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## **AsiaInfo Reports Strong Third Quarter Results**

*Software Revenue Increases 194 Percent, Net Profit Reaches One Cent Per Share*

BEIJING/SANTA CLARA - October 25, 2000 - AsiaInfo Holdings, Inc. (Nasdaq: ASIA), a leading provider of total Internet infrastructure solutions and software products in China, today announced its third quarter results for the quarter ended September 30, 2000.

The company reported third quarter 2000 revenues net of hardware costs of US\$13.3 million, representing a 66 percent increase over net revenues of US\$8.0 million in the comparable third quarter of 1999 and a 13 percent sequential increase over the second quarter of 2000. Net income was \$0.01 per share for the third quarter of 2000, or US\$0.4 million, compared to a net loss of \$0.04 per share on a pro forma basis, or a loss of US\$0.5 million in the same quarter of 1999.

Software revenue in the third quarter was a record US\$4.9 million, a 194 percent increase over US\$1.7 million in the same quarter of 1999 and an 11 percent sequential increase over US\$4.4 million in the quarter ended on June 30, 2000. Software revenue represented 37 percent of total net revenues after hardware costs, compared to 21 percent of total net revenues in the third quarter of last year.

Gross revenues for the third quarter of 2000 were US\$58.1 million, representing an increase of 147 percent over gross revenues of US\$23.5 million in the same period in 1999 and a sequential growth rate of 14 percent over the second quarter of 2000.

Gross profit for the third quarter of 2000 was US\$9.8 million, representing a 23 percent sequential increase over US\$8.0 million last quarter. The increase in gross profit compared to the previous quarter reflected the growth of high margin software revenues, contribution from network solutions and reduced costs resulting from the outsourcing of low margin network solutions projects.

James Ding, CEO of AsiaInfo commented, "We are very pleased with the overall financial results of this quarter. Our solid growth in each business segment demonstrates the strong demand for our products and services. The robust growth of our software business further demonstrates the competitiveness of our products. Consistent with our long-term strategy,

we expect software business to continue to become a larger contributor to our revenue mix.”

### **Third Quarter Highlights**

#### *Contract Wins*

During the quarter, AsiaInfo announced several significant contract wins at both the national and municipal levels. AsiaInfo was contracted to provide network solutions as well as messaging and online billing software for China Mobile, Tianjin Telecom and JiTong Communications.

In September, AsiaInfo signed a US\$16 million contract with China Mobile to build a national IP backbone connecting China’s 31 provincial capitals. Also included as part of the project were AsiaInfo’s messaging and billing software products, accounting for over 30% of the total contract value.

At the municipal level, AsiaInfo signed a contract with Tianjin Telecom to build the third phase of its Internet backbone and supply the company with advanced billing and messaging software.

In August, AsiaInfo signed a contract with a new client, JiTong Communications to provide integration services for its IP infrastructure Phase II expansion project. The contract is a significant milestone for AsiaInfo and further diversifies the company’s growing client base.

Also during the third quarter, AsiaInfo continued to expand its partnership with one of the largest Internet carriers, China NetCom (CNC), by providing CNC’s Internet Data Center (IDC) with billing functionality through the AIOBS software platform.

In addition to the announcements made in the third quarter, AsiaInfo has achieved other major market successes, such as:

- A US\$7.2 million contract with CNC for Shanghai Metro Network project
- A US\$2.7 million contract with Hangzhou Telecom for C4 Node Expansion project
- A US\$5.6 million contract with Guangdong Telecom for Internet Infrastructure Year 2000 Expansion project

Ding commented, “These contract wins further broaden the distance between the company and our competitors, and demonstrate the success that we have realized from the superior quality of our software products and excellent services. Furthermore, these new contracts have helped to diversify our customer base and contribute to our solid revenue backlog. We expect this trend to continue next quarter and into 2001.”

### *Strategic Alliances*

In September, AsiaInfo and Ericsson (Nasdaq: ERICY), a global leader in mobile communications, signed a memorandum of understanding to collaborate in simplifying customer billing for mobile Internet users in China. As part of the alliance, AsiaInfo will integrate its AIOBS software with Ericsson's general packet radio services (GPRS) and wireless application protocol (WAP) gateways to provide more flexibility in billing to service providers and simplify the billing process for end users.

### *Key Investment*

AsiaInfo has invested US\$2 million to create a new network security company, Marsec. AsiaInfo holds a 75 percent ownership stake in this new entity. This venture will enable the company to expand its high-end network solutions offerings to include security services for leading telecom carriers and Internet service providers in China.

### **Business Outlook**

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

The company expects net revenue for the fourth quarter of 2000 to increase approximately 100-110 percent year-over-year. Software license revenue will grow more rapidly at a year-over-year rate of approximately 160-170 percent.

As a result of the completion of the China Unicom backbone project, hardware pass-through in the fourth quarter will be reduced by 40-50 percent from US\$45 million in the third quarter of 2000. Therefore, gross margin will increase significantly.

Overall, AsiaInfo will continue to generate positive net income in the fourth quarter. Earnings per share will be approximately one cent per share.

## Financial Information

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

(Amounts in thousands of US\$)

	Three Months Ended Sep 30,		Nine Months Ended Sep 30,	
	2000	1999	2000	1999
Revenues				
Network solutions	53,159	21,852	120,907	43,673
Software license	4,909	1,669	11,145	4,642
<b>Total revenues</b>	<b>58,068</b>	<b>23,521</b>	<b>132,051</b>	<b>48,315</b>
Cost of revenues				
Network solutions	48,252	16,220	111,566	33,532
Software license	26	1	29	3
<b>Total cost of revenues</b>	<b>48,278</b>	<b>16,221</b>	<b>111,594</b>	<b>33,535</b>
Gross profit	9,790	7,300	20,457	14,780
GP Ratio	17%	31%	15%	31%
Operating expenses				
Sales and marketing	5,702	2,347	13,291	4,868
General and administrative	3,500	2,794	9,274	6,387
Research and development	1,743	895	4,433	1,993
Amortization of deferred stock compensation	467	1,848	1,752	2,809
<b>Total operating expenses</b>	<b>11,412</b>	<b>7,884</b>	<b>28,750</b>	<b>16,058</b>
<b>(Loss) income from operations</b>	<b>(1,622)</b>	<b>(584)</b>	<b>(8,293)</b>	<b>(1,278)</b>
Other income (expenses)				
Interest income	2,283	204	5,504	499
Interest expense	(285)	(182)	(894)	(451)
Other income, net	14	149	(193)	324
<b>Total other income, net</b>	<b>2,012</b>	<b>171</b>	<b>4,417</b>	<b>371</b>
Income before income taxes and minority interests	390	(413)	(3,876)	(907)
Income tax	(6)	121	(68)	297
Minority interests	19	21	19	84
Equity in loss of affiliate		(9)	0	(9)
<b>Net income (loss)</b>	<b>415</b>	<b>(522)</b>	<b>(3,789)</b>	<b>(1,129)</b>
Net income (loss) per share				
Basic	0.01	(0.04)	(0.10)	(0.08)
Diluted	0.01	(0.04)	(0.10)	(0.08)
Shares used in computation				
Basic	39,841,935	14,128,275	36,133,972	13,969,317
Diluted	45,456,176	14,128,275	36,133,972	13,969,317
<b>Segment information</b>				
Network solutions net of hardware cost	8,389	6,343	19,361	14,106
Software license	4,909	1,669	11,145	4,642
<b>Consolidated revenues net of hardware cost</b>	<b>13,299</b>	<b>8,012</b>	<b>30,506</b>	<b>18,748</b>
Consolidated cost of sales net of hardware cost	3,509	712	10,049	3,968
Consolidated gross margin	9,790	7,300	20,457	14,780

**ASIAINFO HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(US\$)	Sep 30, 2000	Dec 31, 1999
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	106,344,378	25,403,884
Restricted cash	23,166,369	12,189,794
Short term investment	50,100,000	
Accounts receivable, trade (net of allowance for doubtful accounts of \$640,269 and \$351,582 at Dec 31, 1999 and Sep 30, 2000 respectively)	62,099,751	21,928,036
Inventories	1,167,401	2,908,426
Other current assets	4,572,244	2,342,433
<b>Total current assets</b>	<b>247,450,143</b>	<b>64,772,573</b>
Property, plant, and equipment-net	5,318,671	2,183,545
Other assets	3,756,852	4,470,861
<b>Total assets</b>	<b>256,525,666</b>	<b>71,426,979</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Short-term bank loans	19,432,837	9,698,882
Accounts payable	51,257,586	11,867,188
Accrued employee benefit	9,401,634	4,810,650
Taxes payable	2,020,767	2,475,505
Deferred Revenue	3,455,413	495,470
Other current liabilities	5,332,121	2,291,113
<b>Total current liabilities</b>	<b>90,900,358</b>	<b>31,638,808</b>
<b>Minority interest</b>	<b>198,589</b>	
Stockholders' Equity		
Convertible preferred stock:		
Series A: 3,000,000 shares authorized; \$0.01 par value; 2,160,864 shares issued and outstanding at December 31, 1999; 0 at September 30, 2000	0	21,609
Series B: 5,000,000 shares authorized at Dec 31, 1999; \$0.01 par value; 2,630,425 shares issued and outstanding at December 31, 1999; 0 at September 30, 2000	0	26,304
Common stock, 50,000,000 shares authorized; \$0.01 par value, shares issued and outstanding :1999, 25,532,144; September 30, 2000 39,970,680	399,707	255,321
Additional paid-in capital	173,677,702	46,118,424
Deferred stock compensation	(2,113,560)	(3,865,373)
Retained earnings (accumulated deficit)	(6,554,233)	(2,764,854)
Accumulated other comprehensive income (loss)	17,103	(3,260)
<b>Total stockholders' equity</b>	<b>165,426,719</b>	<b>39,788,171</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>256,525,666</b>	<b>71,426,979</b>

### **Third Quarter 2000 Conference Call**

AsiaInfo will host a conference call to discuss third quarter earnings at 8:00 a.m. EDT on Wednesday, October 25, 2000. To participate on the call, please dial 973-321-2000. A replay of the call will be available until November 1st by dialing (402)220-1356 for international callers and (877)375-5693 for domestic callers. Additionally, the conference call will be broadcast via the Internet and can be accessed from the investor relations section of AsiaInfo's corporate Web site at the address shown below.

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

AsiaInfo Holdings, Inc. (Nasdaq: ASIA) is a leading provider of Internet infrastructure, total solutions and software in China, one of the world's fastest growing Internet markets. The company offers telecommunications service providers in China total network solutions for their Internet infrastructure requirements and develops proprietary software for Internet service providers, Internet content providers and telecommunications service providers. AsiaInfo develops, markets and supports real time, scalable and adaptable proprietary Internet software solutions tailored to meet the needs of clients in China. 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.*