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## **AsiaInfo Delivers Q2 Operating Profit On Schedule**

*Strong Momentum in Contract Wins Demonstrates Sustainability of Earnings Growth*

BEIJING/SANTA CLARA – July 23, 2001 - AsiaInfo Holdings, Inc. (Nasdaq: ASIA), a leading provider of software products and infrastructure solutions for next generation network operators in China, today announced its second quarter results for the period ended June 30, 2001.

Representing a significant milestone in the company's development, AsiaInfo posted an operating profit of US\$1.8 million in the second quarter. This achievement demonstrates the merit, profitability and successful execution of the company's strategy. As AsiaInfo increasingly migrates its business towards high-end software and services, it has significantly improved the quality of its revenue and produced enhanced bottom line results.

Driven by a host of contract wins, the company's net revenue (revenue net of hardware costs) grew to US\$17.0 million, representing a 45.1% increase over net revenue of US\$11.7 million in the comparable quarter of 2000. Gross profit was US\$13.4 million, a 67% increase over the same period last year, representing a gross margin (as a percentage of net revenue) of 78%. Second quarter gross revenue was US\$21.6 million. The gross revenue may fluctuate from quarter to quarter, because the company selectively passes through third party hardware. The company business is managed based on revenue net of hardware pass-through.

Net income further increased to US\$2.6 million, or \$0.06 per basic share, representing a 494% improvement over net income of US\$0.4 million in the second quarter of 2000. At the end of the second quarter, net revenue backlog was US\$56 million, providing clear revenue visibility into the next two quarters.

Second quarter software license revenue was US\$6.7 million, representing a 51% increase over US\$4.4 million in the same quarter of 2000, and a 22.5% sequential growth

rate over the first quarter of 2001. Software license revenue comprised 39% of total net revenue. In order to more accurately reflect the revenues generated by the company's two strategic business units, AsiaInfo will now disclose a new segment of its software revenue - software service revenue. With the addition of this line item, total software revenue will include licenses, warranties, service, training and all other relevant software business components. Costs will also be reported accordingly. As such, second quarter 2001 total software revenue was 7.8 million, representing a 67% increase over US\$4.6 million, by the same classification in the same quarter of 2000, and a 32% sequential growth from the first quarter of 2001. Reflecting the increasing contribution of software to the overall business, total software revenue represented 46% of total net revenue in the second quarter of 2001, compared to 40% of total net revenue in the second quarter of 2000. The company's software division continues to grow as it serves its existing customers by upgrading network capacity, introduces new products such as AISerBase, and acquires new customers in both the telecom and non-telecom fields.

James Ding, president and chief executive officer of AsiaInfo commented, "We are extremely pleased to deliver on our promise of achieving solid operating profitability this quarter, representing a significant milestone in the company's development. As China's telecommunications software and services market continues to grow, we are well positioned to capitalize on the sizeable opportunities available to further the company's progress. With an established product strategy, proven business model and solid executional track record, we remain very confident in the growth prospects for AsiaInfo in both the near and long term."

### **Second Quarter Highlights**

As China's telecom carriers are rapidly adopting Internet technology as the operation platform of choice, AsiaInfo is expanding its growth opportunities by offering software and services to support carrier's multi-service operations.

AsiaInfo continues to lead the market in offering new high-end solutions, as demonstrated by the roll-out of its broadband Metropolitan Area Network (MAN) solutions, Business and Operational Support System (BOSS) solutions, Voice over IP (VoIP) solutions, network security solutions and network management solutions. AsiaInfo's software products are also expanding rapidly into various telecom service sectors. In addition to its leading position in the IP billing and customer care software market and email software market, the company is successfully delivering next generation convergent products for wireless billing and 2.5G GPRS service billing. As further validation of the company's successful entry into the new telecommunications software market, AsiaInfo has recently won contracts to provide software products for wireless Short Message Service (SMS) gateways.

#### *Contract Wins*

As evidence of the increasing demand for value-added services and provincial network capacity expansion, AsiaInfo signed the following contracts during the second quarter:

- A US\$2.0 million contract with China Telecom provincial subsidiary, Anhui Telecom, to expand and upgrade its network to provide broadband technology with AsiaInfo's software and services
- A US\$50.0 million contract to expand China Unicom's VoIP services and triple its network's capacity
- Multiple contracts with provincial subsidiaries of China Mobile, worth US\$3.0 million, to build provincial networks through the use of AsiaInfo's network solutions and software products
- Contracts to expand capacity and build out the provincial broadband networks of China Telecom subsidiaries Tianjin Telecom and Guangdong Telecom, amounting to more than US\$10 million
- A contract to provide China Telecom subsidiary, Liaoning Telecom, with value-added network security and network management services
- Contracts to build IP networks for China Mobile's provincial subsidiaries in Henan, Jilin and Hainan provinces using AsiaInfo's integration services and software products
- A greater than US\$ 20 million contract to provide a full suite of software products and services for China Unicom's national IP backbone network expansion project (one third of the contract total is for software and services)

In an expansion of its non-telecom customer base, AsiaInfo announced a contract to provide its billing and customer care software and solutions to China Post, China's national postal service bureau. As China Post begins the initial stages of building and managing its own electronic postal and commerce network, AsiaInfo will act as a partner and advisor to its development. This partnership provides a great opportunity for AsiaInfo as China Post continues this initiative, and validates the relevance of AsiaInfo's products and services to non-telecom customers.

AsiaInfo subsidiary, Marsec announced a number of new contract wins during the quarter, further establishing AsiaInfo's position in the rapidly emerging network security sector. Customer wins included agreements with Chongqing Broadband Network Co. Ltd and JiTong Network Communications to provide a full spectrum of network security services. The contract with JiTong marks the first nation-wide security service contract signed with a large commercial backbone network in China, demonstrating the importance that national telecom carriers are beginning to place on network security issues. The successful execution of these contracts provides a substantial foundation upon which Marsec will establish a leading position in this market segment.

Ding commented, "During the second quarter, we consistently won contracts for high-end software and services, demonstrating the company's successful product and services strategy in China's rapidly evolving telecommunication infrastructure market. The combination of increasing market demand for high-end telecom solutions with our extensive customer relationships and superior products and services is resulting in profitable partnerships with new and existing customers."

### *Strategic Alliances and Investments*

As part of its long term software business growth strategy, AsiaInfo acquired a strategic equity stake in wireless data infrastructure software company, Intrinsic Technology. Under the terms of the agreement, AsiaInfo and its partner, Fidelity Ventures, will invest \$8.2 million in Intrinsic Technology to acquire a significant minority stake in the company, with an option to invest additional capital and increase ownership to 51% over the next two years. As part of the strategic alliance, AsiaInfo and Intrinsic will integrate each company's existing wireless software products and jointly develop future wireless product offerings.

As further proof of the company's successful execution in its software business, AsiaInfo recently entered into a significant partnership to broaden its sales channels. Intel's leading OEM partners have agreed to pre-load the appliance version of AsiaInfo's messaging software (AIMC) to offer an easy-to-implement messaging solution to the enterprise and data center markets. The first deployment of the AIMC appliance version indicates the successful extension of AsiaInfo's software products from the telecom carrier market to the enterprise market. The shift from a pure direct sales strategy to a combined direct and channel sales strategy will not only greatly increase sales efficiency, but also expedite product penetration into other non-telecom markets.

### *Superb Software Benchmark Test Results*

Displaying its international competitiveness and technological excellence, AsiaInfo's customer care and billing software, AIOBS 6.1, achieved superb results in a benchmark test performed at the HP Tokyo Capability Planning Center. AIOBS 6.1 met or exceeded performance of international competitors' software, while successfully managing an entire billing process encompassing authentication, authorization and accounting.

### *Company Recognition*

In recognition of its strong system of corporate governance, AsiaInfo was named one of China's twelve "Best Managed Companies" by FinanceAsia magazine. The distinction was decided upon from the votes of nearly 500 investors and other executives from financial centers such as Hong Kong, Singapore, New York and London.

**Ding concluded, "We are seeing immediate success as we rapidly migrate our products and services up the value chain. Our customer relationships are stronger than ever, our operating profitability is increasing, and we are able to respond to changing customer needs more quickly with timely and relevant product offerings. AsiaInfo remains in a position of strength as we end the quarter and look forward to continued success throughout 2001 and beyond."**

### **Business Outlook**

*The following outlook statements are based on current expectations. These statements are forward looking and actual results may differ materially.*

### *Third Quarter 2001 Guidance*

The company expects net revenue for the third quarter of 2001 to be between US\$19.3-20 million, representing a year-over-year growth rate of 45 –50 percent.

Total software revenue will increase at a year-over-year growth rate of approximately 46-54 percent to reach US\$ 7.6-8 million; of this US\$6.5-6.7 million will be from software license revenue, representing a year-over-year growth of 33-36 percent.

Third quarter sales and marketing expenses are expected to increase approximately 5-8 percent year over year. The full year 2001 guidance for sales and marketing expenses will be very close to the previous projections.

Research and development expenses are expected to increase approximately 30-35 percent over the same quarter of 2000, reflecting the company's ongoing development of new software products and solutions. The full year 2001 guidance for research and development expense will be in line with the previous projection.

General and administration expenses will remain at the same level as that of the third quarter of 2000.

Operating profit for the quarter is expected to be approximately US\$3.5- 4.0 million, representing a sequential growth rate of 90 – 120 percent.

Net income is expected to be US\$ 3.5 – 4.0 million, translating into earnings per share of US\$0.07 - \$0.08 per share.

### **Second Quarter Conference Call**

AsiaInfo will host a conference call to discuss its second quarter results at 8:00pm EDT/5:00pm PDT on July 23 (Beijing Time: July 24th, 2001 at 8:00am). The dial-in number for the call is 973-872-3100. A replay will be available by dialing 877-519-4471 for US callers or 973-341-3080 for international callers with a PIN of 2689315 between 5:00pm PDT on July 23, 2001 until 5:00pm PDT on August 23, 2001.

Additionally, the conference call will be broadcast via the Internet and can be accessed via the investor relations section of AsiaInfo's corporate Web site at [www.asiainfo.com](http://www.asiainfo.com).

### **About AsiaInfo Holdings, Inc.**

AsiaInfo Holdings, Inc. (Nasdaq: ASIA) is a leading provider of software products and infrastructure solutions for next generation network operators in China. The company offers telecommunications service providers total network solutions for their Internet

infrastructure requirements and develops proprietary software for Internet service providers, Internet content providers and telecommunications service providers.

The company's customer management and billing software products meet the complex, mission-critical provisioning, accounting, reporting and marketing needs of Internet and telecommunications service providers. The company also offers carrier-scale messaging products to Internet service providers and Internet content providers.

Since it moved its operations from the US to China in 1995, AsiaInfo has served as a chief architect of the country's Internet infrastructure, crafting the Internet backbones for all the major national carriers including China Telecom, China Unicom, China Netcom and China Mobile. For more information about AsiaInfo, please visit [www.asiainfo.com](http://www.asiainfo.com)

*The statements in this news release contain forward-looking statements that involve risks and uncertainties that could cause actual results to differ from anticipated results. Further information on risk factors that could affect AsiaInfo's results of operation are detailed in AsiaInfo's registration statement, as filed with the Securities and Exchange Commission. A copy of the registration statement, including exhibits, may be reviewed at the Commission's public reference room at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. The registration statement and other company filings can also be reviewed by accessing the Commission's Internet site at <http://www.sec.gov>, which contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.*

**ASIAINFO HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Amounts in thousands of US\$)

	Three Months Ended Jun 30,		Six Months Ended Jun 30,	
	2001	2000	2001	2000
Revenues:				
Network solutions	13,773	46,446	43,682	67,545
Software	7,779	4,645	13,649	6,438
Software license	6,706	4,442	12,178	6,235
Software Service	1,073	203	1,471	203
Total revenues	21,552	51,091	57,331	73,983
Cost of revenues:				
Network solutions	7,336	42,370	30,980	62,585
Software	866	730	1,722	732
Total cost of revenues	8,202	43,100	32,702	63,316
Gross profit	13,350	7,991	24,629	10,667
Operating expenses:				
Sales and marketing	5,820	4,138	11,447	7,589
General and administrative	3,540	3,403	7,146	5,774
Research and development	1,945	1,594	3,577	2,690
Amortization of deferred stock compensation	283	585	720	1,284
Total operating expenses	11,588	9,720	22,890	17,337
<b>(Loss) income from operations</b>	<b>1,762</b>	<b>-1,729</b>	<b>1,739</b>	<b>-6,670</b>
Other income (expenses):				
Interest and investment income	2,195	2,687	4,581	3,220
Interest expense	-340	-341	-667	-610
Other income, net	-27	-288	-34	-206
Total other income, net	1,828	2,058	3,880	2,404
Income before income taxes , minority interests and equity in loss of affiliated	3,590	329	5,619	-4,266
Income tax expense (benefit)	805	-105	1,277	-62
Minority interests	47	0	-131	0
Equity in loss of affiliate	-256		-256	
Net (loss) income	2,576	434	3,955	-4,204
Net (loss) income per share				
Basic	0.06	0.01	0.10	-0.12
Diluted	0.06	0.01	0.09	-0.12
Shares used in computation				
Basic	41,305,291	39,738,567	41,136,459	34,279,990
Diluted	46,761,204	47,020,308	45,955,050	34,279,990
Segment information				
Network solutions net of hardware cost	9,248	7,091	17,584	10,769
<b>Software</b>	<b>7,779</b>	<b>4,645</b>	<b>13,649</b>	<b>6,438</b>
<b>Software license</b>	<b>6,706</b>	<b>4,442</b>	<b>12,178</b>	<b>6,235</b>
<b>Software Service</b>	<b>1,073</b>	<b>203</b>	<b>1,471</b>	<b>203</b>
<b>Consolidated revenues net of hardware cost</b>	<b>17,027</b>	<b>11,736</b>	<b>31,233</b>	<b>17,207</b>
Consolidated cost of sales net of hardware cost	3,677	3,745	6,604	6,540
Consolidated gross profit	13,350	7,991	24,629	10,667

**AsiaInfo Holdings, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In US\$)

	Jun 30, 2001	Dec 31, 2000
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	58,427,006	48,833,956
Restricted cash	21,613,447	26,733,179
Short term investments	82,938,144	110,400,000
Accounts receivable, trade (net of allowance for doubtful accounts of \$545,013 and \$1,026,278 at December 31, 2000 and June 30, 2001 respectively)	42,142,563	55,597,496
Inventories	36,039,757	8,876,010
Other current assets	6,118,604	3,749,255
Total current assets	247,279,521	254,189,896
Property, plant, and equipment-net	6,308,423	6,339,751
Long Term investment	5,901,041	
Other assets	2,975,038	3,473,417
Total assets	262,464,023	264,003,064
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Short-term bank loans	14,256,373	20,644,834
Accounts payable	49,128,297	42,037,151
Accrued employee benefit	8,141,719	10,019,624
Deferred Revenue	5,352,079	12,501,524
Income Taxes payable	1,277,303	307,373
Other Taxes payable	1,664,021	1,909,450
Other current liabilities	8,021,691	7,785,694
Total current liabilities	87,841,483	95,205,650
Minority interest	318,737	188,044
Stockholders' Equity:		
Common stock, 50,000,000 shares authorized; \$0.01 par value, shares issued and outstanding : December 31, 2000 40,822,940; June 30, 2001 41,434,981	414,350	408,229
Additional paid-in capital	176,375,570	175,370,544
Deferred stock compensation	(935,514)	(1,655,821)
Retained earnings (accumulated deficit)	(1,575,537)	(5,530,601)
Accumulated other comprehensive income (loss)	24,934	17,019
Total stockholders' equity	174,303,803	168,609,370
Total Liabilities and Stockholders' Equity	262,464,023	264,003,064