

US Contacts:

AsiaInfo Holdings, Inc.
ir@asiainfo.com
408-970-0080

China Contacts:

AsiaInfo Technologies (China), Inc.
Lesley Zhang
zhangyan2@asiainfo.com
8610-6250-1658 ext. 6036

Jessica Barist Cohen
Ogilvy Public Relations Worldwide
jessica.cohen@ogilvy.com
8610-6443-6488 ext. 357

AsiaInfo Reports Fourth Quarter and 2002 Year-End Results

BEIJING/SANTA CLARA, Calif. – January 21, 2003 – AsiaInfo Holdings, Inc. (Nasdaq: ASIA), a leading provider of telecom software solutions in China, today announced fourth quarter and year-end results for the period ended December 31, 2002.

2002 Fiscal Year Financial Results

Meeting the company's previously announced revenue guidance, which took into account the slowdown in spending within China's telecom sector, net revenue for the full fiscal year 2002 (total revenue net of hardware costs) was approximately US\$64.7 million, representing a 9 percent decrease over net revenue for the 2001 full fiscal year. Bonson Information Technology (Bonson), the wireless OSS vendor acquired by AsiaInfo in February 2002, contributed 23 percent to 2002 total net revenue.

During the fourth quarter, the company conducted a business reorganization in order to more accurately reflect its strategic focus. As such, the company restructured into two strategic business units (SBUs): Operation Support System Solutions (OSS) and Communications Solutions (CS). AsiaInfo Beijing OSS assets were transferred to Bonson in Oct. 2002, and the unit was renamed and officially registered as AsiaInfo Management Software in December 2002. AsiaInfo Management Software represents AsiaInfo's OSS business unit, and is designed to offer customers a "one window" shopping solution for all their OSS needs. The second business unit, CS, includes all the remaining business lines from AsiaInfo such as network infrastructure solutions, service applications solutions and network security solutions as well as network monitoring services from Bonson. As such, both units contain revenues previously listed under Network Solutions and Software Solutions. The new units benefit from cost efficiencies gained from combined sales staff and offer more integrated quality services to their customers. Fourth quarter and year-end financial statements will reflect this change in segment reporting.

Under the new reporting structure, the company's OSS business unit had net revenues of US\$33.5 million for 2002, a 75 percent increase over 2001 year end revenues of US\$19.1 million. AsiaInfo's CS unit had net revenues of \$31.2 million in 2002, compared to US\$52.3 million for 2001, a decrease of 40 percent.

Under the company's previous reporting structure, full-year net software solutions revenue would have risen to US\$31.7 million in 2002 – a 14 percent increase over year 2001. This represents 49 percent of total net revenue for 2002 versus 39 percent a year ago. Network solutions net revenue would have been US\$33.1 million, a 24 percent decrease from 2001.

The company reported net revenue backlog of US\$40.3 million as of December 31, 2002, a decrease of US\$1 million over the third quarter of 2002.

Reducing hardware pass-through, the company's full year 2002 gross revenue was US\$121.3 million versus US\$189.0 million in 2001 and gross profit was US\$40.3 million versus last year's US\$55.5 million. Bonson contributed 21 percent and 19 percent to gross revenue and gross profit for the year, respectively.

Operating profit for the year was US\$4.7 million, compared to last year's US\$10.4 million. Bonson contributed US\$0.7 million or 15% to the full year operating profit. Operating margins decreased from 15 percent in 2001 to 7 percent in 2002, due primarily to an increase in the company's OSS employee base in order to maintain and extend its leading market share in this sector, as well as to decreasing hardware margins in its network solutions business.

AsiaInfo conducted an asset impairment test during the fourth quarter in connection with the company's private equity investments in Intrinsic Technology (recorded on the company's balance sheet as an "investment in affiliate") and short term investments in PalmInfo (recorded on the company's balance sheet as part of "short term investments"). As a result of this test, AsiaInfo will write off approximately US\$2.0 million in investments in affiliates, and US\$0.75 million in short term investments.

The investment impairment and the provision for short term investment are one-time events in the fourth quarter. In order to present the company's results in the clearest possible way, AsiaInfo is providing a pro-forma condensed statement of operations excluding these one-time events as a supplement to its formal condensed statement of operations.

Excluding the result of the investment impairment and the provision for short term investment, the company's cumulative net income for 2002 was US\$5.7 million, or US\$0.13 per basic share, versus US\$11.7 million or US\$0.28 per basic share in 2001. Including the investment impairment and the provision for short term investment, net income was US\$2.9 million, translating into earnings of US\$0.07 per basic share.

AsiaInfo's full year net operating cash flow was US\$17.8 million dollars This derives largely from the company's success in reducing Days Sales Outstanding (DSO) for three consecutive quarters.

Fourth Quarter Financial Results

During the fourth quarter of 2002, net revenue was US\$13.4 million, a 33 percent decrease over the same period of 2001. OSS net revenues were US\$7.2 million for the quarter; a 117 percent increase over US\$3.3 million during the same period a year ago. CS net revenues were US\$6.2 million, a 63 percent decrease compared to US\$16.7 million during the fourth quarter of 2001. Bonson contributed 26 percent to fourth quarter net revenue.

On the company's previous reporting basis, software solutions net revenue would have grown to US\$7.0 million, an 8 percent increase over US\$6.5 million in the fourth quarter of 2001.

Gross revenue for the fourth quarter was US\$23.6 million compared to US\$37.6 million in the same period last year, with a 17 percent contribution from Bonson. Gross profit was US\$7.4 million versus US\$15.3 million for the fourth quarter a year ago and received 19 percent in contribution from Bonson.

Sales and Marketing expenses and General and Administrative expenses decreased by 19 percent and 48 percent year-over-year respectively in the fourth quarter. Operating loss for the quarter was US\$0.3 million, and Bonson generated US\$0.95 million operating loss.

Net income was US\$0.15 million, or breakeven earnings per share, compared to net income of US\$4.3 million or earnings of US\$0.10 per basic share in the same period of 2001. Including the result of the investment impairment and the provision for short term investment, net loss was US\$2.6 million for the quarter, translating into negative earnings of US\$0.06 per basic share. Bonson generated a US\$0.97 million net loss.

Net operating cash flow was US\$4.1 million in the fourth quarter, due in large part to its ability to continue to improve DSO, which dropped from 173 days at the end of the third quarter to 147 days at the end of the fourth quarter, a third sequential drop.

"Year 2002 was a difficult year for AsiaInfo," said James Ding, president and CEO of AsiaInfo. "The significant slowdown in the telecom industry around the world, coupled with the slow reorganization of China Telecom, significantly impacted the company in the past year and will partially impact us in 2003. We are pleased, however, that our software business has continued to grow at a strong rate despite large capital expenditure cuts by China's carriers. And AsiaInfo has continued to post significant contract wins and expand its market share during this difficult time."

“The more exciting news is that the recovery of spending by telecom carriers in China is becoming very obvious,” James Ding continued. “While we remain cautious about 2003, the outlook for the late half of the year and beyond is very promising. With carriers putting more and more focus on software solutions, spending on Operation Support System solutions and other management software solutions will bring new areas of software revenue growth in the near future.”

2002 New Contract Wins

China’s telecom carriers continue to show clear signs of shifting their investment strategy from infrastructure to improvement of productivity, quality and customer service. Year 2002 demonstrated the ongoing focus on billing and customer care software, especially as carriers looked to support national expansion strategies as they moved into each other’s territories. AsiaInfo continued to build on its leading market position, as demonstrated by a number of contract wins:

- A contract with China Mobile’s provincial subsidiary, Liaoning Mobile, to provide it with a complete Business Operation Support System (BOSS).
- A contract to equip China Mobile headquarters with a standardized IP billing system and software for their Wireless LAN business.
- A contract to provide messaging software to China Mobile subsidiaries in Shanghai and Liaoning, and customer analysis software to the China Mobile subsidiary in Chongqing.
- A contract with the new China Telecom Group in nine provinces in China for IP billing and customer care software.
- A contract with Beijing Telecom, a provincial subsidiary of the new China Telecom Group, to build a metropolitan area network (MAN) and provide network management software.

Business Outlook

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

Fiscal Year 2003 Guidance

AsiaInfo expects net revenue to increase by 2 to 8 percent in fiscal year 2003 versus 2002. The net revenue backlog of US\$40.3 million as of Dec. 31, 2002 accounts for 58-61% of 2003 net revenue forecast, providing good revenue visibility.

Gross margin of net revenue for fiscal year 2003 is expected to increase by approximately 1 to 2 percent, and net income is expected to be in the range of US\$4 million to 6 million, or \$0.08 to 0.12 per basic share.

First Quarter 2003 Guidance

AsiaInfo expects Q1 2003 net revenue to be US\$12 to 13 million, relatively slow due to the long Chinese New Year holiday. Earnings per basic share is expected to be between \$0.00 to 0.01.

ASIAINFO HOLDINGS, INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Excluding Investment Impairment and Provision for Short-term Investment
(Amounts in thousands of US\$)

	2002 Three Months Ended AsiaInfo Dec 31	2001 AsiaInfo without Bonson Ended Dec 31	2002 Year Ended AsiaInfo Dec 31	2001 AsiaInfo without Bonson Ended Dec 31
Revenues:				
Communications solutions	15,620	31,388	68,018	146,541
Operation support system solutions	7,979	6,257	53,248	42,465
Total revenues	23,599	37,645	121,266	189,006
Cost of revenues:				
Communications solutions	11,531	19,257	48,714	106,622
Operation support system solutions	4,628	3,083	32,286	26,912
Total cost of revenues	16,159	22,340	81,000	133,533
Gross profit	7,440	15,305	40,266	55,473
Operating expenses:				
Sales and marketing	3,220	3,999	14,680	21,768
General and administrative	2,171	4,210	9,907	14,905
Research and development	1,797	1,782	8,503	7,304
Amortization of deferred stock compensation	75	208	407	1,144
In Process research and development	0	0	350	0
Amortization of intangible assets	477	0	1,749	0
Total operating expenses	7,740	10,199	35,596	45,121
(Loss) income from operations	-300	5,106	4,670	10,352
Other income (expenses):				
Interest income	515	910	2,272	7,135
Interest expense	-39	-85	-114	-969
*Other income (expenses),net (excluding provision for short-term investment US\$750K)	-1	-20	42	-59
Total other income (expenses), net	475	805	2,200	6,107
Income before income taxes, minority interests and equity in loss of affiliate	175	5,911	6,870	16,459
Income tax expense	-45	1,182	824	3,444
Minority interests	12	-160	75	-396
**Equity in loss of affiliate (excluding investment impairment US\$2,000K)	-78	-309	-461	-885
Net (loss) income	154	4,260	5,660	11,734
Net (loss) income per share				
Basic	0.00	0.10	0.13	0.28
Diluted	0.00	0.09	0.12	0.26
Shares used in computing per share amounts				
Basic	44,170,750	42,070,468	43,583,420	41,525,159
Diluted	46,550,159	46,629,538	45,961,545	45,924,724
Segment information				
CS revenue net of hardware cost	6,189	16,709	31,223	52,288
OSS revenue net of hardware cost	7,171	3,304	33,510	19,103
Consolidated revenues net of hardware cost	13,360	20,013	64,733	71,391
Consolidated cost of sales net of hardware cost	5,920	4,708	24,467	15,918
Consolidated gross profit	7,440	15,305	40,266	55,473

* The Company has an investment in PalmInfo, a third party company, with a promissory note \$750,000 in 2001 which will be due early 2003. In the fourth quarter 2002, the Company determined that collection of this balance was not reasonable assured and a full provision was made accordingly.

** The Company's investment in an affiliate, Intrinsic, continued to incur losses in the fourth quarter 2002. The Company performed an impairment test on this investment and it resulted in an impairment charge of \$2 million which was deemed other than temporary.

ASIAINFO HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands of US\$)

	2002	2001	2002	2001
	Three Months Ended Dec 31		Year Ended Dec 31	
	AsiaInfo	AsiaInfo without Bonson	AsiaInfo	AsiaInfo without Bonson
Revenues				
Communications solutions	15,620	31,388	68,018	146,541
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Operating expenses				
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Research and development	1,797	1,782	8,503	7,304
Amortization of deferred stock compensation	75	208	407	1,144
In Process research and development	0	0	350	0
Amortization of intangible assets	477	0	1,749	0
Total operating expenses	7,740	10,199	35,596	45,121
(Loss) income from operations	-300	5,106	4,670	10,352
Other income (expenses):				
Interest income	515	910	2,272	7,135
Interest expense	-39	-85	-114	-969
Other income (expenses),net	-751	-20	-708	-59
Total other income (expenses),net	-275	805	1,450	6,107
Income before income taxes, minority interests and equity in loss of affiliate	-575	5,911	6,120	16,459
Income tax expense	-45	1,182	824	3,444
Minority interests	12	-160	75	-396
Equity in loss of affiliate	-2,081	-309	-2,464	-885
Net (loss) income	-2,599	4,260	2,907	11,734
Net (loss) income per share				
Basic	-0.06	0.10	0.07	0.28
Diluted	-0.06	0.09	0.06	0.26
Shares used in computing per share amounts				
Basic	44,170,750	42,070,468	43,583,420	41,525,159
Diluted	46,550,159	46,629,538	45,961,545	45,924,724
Segment information				
CS revenue net of hardware cost	6,189	16,709	31,223	52,288
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Consolidated cost of sales net of hardware cost	5,920	4,708	24,467	15,918
Consolidated gross profit	7,440	15,305	40,266	55,473

ASIAINFO HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in US\$)

	Dec 31, 2002	Dec 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	115,152,694	110,634,635
Restricted cash	14,457,903	13,474,945
Short term investments	11,260,429	27,184,487
Accounts receivable, trade (net of allowance for doubtful accounts of 1,093,582 and 1,133,351, at Dec 31, 2001 and Dec 31, 2002 respectively)	49,437,085	66,723,537
Inventories	10,934,289	1,180,160
Other current assets	13,851,978	13,638,312
Total current assets	215,094,378	232,836,076
Property, plant, and equipment-net	4,045,923	5,375,519
Investment in affiliate	2,807,756	5,272,066
Other assets	41,481,895	2,375,877
Total assets	263,429,952	245,859,537
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term bank loans	60,406	2,923,906
Accounts payable	21,708,427	23,789,295
Accrued employee benefit	5,082,550	9,088,443
Deferred revenue	5,055,831	4,279,272
Income taxes payable	2,760,486	4,743,019
Other taxes payable	2,578,606	2,523,839
Other current liabilities	15,708,509	13,112,294
Total current liabilities	52,954,815	60,460,068
Deferred income tax liabilities	0	0
Total liabilities	52,954,815	60,460,068
Minority interest	317,319	609,475
Stockholders' equity:		
Common stock, 100,000,000 shares authorized; 0.01 par value, shares issued and outstanding: Dec 31, 2001 42,132,818; Dec 31, 2002 44,193,474	441,935	421,328
Additional paid-in capital	200,649,428	178,649,268
Deferred stock compensation	(105,628)	(512,071)
Retained earnings (accumulated deficit)	9,109,903	6,203,313
Accumulated other comprehensive income (loss)	62,180	28,156
Total stockholders' equity	210,157,818	184,789,994
Total Liabilities and Stockholders' Equity	263,429,952	245,859,537

Fourth Quarter and Year End 2002 Conference Call

AsiaInfo will host a conference call to discuss fourth quarter and year-end earnings at 4:00pm Pacific Time/ 7:00pm Eastern Time today (Beijing/Hong Kong time: January 22, 2003 at 8:00am). The management team will discuss quarterly results and highlights, and answer any questions. The dial-in number for the call is 973-582-2732. A replay will be available by dialing 877-519-4471 for US callers or 973-341-3038 for international callers with a personal identification number (PIN) of 3662124 between 4:00pm Pacific Time on January 21, 2003 until 5:00pm Pacific Time on February 21, 2003. Additionally, a live and archived web cast of this call will be available on the investor relations section of the AsiaInfo web site at the address shown below.

About AsiaInfo Holdings, Inc.

AsiaInfo Holdings, Inc. (Nasdaq: ASIA) is a leading provider of telecom network integration and software solutions in China. The company provides high-quality software and solutions to China's telecom carriers, meeting the demanding needs of a fast-growing industry. AsiaInfo's products and services cover network infrastructure services including design, implementation, operation and optimization, customer management and billing solution; decision support system; and service applications encompassing messaging, broadband, wireless and other advanced applications.

A Delaware-registered company, AsiaInfo has constructed national backbones and provincial access networks for all of China's major national telecom carriers since 1995, including China Telecom, China Mobile, China Unicom and China Netcom. Since 2000, the company has successfully shifted its focus from Internet infrastructure construction to the provision of a full suite of telecom software solutions.

For more information about AsiaInfo, please visit <http://www.asiainfo.com>.

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