

US Contacts:

AsiaInfo Holdings, Inc.

Ir@asiainfo.com

408-970-0080

China Contacts:

Stella Chen

AsiaInfo Technologies (China), Inc.

Chenying@asiainfo.com

8610-6250-1658 x 6031

Jessica Barist Cohen

Ogilvy Public Relations Worldwide

jessica.cohen@ogilvy.com

8610-6443-6488 x 357

AsiaInfo Reports Second Quarter Results

Operating Profit Increases 118% Over Same Period One Year Ago, Meeting Previously Announced Quarterly Guidance

Delays in Industry Restructuring Compel Company to Revise Fiscal-Year 2002 Guidance

BEIJING/SANTA CLARA - July 23, 2002 - AsiaInfo Holdings, Inc. (Nasdaq: ASIA), the leading provider of telecom network integration and software solutions in China, today announced second quarter results for the period ended June 30, 2002.

Meeting previously released guidance, AsiaInfo reported operating profit of US\$3.8 million in the second quarter, a 118% increase over the period a year ago and a 252% increase over last quarter. Bonson Information Technology (Bonson), a wireless operation support system (OSS) vendor acquired by AsiaInfo in February 2002, contributed 7.5% to the operating profit. The company increased operating cash flow in the second quarter to reach US\$14.7 million, as it continued to demonstrate the strategic benefits of its focus on high-margin software and solutions.

Net income reached US\$3.6 million in the second quarter, or US\$0.08 per basic share, 8% of which was contributed by Bonson. This figure represents a 40% increase over the period a year ago and a 154% increase over last quarter. 106% of this quarter's net income was generated from operations, compared to 68% of net income generated from operations in the same period a year ago.

Second quarter net revenue increased 15% over the period a year ago and 15% over last quarter to reach US\$19.6 million. Total software revenue was US\$8.8 million, a 13% increase over the period a year ago and a 29% increase over last quarter's software

revenue of US\$6.8 million. Bonson contributed 23% to the second quarter's total net revenue and 32% to software solutions revenue.

At the end of the second quarter, net revenue backlog was US\$45.2million, a 12% sequential decrease. Software solutions represented 56% of net revenue backlog. Bonson contributed 31% to the total net revenue backlog and 43% to the software net revenue backlog. The decrease in net revenue backlog results from delays in AsiaInfo's order pipeline, due to the slower-than-anticipated reorganization within the China telecom industry. Of the US\$32 million net orders in the pipeline at the beginning of April 2002, 24% (in terms of order value) were signed during the second quarter, 60% were delayed, 11% were cancelled, and 4% were lost to competitors.

Due to the temporary delays in the Chinese telecom restructuring, AsiaInfo anticipates a challenging market environment for the remainder of the 2002 fiscal year. The company is therefore revising its full year guidance downward to reflect the current business condition, and now expects full year net revenue to be in the range of US\$60-65 million, operating profit to be in the range of US\$4-6 million and net income to be in the range of US\$5-7 million, or US\$0.11 to US\$0.15 per basic share. For the business outlook for the third quarter, please refer to the business outlook statements at the end of this release.

President and CEO, James Ding, commented, "We are pleased with AsiaInfo's on target performance during the second quarter and our continually improving market position, but we are disappointed that the continued delays in telecom spending due to the industry's reorganization will prevent us from meeting our original full year financial expectations. While the completion of the restructuring was finally announced on May 16th, the integration of the assets of the merged companies and resumption in spending are taking much longer than anticipated, with overall capital expenditures by China's telecom carriers decreasing by nearly 32% for the first five months year-over-year. This, as a result, has slowed AsiaInfo's sales, and may continue to affect our orders over the next one to two quarters."

Ding continued, "Fortunately for AsiaInfo, this is a temporary condition and we are well-poised to excel when the restructuring is complete and the industry resumes its previous trajectory of growth. Our market-leading position and strong balance sheet have moreover allowed us to weather these uncertain conditions better than some of our competitors. At the same time, we are taking prudent measures to ensure that AsiaInfo is in the best possible financial and operating condition to meet future growth opportunities. We are confident that with our strong market positioning, we will benefit from our high-end software and service offerings once China's telecom carriers resume spending towards next year."

Cost Cutting Measures

In order to conservatively plan for the slowdown in revenue growth, AsiaInfo will implement several cost cutting strategies designed to scale costs until revenue growth resumes. Several payroll related measures will be taken. As the integration of Bonson is

complete, combined staff levels will be reduced by 10% to eliminate redundancies. Moreover, tight control over operating and administrative expenses will be applied across all functions with the exception of research and development. The company will continue its research and development investment on key solutions to ensure sustainable future growth. The combined effects of these measures will reduce AsiaInfo's operating costs by approximately 20 – 30% during the next five months.

Ding commented, “We are firm believers in the long-term positive impact of the restructuring of China’s telecom industry and the increased business opportunities this will provide to AsiaInfo, particularly when the newly formed carriers begin to compete with one another aggressively. While this transitional period will be a difficult one, it is a positive step for the industry as the carriers complete their integration.”

Second Quarter Highlights

During the second quarter, AsiaInfo continued to outpace its competition. Strong demand for its high-end OSS solutions, convergent billing software, network integration, management and security services continued to demonstrate the competitiveness of AsiaInfo's advanced offerings and its ongoing ability to leverage its existing customer relationships to promote high-end software and services.

Software Upgrades

To meet increasingly sophisticated customer needs AsiaInfo released new versions of its two software products during the quarter:

- A new version of AsiaInfo’s Online Billing System (AIOBS 6.3) improved its reliability, allowing carriers to further strengthen billing and customer care for data services.
- A new version of AsiaInfo’s Customer Relationship Management (CRM) software, AIOmniVision 1.6, added two subject areas of customer analysis and new data mining modules; further optimized the framework of data warehousing; and enhanced system management and monitoring function -- all allowing carriers to further maximize customer value through increasing service usage and network utilization.

New Contract Wins

Highlights of contracts signed in the second quarter include:

- Contracts with China Mobile subsidiaries Zhejiang Mobile, Jiangxi Mobile and Inner Mongolia Mobile to provide integrated OSS solutions.
- A contract with Shandong Telecom for CRM solutions.

- Contracts with China Railcom and Tianjin Telecom to provide AsiaInfo's network management software (AISerBase).
- Multiple contract wins for AsiaInfo Subsidiary Marsec for its Network Security software and services with China Netcom, The China Internet Information System and China Agriculture Bank.
- An expansion contract with Jilin Mobile for the second phase of its IP network expansion and to provide AsiaInfo's network management software (AISerBase).
- Three contracts with China Netcom to provide AsiaInfo's billing software (AIOBS and AICBS).
- Email software and services sale (AIMC) to Mongolia Telecom.

Ding commented, "The winning of these contracts in a challenging market environment underscores the leading position AsiaInfo holds in China's telecom software and services market. During the second quarter, we won three out of the four OSS contracts awarded by China Mobile's provincial subsidiaries, we closed multiple network security contracts both in and outside the telecom sector, and we continue to leverage our existing client relationships to provide high-end solutions."

Conclusion

"Despite the industry's temporary organizational delay," said Ding, "the overall growth of China's telecom sector is expected to be strong, fueled by improving economic conditions and increasing end-user demand. The Chinese economy grew at over 7% in the first six months, and is on track to continue this level of growth through the rest of the year. All reports indicate that the telecom market is continuing to grow at a strong pace, with new fixed line users increasing by 19.9 million in the first six months of 2002 to reach 198 million, mobile users increasing by 31.4 million to reach 176 million users, and Internet users increasing by 3.6 million to reach 40 million in China. At the same time, the penetration rates for China's fixed-line and cell phones are at 30.2% and 13.9% respectively, demonstrating significant room for continued development. Once China Telecom and China Netcom resume spending, they are likely to aggressively develop their national networks and focus on high-end, multi-service offerings. As AsiaInfo continues to outpace the competition, even during the temporary slowdown, we are in a strong position to reap the benefits of the next stage of telecom network infrastructure build-out and enhancement."

Business Outlook

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

Third Quarter 2002 Guidance

As mentioned earlier in the release, delays in the reorganization of the Chinese telecom industry have impacted AsiaInfo's orders during the past few quarters, and therefore revenue for the coming quarters. In particular, third quarter revenues will be affected by the fewer-than-expected second quarter contracts.

The company thus expects net revenue for the third quarter of 2002 to be between US\$13 – 14 million. Operating income is expected to approximately break even, translating into US\$0.01 – 0.02 earnings per basic share.

ASIAINFO HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of US\$)

	2002	2001		2002	2001
	Three Months Ended June 30			Six Months Ended June 30	
	AsiaInfo	Asia without Bonson		AsiaInfo	Asia without Bonson
Revenues:					
Network solutions	27,778	13,772		49,509	43,681
Software solutions	8,781	7,779		15,587	13,649
Total revenues	36,559	21,551		65,096	57,330
Cost of revenues:					
Network solutions	20,564	7,336		35,816	30,981
Software solutions	2,958	866		4,955	1,721
Total cost of revenues	23,522	8,202		40,771	32,702
Gross profit	13,037	13,349		24,325	24,628
Operating expenses:					
Sales and marketing	4,810	5,820		8,377	11,447
General and administrative	1,471	3,275		5,017	6,617
Research and development	2,345	1,945		4,609	3,577
Amortization of deferred stock compensation	98	283		250	720
In Process research and development	0	0		350	0
Amortization of intangible assets	477	264		795	528
Total operating expenses	9,201	11,587		19,398	22,889
Income (loss) from operations	3,836	1,762		4,927	1,739

Other income (expenses):					
Interest income	500	2,194		1,234	4,580
Interest expense	-30	-340		-74	-667
Other income, net	37	-27		37	-34
Total other income, net	507	1,827		1,197	3,879
Income before income taxes , minority interests and equity in loss of affiliated	4,343	3,589		6,124	5,618
Income tax expense	528	805		796	1,276
Minority interests	-45	48		-10	-131
Equity in loss of affiliate	-154	-256		-281	-256
Net income (loss)	3,616	2,576		5,037	3,955
Net (loss) income per share					
Basic	0.08	0.06		0.12	0.10
Diluted	0.08	0.06		0.11	0.09
Shares used in computation					
Basic	43,629,646	41,305,291		43,040,879	41,136,459
Diluted	46,554,057	46,761,204		46,230,056	45,955,050
Segment information					
Network solutions net of hardware cost	10,831	9,247		21,099	17,583
Software solutions	8,781	7,779		15,587	13,649
Consolidated revenues net of hardware cost	19,612	17,026		36,686	31,232
Consolidated cost of sales net of hardware cost	6,575	3,677		12,361	6,604
Consolidated gross profit	13,037	13,349		24,325	24,628

ASIAINFO HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEET

(In US\$)

	June 30, 2002	Dec 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	120,604,028	110,634,635
Restricted cash	13,396,203	13,474,945
Short term investments	1,389,857	27,184,487
Accounts receivable, trade (net of allowance for doubtful accounts of \$1,093,582 and \$1,393,546 at Dec 31, 2001 and Jun 30, 2002 respectively)	74,170,537	66,723,537
Inventories	3,276,585	1,180,160
Other current assets	11,129,254	13,638,312
Total current assets	223,966,464	232,836,076
Property, plant, and equipment-net	5,389,896	5,375,519
Investment in affiliate	4,990,577	5,272,066
Other assets	42,239,647	2,375,877
Total assets	276,586,584	245,859,537
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term bank loans	1,522,272	2,923,906
Accounts payable	25,739,782	23,789,295
Accrued employee benefit	9,143,855	9,088,443
Deferred Revenue	4,664,693	4,279,272
Income Taxes payable	5,099,150	4,743,019
Other Taxes payable	3,330,158	2,523,839
Other current liabilities	15,886,435	13,112,294
Total current liabilities	65,386,345	60,460,068

	Deferred income tax liabilities	240,785		
	Total liabilities	65,627,130		60,460,068
	Minority interest	401,999		609,475
Stockholders' Equity:				
	Preferred stock, 10,000,000 shares authorized, \$0.01 par value	0		0
	Common stock, 100,000,000 shares authorized; \$0.01 par value, shares issued and outstanding : Dec 31,2001 42,132,818; Jun 30,2002 44,003,407	440,034		421,328
	Additional paid-in capital	199,074,066		178,649,268
	Deferred stock compensation	(262,465)		(512,071)
	Retained earnings (accumulated deficit)	11,240,628		6,203,313
	Accumulated other comprehensive income (loss)	65,192		28,156
	Total stockholders' equity	210,557,455		184,789,994
	Total Liabilities and Stockholders' Equity	276,586,584		245,859,537

Second Quarter Conference Call

AsiaInfo will host a conference call to discuss its first quarter results at 5:00 p.m. Pacific Time / 8:00 p.m. Eastern Time on July 23, 2002 (Beijing/Hong Kong Time: July 24, 2002 at 8:00 a.m.). The management team will be on the call to discuss results and highlights of the quarter, and answer questions. 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 personal identification number (PIN) of 334-6543 between 5:00 p.m. Pacific Time on July 23, 2002 until 5:00 p.m. Pacific Time on August 23, 2002.

Live and archived web casts of this call also will be available on the Investor Relations section of the AsiaInfo web site at www.asiainfo.com.

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.

The company's three strategic business units - Network Infrastructure, Operation Support Systems and Service Applications - offer a full-range of front- and back-end telecom software solutions. 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>.

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.

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