

**US Contacts:**

AsiaInfo Holdings, Inc.

[ir@asiainfo.com](mailto:ir@asiainfo.com)

408-970-0080

**China Contacts:**

AsiaInfo Technologies (China), Inc.

Lesley Zhang

[zhangyan2@asiainfo.com](mailto:zhangyan2@asiainfo.com)

8610-6250-1658 ext. 6036

Jessica Barist Cohen

Ogilvy Public Relations Worldwide

[jessica.cohen@ogilvy.com](mailto:jessica.cohen@ogilvy.com)

86-21-6218-3009 ext. 238

## **AsiaInfo Reports Second Quarter Results**

BEIJING/SANTA CLARA, Calif. – July 22, 2003 – AsiaInfo Holdings, Inc. (Nasdaq: ASIA), a leading provider of telecom network and software solutions in China, today announced second quarter results for the period ended June 30, 2003.

As consistent with the company's revised guidance announced in mid-June, second quarter revenues were lower than originally anticipated, having been impacted by the SARS outbreak. Second quarter net revenue (total revenue net of hardware costs) was US\$12.8 million, which is approximately flat with the previous quarter and a 35 percent decrease over the same period a year ago.

Net revenue for the company's Communications Solutions (CS) business unit was US\$7.1 million, a 6 percent increase over the first quarter, and a 26 percent decrease over the second quarter of the previous year. The company's Operation Support System solutions (OSS) business unit had net revenue of US\$5.7 million for the second quarter, a 6 percent decrease from the previous quarter and a 44 percent decrease from the same period a year ago. (N.B. Please note that due to the change made in the company's reporting structure last quarter, year-ago revenues are being reported on a like basis.)

The company's net revenue backlog reached US\$44.7 million, an 8 percent increase over the previous quarter's US\$41.3 million, and almost flat with the same period a year ago.

Gross revenue (which includes hardware costs) for the quarter was US\$26.9 million, a 12 percent decrease over the previous quarter and a 26 percent decrease over the same period in 2002. Gross profit was US\$7.2 million, relatively flat with the previous quarter and a 45 percent decrease over the second quarter of 2002.

Sales and Marketing expenses increased by 17 percent over the typically slower first quarter, and decreased by 39 percent compared to the same period a year ago. General and Administrative expenses increased by 28 percent over the previous quarter and by

about 100 percent compared to the same period in the previous year. The year-over-year increase is due largely to the collection of bad debt in the amount of US\$1.0 million which took place in the second quarter last year and drove the G&A expenses down to atypical levels for the period. The company continued its ongoing investment in Research and Development, which grew by 5 percent over the 2003 first quarter and 14 percent over the same period a year ago.

Total operating expenses for the second quarter were US\$8.6 million, a 15 percent increase when compared to last quarter, excluding that quarter's one-time, non-cash impairment charge relating to goodwill and acquired intangible assets, and a 6 percent decrease compared to the same period a year ago. The company had a loss of operations for the second quarter of US\$1.4 million, compared to last quarter's operating income of US\$12 thousand, before the same one time charge, and operating income of US\$3.8 million for the same period in the previous year.

The company announced a net loss of US\$1.1 million, or negative US\$0.02 per basic share. This compares to last quarter's net income of \$1.2 million, excluding the one time impairment charge, and net income of US\$3.6 million for the same period a year ago.

The company generated a negative operating cash flow of US\$9.8 million for the quarter, largely due to delayed cash collections resulting from the SARS outbreak.

Xingsheng Zhang, AsiaInfo's President and Chief Executive Officer, said, "While our second quarter revenues are lower than initially expected due to the SARS outbreak, the company continues to take advantage of improving market conditions, as evidenced by our second quarter backlog.

"As carriers continue to focus on delivering best customer services and improving profitability, we believe that our established strengths in customer reach, technology advancement and management efficiency will further enable us to capture the market opportunities. Specifically, our increased cooperation with other suppliers, as well as our deepened relationships with our customers, will enable us to further move up along the industry value chain, thus contributing to both our business growth and our profitability. Our recently announced partnerships with Ericsson and Frost & Sullivan, for example, speak to these type of expanded relationships and growth opportunities."

Mr. Zhang continued, "I would also like to take this opportunity to thank all of AsiaInfo's employees for their hard work and diligence during the past quarter. Despite the sometime difficult conditions caused by the SARS outbreak, they displayed an unwavering commitment to the highest level of service and quality, and I am grateful to their continued support and dedication to the company."

### **New Contract Wins**

Despite the effects of the SARS outbreak, AsiaInfo signed a number of contracts during the second quarter, particularly in the areas of customer care and CRM, BOSS, and SMS-related products.

- An AIISMG (Internet Short Messaging Gateway) software solution contract with China Mobile;
- A contract to provide Jiangsu Unicom, a major China Unicom subsidiary, with a convergent customer care and billing system;
- Contracts with Chongqing Mobile, Jiangxi Mobile and Jilin Mobile to provide analytical Customer Relationship Management (CRM) software solution;
- A contract to upgrade Sichuan Mobile's original CRM system;
- Multiple BOSS consolidation contracts with seven China Mobile subsidiaries, including Shanghai Mobile, Gansu Mobil, Tibet Mobile, Jiangxi Mobile, Guizhou Mobile, Zhejiang Mobile and Inner Mongolia Mobile;
- A contract with Liaoning Mobile to provide them with an analytical CRM software solution;
- A contract to upgrade China Unicom's UniNet-based email system;
- Two contracts with Henan Unicom and Hubei Unicom to support the third phase of their provincial UniNet construction;
- A contract to upgrade Shanghai Mobile's Internet Short Message Gateway.
- A contract to provide China Netcom with convergent billing software solution for its BOSS network.

### **New Partnership**

During the second quarter, AsiaInfo announced a Memorandum of Understanding with Ericsson (China) that formalizes a relationship for deepened strategic cooperation with AsiaInfo and expanded opportunities for future collaboration.

### **Business Outlook**

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

AsiaInfo expects third quarter 2003 net revenue to be US\$14 to 15 million. Earnings per basic share is expected to be between US\$0.01 to 0.02. At this point in time it is still too early to comment on previously provided annual guidance, but the company will do so when a clearer picture of third quarter sales order booking emerges.

**ASIAINFO HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Excluding Impairment of Goodwill and Acquired Intangible Assets**  
(Amounts in thousands of US\$)

	2003	2002	2003	2002
	Three Months Ended Jun 30		Six Months Ended Jun 30	
<b>Revenues:</b>				
Communications solutions	17,095	15,256	40,222	32,550
Operation support system solutions	9,809	21,303	17,355	32,546
<b>Total revenues</b>	<b>26,904</b>	<b>36,559</b>	<b>57,577</b>	<b>65,096</b>
Cost of revenues:				
Communications solutions	12,276	9,188	31,014	21,304
Operation support system solutions	7,426	14,334	11,857	19,467
Total cost of revenues	19,702	23,522	42,871	40,771
<b>Gross profit</b>	<b>7,202</b>	<b>13,037</b>	<b>14,706</b>	<b>24,325</b>
<b>Operating expenses:</b>				
Sales and marketing	2,930	4,809	5,444	8,377
General and administrative	2,966	1,472	5,283	5,017
Research and development	2,666	2,345	5,211	4,609
Amortization of deferred stock compensation	37	97	106	250
In Process research and development	0	0	0	350
Amortization of intangible assets	40	477	87	795
Total operating expenses	8,639	9,200	16,131	19,398
<b>(Loss) income from operations</b>	<b>(1,437)</b>	<b>3,837</b>	<b>(1,425)</b>	<b>4,927</b>
<b>Other income (expenses):</b>				
Interest income	366	500	820	1,233
Interest expense	(1)	-30	(2)	(74)
Other income (expenses),net	(31)	37	(31)	38
<b>Total other income (expenses),net</b>	<b>334</b>	<b>507</b>	<b>787</b>	<b>1,197</b>
<b>Income before income taxes, minority interests and equity in loss of affiliate</b>	<b>(1,103)</b>	<b>4,344</b>	<b>(638)</b>	<b>6,124</b>
Income tax expense	(134)	529	(958)	796
Minority interests	(12)	-45	(12)	(10)
Equity in loss of affiliate	(72)	-154	(187)	(281)
<b>Net (loss) income</b>	<b>(1,053)</b>	<b>3,616</b>	<b>121</b>	<b>5,037</b>
Net (loss) income per share				
Basic	(0.02)	0.08	(0.00)	0.12
Diluted	(0.02)	0.08	(0.00)	0.11
Shares used in computing per share amounts				
Basic	44,261,401	43,629,646	44,234,013	43,040,879
Diluted	44,261,401	46,554,057	46,444,073	46,230,056
<b>Segment information</b>				
CS revenue net of hardware cost	7,101	9,603	13,782	18,776
OSS revenue net of hardware cost	5,655	10,009	11,692	17,910
<b>Consolidated revenues net of hardware cost</b>	<b>12,756</b>	<b>19,612</b>	<b>25,474</b>	<b>36,686</b>
Consolidated cost of sales net of hardware cost	5,554	6,575	10,768	12,361
Consolidated gross profit	7,202	13,037	14,706	24,325

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

(Amounts in thousands of US\$)

	2003	2002	2003	2002
	Three Months Ended Jun 30	Three Months Ended Jun 30	Six Months Ended Jun 30	Six Months Ended Jun 30
<b>Revenues:</b>				
Communications solutions	17,095	15,256	40,222	32,550
Operation support system solutions	9,809	21,303	17,355	32,546
<b>Total revenues</b>	<b>26,904</b>	<b>36,559</b>	<b>57,577</b>	<b>65,096</b>
<b>Cost of revenues:</b>				
Communications solutions	12,276	9,188	31,014	21,304
Operation support system solutions	7,426	14,334	11,857	19,467
<b>Total cost of revenues</b>	<b>19,702</b>	<b>23,522</b>	<b>42,871</b>	<b>40,771</b>
<b>Gross profit</b>	<b>7,202</b>	<b>13,037</b>	<b>14,706</b>	<b>24,325</b>
<b>Operating expenses:</b>				
Sales and marketing	2,930	4,809	5,444	8,377
General and administrative	2,966	1,472	5,283	5,017
Research and development	2,666	2,345	5,211	4,609
Amortization of deferred stock compensation	37	97	106	250
In Process research and development	0	0	0	350
Amortization of intangible assets	40	477	87	795
Total operating expenses	8,639	9,200	46,352	19,398
<b>(Loss) income from operations</b>	<b>-1,437</b>	<b>3,837</b>	<b>-31,646</b>	<b>4,927</b>
<b>Other income (expenses):</b>				
Interest income	366	500	820	1,233
Interest expense	-1	-30	-2	-74
Other income (expenses) net	-31	37	-31	38
<b>Total other income (expenses),net</b>	<b>334</b>	<b>507</b>	<b>787</b>	<b>1,197</b>
<b>Income before income taxes, minority interests and equity in loss of affiliate</b>	<b>-1,103</b>	<b>4,344</b>	<b>-30,859</b>	<b>6,124</b>
Income tax expense	-134	529	-958	796
Minority interests	-12	-45	-12	-10
Equity in loss of affiliate	-72	-154	-187	-281
<b>Net (loss) income</b>	<b>-1,053</b>	<b>3,616</b>	<b>-30,100</b>	<b>5,037</b>
Net (loss) income per share				
Basic	-0.02	0.08	-0.68	0.12
Diluted	-0.02	0.08	-0.68	0.11
Shares used in computing per share amounts				
Basic	44,261,401	43,629,646	44,234,013	43,040,879
Diluted	44,261,401	46,554,057	44,234,013	46,230,056
<b>Segment information</b>				
CS revenue net of hardware cost	7,101	9,603	13,782	18,776
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<b>Consolidated revenues net of hardware cost</b>	<b>12,756</b>	<b>19,612</b>	<b>25,474</b>	<b>36,686</b>
Consolidated cost of sales net of hardware cost	5,554	6,575	10,768	12,361
Consolidated gross margin	7,202	13,037	14,706	24,325

**ASIAINFO HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In US)

	Jun 30,2003	Dec 31,2002
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	103,818,959	115,152,694
Restricted cash	16,055,151	14,457,903
Short term investments	11,307,255	11,260,429
Notes receivable	2,196,002	63,631
Accounts receivable, trade (net of allowance for doubtful accounts of 1,133,351, and 2,271,590, at Dec 31, 2002, and Jun 30, 2003 respectively)	70,037,135	49,373,454
Inventories	4,709,641	10,934,289
Other current assets	12,847,533	13,851,978
<b>Total current assets</b>	<b>220,971,676</b>	<b>215,094,378</b>
Property, plant, and equipment-net	3,206,349	4,045,923
Investment in affiliate	2,621,603	2,807,756
Other assets	11,462,660	41,481,895
<b>Total assets</b>	<b>238,262,288</b>	<b>263,429,952</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Short-term bank loans	60,405	60,406
Notes payable	2,907,036	2,447,144
Accounts payable	26,855,039	19,261,283
Accrued employee benefit	5,523,514	5,082,550
Deferred revenue	6,898,279	5,055,831
Income taxes payable	885,450	2,760,486
Other taxes payable	1,371,138	2,578,606
Other current liabilities	13,189,474	15,708,509
<b>Total current liabilities</b>	<b>57,690,335</b>	<b>52,954,815</b>
<b>Total liabilities</b>	<b>57,690,335</b>	<b>52,954,815</b>
<b>Minority interests</b>	<b>0</b>	<b>317,319</b>
Stockholder's equity:		
Common stock, 100,000,000 shares authorized; 0.01 par value, shares issued and outstanding: Dec 31,2002 44,193,474; Jun 30,2003 44,265,446	442,654	441,935
Additional paid-in capital	201,061,220	200,649,428
Deferred stock compensation	0	(105,628)
Retained earnings (accumulated deficit)	(20,990,221)	9,109,903
Accumulated other comprehensive income (loss)	58,300	62,180
<b>Total stockholders' equity</b>	<b>180,571,953</b>	<b>210,157,818</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>238,262,288</b>	<b>263,429,952</b>

## **Second Quarter Conference Call**

AsiaInfo will host a conference call to discuss second quarter earnings at 5:00pm Pacific Time/8:00pm Eastern Time today (Beijing/Hong Kong time: July 23, 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 973-341-3080 for international callers with a personal identification number (PIN) of 4020330 between 7:00pm Pacific Time on July 22, 2003 and 7:00pm Pacific Time on July 29, 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 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 solutions; decision support systems; and service applications encompassing messaging, broadband, wireless and other advanced applications.

Organized as a Delaware corporation, 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>.

*This release contains projections and other forward-looking statements regarding future events and the future financial performance of AsiaInfo that involve risks and uncertainties. Readers are cautioned that these forward-looking statements are only predictions and may differ materially from actual future events or results. Readers are referred to the documents filed by AsiaInfo with the SEC, specifically the most recent reports on Form 10-K, 10-Q and 8-K, each as it may be amended from time to time, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements. The financial information contained in this release should be read in conjunction with the consolidated financial statements and notes thereto included in AsiaInfo's most recent reports on Form 10-K and Form 10-Q, each as it may be amended from time to time. Any projections in this release are based on limited information currently available to AsiaInfo, which is subject to change.*

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