2001. Total cash operating loss under US GAAP was US\$4.4 million, a 72% improvement compared to US\$15.9 million in Q3 2001. For the first time in the company's history, net interest income of \$7.4 million exceeded the cash loss from operations, resulting in the company reaching a state of 'cash preservation' for operations.

chinadotcom's fourth quarter revenue was US\$17.8 million, up 3% from US\$17.3 million in the previous quarter despite a tough economic environment. Mainland China revenues continued to be an important contributor this quarter, accounting for 26% of total revenues, demonstrating chinadotcom's focus on Mainland China's attractive business opportunities post-WTO entry. The continued strength of the China business reflects not only the strength of the Chinese economy but also the success of chinadotcom in implementing technology and marketing solutions for local and global companies in China to automate their business processes and raise productivity.

Gross margin improved to 38% in Q4 2001 compared to 34% in the previous quarter, resulting in a 12% increase in gross profit to US\$6.7 million. The reductions in SG&A continued in the quarter, falling 49% to US\$11.1 million, reflecting the benefits of the ongoing series of cost-reduction initiatives enacted since May 2001.

"We are pleased to report a fourth consecutive quarter of improvement in our operating results, exceeding consensus estimates," said Daniel Widdicombe, CFO of chinadotcom corporation. "We streamlined our cost base by exceeding our annualized SG&A reduction target of US\$50 million,



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stabilized our revenue, raised our gross profit margins and preserved our strong cash position. Looking into 2002, despite continued economic uncertainty, we are now better positioned to continue with our efforts to improve our operating results.”

In the fourth quarter, chinadotcom recorded US\$8.5 million in write-downs for impairment of goodwill and diminution in value of cost investments which reduced its goodwill balance to US\$6.4 million at the end of 2001 compared to \$40.2 million a year ago. Taking into account the one-time charges, chinadotcom posted a net loss under US GAAP of US\$10.2 million for Q4 2001, a 59% improvement over Q3 2001.

“In the past year, we focused primarily on improving our operations and productivity and we are pleased to say that we have delivered on those goals,” said Peter Yip, Chief Executive Officer of chinadotcom. “By steering the company to a state of cash preservation, we are now in a better position to intensify our focus on leveraging our balance sheet for earnings accretive acquisitions to enhance our business and drive long term returns for our shareholders.”

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.

* ‘Cash Preservation’ is defined as gross profit less SG&A plus net interest income under US GAAP.

Progress in China

As China’s economy powers ahead post-WTO, continued market liberalization will increase demand by international and local businesses to automate and improve their enterprises to remain competitive. chinadotcom is well positioned to deliver superior technology solutions to elevate the competitiveness of these enterprises.

During the year, the company’s established presence and deep understanding of the China market started to yield results. This was clearly demonstrated as the company’s major business units gained a stronger foothold in the marketplace. Ion Global secured GM (Shanghai), Ingram Micro and Shenlong (Citroen) Auto as new clients in the Q4 while continuing to serve major clients such as Nike China, Beijing Telecom, Panasonic China, Shanghai Bell, China Eastern Airlines, China Netcom and Matsushita. e2e Business Solutions remained as Oracle’s largest Application Partner in Greater China with 12 of its 20 new clients in 2001 being China based companies.

chinadotcom e-marketing continues to work closely with each of the top five portals along with Audi, Coca Cola and Maybeline. In Q4, new wins include Kodak, China Telecom and Acer. As a testament to its competitive position within the Mainland China market, chinadotcom e-marketing delivered a top-10 list of marketers that spent an average of over US\$100,000 in Q4 2001.

chinadotcom’s wireless platform established access to eleven major provinces and cities in Mainland China through China Mobile and China Unicom while the portal china.com continues to see a steady rise in subscribers for its fee based services. Altogether, Mainland China has become



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the largest revenue contributor accounting for 22% of total revenue in 2001 as compared to 12% in 2000.

“China’s accession into the WTO, the winning of the 2008 Olympics, the hosting of world leaders at the APEC Forum, qualifying for the World Cup Finals were all significant accomplishments contributing to a momentous year for China,” said Raymond Ch’ien, Executive Chairman of chinadotcom. “As we enter the Year of the Horse, we are confident that our market presence will enable us to capitalize on the immense opportunities brought on by the China momentum.”

Business Units

chinadotcom e-solutions

Ion Global, Asia’s leading e-business integrator, continued to show improving operating metrics. Despite a decline in reported revenue, gross margin improved to 37% signifying an improved level of utilization and stronger pricing power. Coupled with a 29% reduction in SG&A, cash operating loss narrowed significantly by 56%.

During the quarter, over 80% of revenue was derived from repeat customers as the company continues to work closely with a strong base of global clients including Cathay Pacific, Mercedes-Benz, GE, HSBC, Sony and Samsung. Cisco, Citibank, GM (Shanghai) and Ingram Micro were some of the new clients enrolled in the Q4.

The strength and breadth of Ion Global’s capabilities were reaffirmed as the company was highlighted in a just published Gartner report as “the only Asia/Pacific-based professional services firm focusing on Web-enabling business processes covering the Asia/Pacific region.” The report further added, “Ion Global is positioned well to “weather” the tough economic times.”

The company continues to capitalize on its unique network organization leveraging its China capabilities into new client wins and partnerships. In November, Ion Global was selected by the United Kingdom Government’s Department of Trade and Industry (DTI) to implement its e-commerce initiatives. The two-year engagement came after Ion Global won a strongly contested competitive bid, leveraging on its UK led strategy, user experience and marketing skills together with its Shanghai office’s robust technical capabilities and competitive cost structure. On the back of the DTI win, Ion Global has been recently chosen as the preferred vendor by a large UK government agency for the next three years.

To further expand its service offerings, Ion Global joined the Siebel Alliance Program as a Consulting Partner. Ion Global has certified consultants through the Siebel Certification Program to ensure that its personnel have the expertise necessary to position, install, configure, operate, maintain and interface with Siebel eBusiness Applications.

chinadotcom’s e-solutions arm, e2e Business Solutions, continues to forge ahead with its Software Development Center (SDC) in China as part of the company’s ongoing drive to improve its business mix by building proprietary technology for the Asia and China markets. The first product



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from this SDC will be an Internet-based technology platform automating Customer Relationship Management (CRM) processes especially tailored for the Chinese language environment. The company has also partnered with Oracle to provide end-to-end solutions including Supply Chain Management (SCM), Enterprise Resources Planning (ERP) and CRM aimed at key industries in China.

chinadotcom e-marketing

chinadotcom e-marketing continued to show solid gains, particularly in China and Korea. Due to a strong seasonal quarter, Q4 2001 revenue jumped 32% while SG&A reduced by 14% sequentially. Revenue per headcount increased by a substantial 48%, as a result of a consistent focus on efficiency and workplace restructuring. This led to an improvement in cash operating loss of 29%. The company secured new clients such as Levis, SAP, Vodaphone, Pepsi, Kirin and Aetna.

With market consolidation, e-marketing has been able to significantly improve the margin performance from an average of 22% in 2000 to 31% in 2001 through closer and more meaningful relationships with fewer media-owners.

During the fourth quarter, *expresso* became the email technology solution for an increasing number of international brands as part of their integrated marketing campaigns, delivering targeted emails, tracking and analyzing results. A strong advertiser base has been quickly established as over one half of total email volume delivered in the Q4 2001 came from repeat advertisers including Coca Cola, HSBC, Nokia, Nike, McDonalds, Marcus Evans, Singapore's Ministry of Environment, Readers Digest, HP and Northwest Airlines.

e-marketing's integrated offering, inclusive of online/offline direct marketing and call center operations, has secured a number of high-profile clients, including one major Australian banking group, where a pre-qualified prospect group was delivered right to their local branch network, enabling them to improve prospect conversion.

chinadotcom media assets

chinadotcom's subsidiary hongkong.com made steady progress in its major businesses. Under US GAAP, hongkong.com achieved a net income of US\$2.6 million in 2001, as its cash operating loss was more than offset by its net interest income. The company's foray into the Greater China travel industry looks encouraging as its subsidiary TTG Asia, the leading travel publisher and exhibition organizer in Asia, achieved profitability for the entire 2001 while *PowerHotel* was successfully launched in Q4 2001.

PowerHotel was developed by the company as a development tool for hotels to cost-effectively build websites accessible by travel agencies, corporate accounts and the individual traveler to search for information and make reservations. Hotels use *PowerHotel* to manage their room allotments, pricing and inventory, a welcome boost to the hotel industry's efforts to become more efficient. To date, over 50 major hotels in Taiwan have signed to use this product.



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To further augment the company's Greater China travel strategy, the acquisition of Times Software was completed in December. Times Software is a China-based company engaged in providing ticketing security solutions to the transportation industry.

chinadotcom continues to make headway in its wireless initiatives. In Q4 2001, chinadotcom, through its investee companies, successfully built an integrated wireless platform for Nokia's SMS and wireless application service in China. This platform, which was subsequently launched in January 2002, will promote Nokia's ringer tone and picture messaging technology and feature applications to mobile users.

"Where we see market opportunities, we will continue to develop or acquire proprietary technology solutions that can broaden our business mix as well as enhance our competitive advantage," said Peter Yip. "We continue to position our businesses with the ability to provide enterprises with the best technology solutions going forward. Although *expresso*, *PowerHotel* and our wireless platform represent a small but growing part of our revenue base, we will continue to drive for high margin and recurrent revenue by leveraging intellectual properties that we develop or acquire."

Other Developments

Following its announcement in September 2001 of a US\$20 million stock repurchase program, the company has commenced the repurchase of its shares. The company repeats that this is a long-term program and it reflects the company's confidence in its future and business growth prospects in China and the Asia Pacific region.

chinadotcom had drawn down US\$115 million under its US\$240 million collateralized credit facility as of the end of 2001 compared to \$65 million in mid-November 2001, primarily to take advantage of lower borrowing costs to enhance the company's treasury yield and provide liquidity and flexibility for short term working capital requirements. Including the drawn down amount, chinadotcom had US\$504 million in cash and marketable debt securities at the end of Q4 2001.

As previously announced, in Q4 2001, the company reached agreement with its former parent to purchase the three website domain names, or Uniform Resource Locators (URLs), www.china.com, www.hongkong.com, and www.taiwan.com, for US\$16.8 million supported by a reputable third party international valuer. The purchase includes all of the intellectual property rights to the URLs and secures the integral brand identity associated with the URLs, which the company has established over the past several years. The company believes that by purchasing the URLs, it has reduced the risks associated with its previous licensing arrangements for these URLs as highlighted in chinadotcom's year 2000 20-F filing. In addition, the company will be able to further leverage the brand value of the URLs that it has established over the past several years. For example, the URL www.worldcup.china.com was licensed subsequent to China gaining its first entry into the Worldcup Finals.

In 2001, the company became a "passive foreign investment company" or PFIC for U.S. Federal income tax purposes and therefore, U.S. holders are subjected to special tax rules. Further details are available in the company's year 2000 20-F filing and corporate website www.corp.china.com.



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The company will post the PFIC annual shareholder information statement on its corporate website when available to assist U.S. holders to make the appropriate tax reporting and elections with the U.S. tax authorities with respect to the company's status as a PFIC. U.S. holders are advised to consult their tax advisors.

Conference Call

chinadotcom will hold a conference call to review its fourth quarter and full year 2001 earnings and operations at 8:00 pm EST on February 20, 2002. Investors can call at that time to Toll Free 888-390-6586, US Toll Number: 712-271-3300, or Hong Kong Number: 852-2258-4102; alternatively the conference call can be heard on the Internet at [<http://webcast.ibeam.com/starthere.asp?pres=18301>]. 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

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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. 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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