

ASIAINFO HOLDINGS INC
Form DEFR14A
April 14, 2005
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SCHEDULE 14A Information

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No. 1)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement**
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement**
- Definitive Additional Materials**
- Soliciting Material Under §240.14a-12**

ASIAINFO HOLDINGS, INC.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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ASIAINFO HOLDINGS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON APRIL 21, 2005

March 16, 2005

TO THE STOCKHOLDERS OF ASIAINFO HOLDINGS, INC.:

You are cordially invited to attend the Annual Meeting of stockholders (the Annual Meeting) of AsiaInfo Holdings, Inc., a Delaware corporation (AsiaInfo), to be held on Thursday, April 21, 2005 at 4:00 p.m., local time, at 4th Floor, Zhongdian Information Tower, 6 Zhongguancun South Street, Haidian District, Beijing, People's Republic of China (PRC), for the following purposes:

1. To elect three directors to serve for three-year terms to expire at the 2008 Annual Meeting of stockholders and until their successors are duly elected and qualified;
2. To ratify the selection of Deloitte Touche Tohmatsu as the independent auditors of AsiaInfo for the fiscal year ending December 31, 2005;
3. To approve the AsiaInfo Holdings, Inc. 2005 Stock Incentive Plan; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

This notice of meeting, proxy statement, proxy card and copy of the Annual Report on AsiaInfo's operations during the year ended December 31, 2004 are being distributed on or about March 21, 2005. The foregoing items of business are more fully described in the proxy statement.

Stockholders of record at the close of business on March 1, 2005 are entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. A list of these stockholders will be available for inspection during ordinary business hours at our principal executive offices, at 4th Floor, Zhongdian Information Tower, 6 Zhongguancun South Street, Haidian District, Beijing, PRC, from April 11, 2005 to the date of our Annual Meeting. The list will also be available for inspection at the Annual Meeting.

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All stockholders are cordially invited to attend the Annual Meeting in person. However, to assure your representation at the Annual Meeting, you are urged to vote your shares by telephone, the Internet, or by signing and returning the enclosed proxy card as promptly as possible in the enclosed self-addressed envelope. Any stockholder attending the Annual Meeting may vote in person even if he or she returned a proxy. However, if a stockholder's shares are held of record by a broker, bank or other nominee and the stockholder wishes to vote at the Annual Meeting, the stockholder must obtain from the record holder a proxy issued in his or her name.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ James Ding

James Ding

Chairman of the Board of Directors

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ASIAINFO HOLDINGS, INC.

4th Floor, Zhongdian Information Tower

6 Zhongguancun South Street

Haidian District

Beijing 100086, PRC

PROXY STATEMENT

2005 ANNUAL MEETING OF STOCKHOLDERS

This proxy statement (the Proxy Statement) and accompanying proxy are being mailed to stockholders on or about March 21, 2005, in connection with the solicitation of proxies by the Board of Directors (the Board) of AsiaInfo Holdings, Inc., a Delaware corporation (AsiaInfo, the Company, we or our), for use at the Annual Meeting of stockholders (the Annual Meeting) to be held on Thursday, April 21, 2005, at 4:00 p.m., local time, at 4th Floor, Zhongdian Information Tower, 6 Zhongguancun South Street, Haidian District, Beijing, PRC, or at any adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. AsiaInfo's principal executive offices are located at 4th Floor, Zhongdian Information Tower, 6 Zhongguancun South Street, Haidian District, Beijing 100086, PRC. AsiaInfo's telephone number at that location is +8610 6250 1658.

INFORMATION CONCERNING SOLICITATION AND VOTING

Record Date and Share Ownership

Stockholders of record at the close of business on March 1, 2005 (the Record Date) are entitled to notice of and to vote at the Annual Meeting. At the Record Date, 46,478,830 shares of AsiaInfo's common stock (Common Stock) were issued and outstanding and held of record by approximately 148 registered stockholders.

Voting, Solicitation and Revocability of Proxy

Registered stockholders can vote by mail, telephone or the Internet. Telephone voting can be accessed by calling the toll-free number (in the United States only) 1-866-593-3363. Internet voting can be accessed by logging on to the following Internet address:

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(<https://www.proxyvotenow.com/asi>). Telephone and Internet voting information is provided on the proxy card. A control number located on the proxy card is designed to verify each stockholder's identity and allow stockholders to vote their shares and confirm that their voting instructions have been properly recorded. If your shares are held in the name of a bank or broker, follow the voting instructions on the form you receive from your bank or broker. The availability of telephone or Internet voting will depend on your bank or broker's voting process.

If you do not choose to vote by telephone or the Internet, you may still return your proxy card, properly signed, and the shares represented will be voted in accordance with your directions. You can specify your choices by marking the appropriate boxes on the proxy card. If your proxy card is signed and returned without specifying choices, the shares will be voted in favor of proposals 1, 2 and 3. If you vote by telephone or the Internet, it is not necessary to return your proxy card.

You may revoke your proxy at any time before it is voted at the Annual Meeting by casting a different vote by telephone or the Internet, by executing a later-voted proxy by mail, by voting by ballot at the Annual Meeting, or by providing written notice of the revocation to Ivy Dong, Legal Counsel of AsiaInfo, at the Company's principal executive offices.

Your vote is important. Accordingly, regardless of whether you plan to attend the Annual Meeting, you are urged to vote by telephone, by the Internet, or by signing and returning the accompanying proxy card. If you do attend, you may vote by ballot at the Annual Meeting, thereby canceling any proxy previously given.

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In the event that any matter not described in this Proxy Statement properly comes before the Annual Meeting, the proxy holders named in the accompanying proxy will vote the shares represented by the proxy in accordance with their best judgment. As of the date of this Proxy Statement, AsiaInfo is not aware of any other matter that might be presented at the Annual Meeting.

Each share of Common Stock outstanding on the Record Date is entitled to one vote. The required quorum for the transaction of business at the Annual Meeting is a majority of the votes eligible to be cast by holders of shares of Common Stock issued and outstanding on the Record Date, present in person or represented by proxy. Stockholders may withhold authority to vote for one or more of the nominees for director and may abstain on one or more of the other matters that may come before the Annual Meeting. The inspector of election appointed for the Annual Meeting will determine the existence of a quorum and will tabulate the votes cast at the Annual Meeting. Broker non-votes will not be counted in determining the number of votes cast with respect to a proposal. For purposes of determining the presence of a quorum, abstentions and broker non-votes will be counted by AsiaInfo as present at the Annual Meeting. Abstentions will also be counted by AsiaInfo in determining the total number of votes cast with respect to a proposal (other than the election of directors). If, however, a quorum shall not be present or represented, the stockholders present in person or represented by proxy shall have the power to adjourn the Annual Meeting from time to time, without notice other than announcement at the Annual Meeting until a quorum shall be present or represented. If a broker indicates on a proxy that such broker does not have discretionary authority to vote on a particular matter, under applicable Delaware law those shares will be counted as present for purposes of determining the presence of a quorum, but will not be counted as votes cast on the matter and will have no effect on the outcome of the vote on such matter.

The cost of soliciting proxies will be borne by AsiaInfo. Proxies may be solicited by certain of AsiaInfo's directors, officers and employees, without additional compensation, in person or by telephone, email or facsimile. In addition, AsiaInfo has retained Morrow & Co., Inc. to assist in such solicitation. The fee to be paid to such firm is not expected to exceed \$12,000 plus reasonable out-of-pocket costs and expenses. In addition, AsiaInfo may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners.

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The By-laws of AsiaInfo provide that the authorized number of directors shall consist of no less than three nor more than ten directors. There are presently ten directors of AsiaInfo, divided into three classes: Class I, Class II and Class III. Each class has a three-year term. Messrs. James Ding, Yungang Lu, Bing Yu and Weiyang Zhang are Class I directors, whose term will expire at the 2006 annual meeting; Messrs. Xingsheng Zhang, Ying Wu and Tao Long are Class II directors, whose term will expire at the 2007 annual meeting; and Messrs. Edward Tian, Chang Sun and Davin A. Mackenzie are Class III directors whose term will expire at the Annual Meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named below, all of whom are presently AsiaInfo directors. If any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee designated by the present Board to fill the vacancy. If stockholders properly nominate persons other than AsiaInfo's nominees for election as directors, the proxy holders will vote all proxies received by them to assure the election of as many of AsiaInfo's nominees as possible, with the proxy holder making any required selection of specific nominees to be voted for. The term of office of each person elected as a director will continue until the third annual meeting following his or her election or until his or her earlier resignation or removal. The directors elected this year should continue in office until the 2008 annual meeting. There is no family relationship between any director and any other director or executive officer of AsiaInfo.

Nominees for Class III Directors

Certain information regarding the nominees is set forth below:

Name of Nominee	Age	Principal Occupation	Director Since
Edward Tian	41	Vice President of China Netcom Group	1993
Chang Sun	48	Managing Director of Warburg Pincus	1997
Davin A. Mackenzie	44	Managing Director of Peak Capital	2004

Edward S. Tian has served as a member of the Board of AsiaInfo since our inception. Dr. Tian is currently Chief Executive Officer of China Netcom (Group) Company Limited (formerly known as China Netcom Corporation Ltd.) and Vice President of China Network Communication Group Corporation (referred to as China Netcom Group together with its affiliates), a New York Stock Exchange listed company. He has also acted in other senior management positions in China Netcom Group since he joined the company in June 1999. China Netcom Group is a facilities-based broadband telecommunications operator in China, providing Internet broadband access and integrated telecommunications services to residential and corporate customers. Prior to joining China Netcom Group, Dr. Tian and James Ding co-founded AsiaInfo in Dallas, Texas in 1993 and Dr. Tian served as AsiaInfo's President through May 1999. Dr. Tian has a Master of Science degree from the Graduate School of the Chinese Academy of Science in Beijing and a Ph.D. in Environmental Management from Texas Tech University.

Chang Sun has served as a member of the Board of AsiaInfo since December 1997. Mr. Sun is a Managing Director of Warburg Pincus, a major shareholder and affiliate of AsiaInfo. Warburg Pincus is in the business of managing private equity and venture capital funds. Prior to joining Warburg Pincus in 1995, Mr. Sun was an Executive Director of Goldman Sachs (Asia) LLC. Mr. Sun holds a B.A. from the Beijing Foreign Language

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University, a Master of Arts degree from the Joseph Lauder Institute of International Management at the University of Pennsylvania and an M.B.A. from the Wharton School of the University of Pennsylvania.

Davin A. Mackenzie has served as a member of the Board of AsiaInfo since August 2004. Mr. Mackenzie is currently the Managing Director and Beijing Representative of Peak Capital, a private equity firm focused on China. Prior to his joining Peak Capital, Mr. Mackenzie served for seven years with the International Finance Corporation, the private sector arm of the World Bank, including four years as the Country Manager for China and Mongolia. Mr. Mackenzie also served as a senior associate at Mercer Management Consultants in Washington, D.C., and as the Taipei branch manager for First National Bank of Boston in Taiwan. Mr. Mackenzie is a graduate of Dartmouth College with a B.A. in Government. He received an M.A. in International Studies and an M.B.A at the University of Pennsylvania. Mr. Mackenzie has also completed the World Bank Executive Development Program at Harvard Business School in Boston, Massachusetts.

Board Meetings and Committees

The Board held four regular meetings during the fiscal year ended December 31, 2004, and acted six times by unanimous written consent. The Board has an audit committee, a compensation committee, a nominating and corporate governance committee, and an executive committee.

Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Executive Committee
Yungang Lu	Davin A. Mackenzie	Chang Sun	James Ding
Tao Long	Chang Sun	Weiyang Zhang	Chang Sun
Davin A. Mackenzie	Weiyang Zhang	Ying Wu	Edward Tian
			Xingsheng Zhang
			Bing Yu

Audit Committee. The audit committee of the Board (the Audit Committee) currently consists of Messrs. Lu (Chair), Long and Mackenzie. The Board has determined that each member of the Audit Committee is independent as defined by the Nasdaq National Market. The Board has also determined that each member of the Audit Committee is an audit committee financial expert as defined by the Securities and Exchange Commission (the SEC). The Audit Committee held four meetings during the last fiscal year. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent auditors. The Audit Committee represents and assists the Board with the oversight and integrity of the Company's financial statements and internal controls, the Company's compliance with legal and regulatory requirements, the independent auditors' independence and qualifications, the performance of the Company's internal audit function and the independent auditors. In addition, the Audit Committee pre-approves the audit and non-audit services to be provided by the independent auditors. For more information on our audit committee, please see the discussion below under the heading Audit Committee Report.

Compensation Committee. The compensation committee of the Board (the Compensation Committee) currently consists of Messrs. Mackenzie (Chair), Sun and Weiyang Zhang. The Compensation Committee held one meeting during the last fiscal year. The Compensation Committee administers AsiaInfo's stock option plans and makes decisions concerning salaries and incentive compensation for AsiaInfo's employees. For more information on our compensation committee, please see the discussion below under the heading Compensation Committee Report.

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Nominating and Corporate Governance Committee. On February 27, 2004, we established a nominating and corporate governance committee (the Governance Committee), which presently consist of Messrs. Sun (Chair), Wu and Weiyang Zhang. The Governance Committee replaced our existing nominating committee, which had been established in 2002. The Governance Committee held one meeting during the last fiscal year. The Governance Committee makes recommendations to the Board regarding the nomination of candidates to stand

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for election or re-election as members of the Board. The Governance Committee will consider candidates for Board membership proposed by stockholders. Any such proposals should be made in writing to AsiaInfo Holdings, Inc., 4th Floor, Zhongdian Information Tower, 6 Zhongguancun South Street, Haidian District, Beijing 100086, PRC, Attention: Legal Department. For more information on our Governance Committee, please see the discussion below under the heading "Nominating and Corporate Governance Committee".

Executive Committee. The executive committee of the Board (the "Executive Committee") consists of Messrs. Ding (Chair), Sun, Tian, Yu and Xingsheng Zhang. The Executive Committee was created in 2004 to replace our existing finance committee. The Executive Committee held one meeting during the last fiscal year. The Executive Committee makes recommendations to the Board with respect to AsiaInfo's capital position, financing requirements and strategic acquisitions and other corporate transactions.

During the year 2004, each director attended 75% or more of the meetings of the Board and of the committees of the Board on which the director served during the period for which he was a director or committee member, respectively, except for Weiyang Zhang who attended one of four Board meetings.

Executive sessions, or meetings of outside directors without the Chief Executive Officer or other members of management present, are generally held on a periodic basis in conjunction with regular meetings of the Board. Additional executive sessions or meetings of outside directors may be held from time to time as required.

Director Compensation

In 2004, each non-executive director was entitled to receive an annual retainer of \$15,000 and a meeting fee of \$1,000 for each Board meeting attended. The chairman of the Audit Committee was entitled to an additional annual fee of \$5,000 and each member of the Audit Committee was entitled to a meeting fee of \$1,000 for each Audit Committee meeting attended. In addition to these fees, the Company reimburses directors and committee members for reasonable and actual out of pocket travel expenses incurred when attending board or committee meetings.

AsiaInfo also has granted stock options to most of its non-executive directors, beginning with initial grants of 20,000 options to each non-executive director, vesting over four years on an annual schedule of 25%, 25%, 25% and 25%. During the last two years of the vesting schedule, the options vest quarterly. In the past, the Company has typically granted new options to its non-executive directors as their options vest, so that the unvested portion of each non-executive director's options is maintained at 20,000.

Vote Required

Directors are elected by a plurality of the votes present in person or represented by proxy and entitled to vote.

Recommendation of the Board

The Board recommends that the stockholders vote FOR the election of each of the nominees listed above.

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**PROPOSAL NO. 2:
RATIFICATION OF APPOINTMENT OF
INDEPENDENT AUDITORS**

General

The Board has selected the firm of Deloitte Touche Tohmatsu as AsiaInfo's independent auditors to audit the financial statements of AsiaInfo for the fiscal year ending December 31, 2005, and recommends that stockholders vote for ratification of this appointment. Deloitte Touche Tohmatsu has audited AsiaInfo's financial statements since the Company's inception in 1993.

Stockholder ratification of the selection of Deloitte Touche Tohmatsu as AsiaInfo's independent auditors is not required by AsiaInfo's By-Laws or otherwise. However, the Board is submitting the selection of Deloitte Touche Tohmatsu to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee and the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Board in its discretion may direct the appointment of different independent auditors at any time during the year if it determines that such change would be in the best interests of AsiaInfo and its stockholders. Representatives of Deloitte Touche Tohmatsu are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

The following discussion describes the fees billed by Deloitte Touch Tohmatsu for services rendered on behalf of the Company. For additional information on the types of fees discussed below, and the Audit Committee's pre-approval procedures, please see the discussion under the heading "Audit Committee Report."

Audit Fees

The aggregate fees billed by Deloitte Touche Tohmatsu for professional services rendered for the audit of the Company's financial statements for the fiscal years ended December 31, 2004 and December 31, 2003, and for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q for those fiscal years were approximately \$515,000 and \$413,000, respectively. In addition, the fees billed by Deloitte Touche Tohmatsu for professional services rendered for the audit of internal control for the fiscal year ended December 31, 2004 was approximately \$364,000.

Audit-Related Fees

Deloitte Touche Tohmatsu did not bill any fees for audit-related services for either of the last two fiscal years.

Tax Fees

The aggregate fees billed by Deloitte Touche Tohmatsu for professional services for tax compliance, tax advice and tax planning for each of the last two fiscal years were approximately \$594,000 and \$1,037,000, respectively.

All Other Fees

Deloitte Touche Tohmatsu did not bill any fees for any other services for either of the last two fiscal years, except for \$256,000 for merger and acquisition consultation during the year ended December 31, 2004.

Recommendation of the Board

The Board recommends that the stockholders vote **FOR** the ratification of the appointment of Deloitte Touche Tohmatsu as AsiaInfo's independent auditors for the fiscal year ending December 31, 2005.

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PROPOSAL NO. 3:

APPROVAL OF THE 2005 STOCK INCENTIVE PLAN

Background and Purpose of the 2005 Plan

We are asking our stockholders to approve our 2005 Stock Incentive Plan (the "2005 Plan"). The 2005 Plan is intended to better align the interests of participants in the 2005 Plan with all our shareholders and to promote our long-term growth and profitability by providing us with the tools to remain competitive in attracting and retaining employees, directors, officers and consultants. Under the 2005 Plan, we may grant participants restricted stock awards, stock options, or other types of equity incentives.

In preparing the 2005 Plan, we have considered the impact of Financial Accounting Standard No. 123 (revised 2004), *Share Based Payment*, or FAS 123(R), which will require us to treat all equity awards as an expense, including stock options and restricted stock, effective June 15, 2005. In the past, we have accounted for the grant of stock options using the intrinsic value method, which has typically resulted in our not recognizing any compensation expenses for stock options granted at or above the fair market value of our Common Stock on the date of grant. In view of the accounting changes required by FAS 123(R), in the future we intend to utilize restricted stock awards as the primary type of equity incentive for our employees. While the 2005 Plan will allow us to grant restricted stock awards, it will also provide the Compensation Committee with discretion to award stock options in circumstances where the Committee determines that stock options would be more appropriate. We believe this approach to compensation will offer a competitive and more stable level of equity-based incentive compensation than we have provided in the past.

The number of shares of Common Stock available for issuance under the 2005 Plan is 600,000 shares, plus any shares that are available for grant under the Company's 2002 Stock Option Plan (the "Prior Plan") or would again become available for grant under the Prior Plan, in accordance with its terms. As of March 15, 2005, approximately 2000 persons were eligible to participate in the 2005 Plan.

A copy of the 2005 Plan, as proposed, is attached to this Proxy Statement as Appendix I and is incorporated herein by reference. The following description of the 2005 Plan is a summary and does not purport to be a complete description. See Appendix I for more detailed information.

For information about how the 2005 Plan has been amended since March 16, 2005, See "Other Matters".

Summary of the 2005 Plan

The 2005 Plan provides a means whereby employees, directors, officers, consultants, agents, advisors and independent contractors of the Company may be granted restricted stock awards, stock options, or other types of equity incentives. Subject to adjustment required in the event of any recapitalization of the Company, the numbers of shares available for issuance under the 2005 Plan as proposed will be as described above. Shares subject to awards granted under the 2005 Plan that have lapsed or terminated may again become subject to awards granted under the 2005 Plan.

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The Company's Compensation Committee is the plan administrator of the 2005 Plan, and will have discretion over whether and to whom awards will be granted. Subject to the terms of the 2005 Plan, the plan administrator will determine the terms and conditions of awards granted under the 2005 Plan, including the vesting of restricted stock awards and the exercise price of any options granted under the 2005 Plan.

The 2005 Plan provides that the plan administrator must establish an exercise price for incentive stock options, or ISOs, that is not less than the fair market value per share at the date of grant. Each ISO must expire within ten years of the date of grant. However, if ISOs are granted to persons owning more than 10% of the voting stock of the Company, the 2005 Plan and the tax laws pertaining to ISOs provide that the exercise price may not be less than 110% of the fair market value per share at the date of grant. On March 11, 2005, the average of the high and

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low sale prices of the Common Stock was \$4.78 per share, as reported by the Nasdaq National Market. The option exercise price may be paid in cash or by check, by tendering shares of Common Stock that the optionee has owned for at least six months, by a broker-assisted cashless exercise, by any combination of the foregoing, or with such other consideration as the plan administrator may permit. Unless otherwise established by the plan administrator, the term of each option is ten years from the date of grant, except that if ISOs are granted to persons owning more than 10% of the Company's voting stock, the term may not exceed five years.

The plan administrator is authorized to make restricted stock awards on such terms and conditions and subject to such restrictions (whether based on performance standards, periods of service or otherwise), as the plan administrator may determine. Restrictions may include repurchase or forfeiture rights in favor of the Company.

No restricted stock award or option may be transferred by the participant other than by will or the laws of descent or distribution, except for certain transfers that may be permitted by the plan administrator. Unless otherwise established by the plan administrator, an optionee whose relationship with the Company or any related corporation ceases for any reason (other than termination for cause, retirement, death or disability, as such terms are defined in the 2005 Plan) may exercise the option, to the extent vested on the date of termination, in the three-month period following such cessation (unless such options terminate or expire sooner by their terms). In the event the optionee is terminated for cause, the options terminate upon the first notification to the optionee of such termination. In the event the optionee retires, dies or becomes permanently and totally disabled, options vested as of the date of retirement, death or disability may be exercised prior to the earlier of the option's specified expiration date and one year from the date of the optionee's retirement, death or disability.

In the event of a Corporate Transaction (as defined in the 2005 Plan), the plan administrator will determine whether provisions will be made in connection with the Corporate Transaction for the assumption of awards under the 2005 Plan or substitution of appropriate new awards covering the stock of the successor corporation or an affiliate of the successor corporation. If the plan administrator determines that no such assumption or substitution will be made, each outstanding restricted stock award and each outstanding option under the 2005 Plan will automatically accelerate so that it will become 100% vested immediately before the Corporate Transaction.

The 2005 Plan does not have a fixed expiration date. No ISOs may be granted under the 2005 Plan, however, more than ten years after the later of (i) the 2005 Plan's adoption by the Board and (ii) the adoption by the Board of any amendment to the 2005 Plan that constitutes the adoption of a new plan for purposes of Section 422 of the Internal Revenue Code (the "Code").

Federal Income Tax Consequences

The material U.S. federal income tax consequences to the Company and to any person granted a stock award or an option under the 2005 Plan who is subject to taxation in the United States under existing applicable provisions of the Code and underlying Treasury Regulations are substantially as follows. The following summary does not address state, local or foreign tax consequences and it is based on present law and regulations as in effect as of the date hereof.

Nonqualified Stock Options (NSOs). No income will be recognized by an optionee upon the grant of an NSO. Upon the exercise of an NSO, the optionee will recognize taxable ordinary income in an amount equal to the excess of the fair market value at the time of exercise of the shares acquired over the exercise price. Upon a later sale of those shares, the optionee will have capital gain or loss equal to the difference between the amount realized on such sale and the tax basis of the shares sold. Furthermore, this capital gain or loss will be long-term capital gain or loss if the shares are held for more than one year before they are sold. If payment of the option price is made entirely in cash, the tax basis of the shares will be equal to their fair market value on the exercise date (but not less than the exercise price), and the shares' holding period will begin on the

day after the exercise date.

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If the optionee uses already-owned shares to pay the exercise price of an NSO in whole or in part, the transaction will not be considered to be a taxable disposition of the already-owned shares. The optionee's tax basis and holding period of the already-owned shares will be carried over to the equivalent number of shares received upon exercise. The tax basis of the additional shares received upon exercise will be the fair market value of the shares on the exercise date (but not less than the amount of cash, if any, used in payment), and the holding period for such additional shares will begin on the day after the exercise date.

Incentive Stock Options (ISOs). No income will be recognized by an optionee upon the grant of an ISO. The rules for the tax treatment of an NSO also apply to an ISO that is exercised more than three months after the optionee's termination of employment (or more than 12 months thereafter in the case of disability, as defined in the 2005 Plan). Upon the exercise of an ISO during employment or within three months after the optionee's termination of employment (12 months in the case of permanent and total disability), for regular tax purposes the optionee will recognize no ordinary income at the time of exercise (although the optionee will have income for alternative minimum income tax purposes at that time equal to the excess of the fair market value of the shares over the exercise price). If the acquired shares are sold or exchanged after the later of (i) one year from the date of exercise of the option and (ii) two years from the date of grant of the option, the difference between the amount realized by the optionee on that sale or exchange and the option exercise price will be taxed to the optionee as long-term capital gain or loss. If the shares are disposed of in an arms-length sale before such holding period requirements are satisfied, then the optionee will recognize taxable ordinary income in the year of disposition in an amount equal to the excess of the fair market value of the shares received on the exercise date over the exercise price (or, if less, the excess of the amount realized on the sale of the shares over the exercise price), and the optionee will have short-term or long-term capital gain or loss, as the case may be, in an amount equal to the difference between (i) the amount realized by the optionee upon the disposition of the shares and (ii) the exercise price paid by the optionee increased by the amount of ordinary income, if any, so recognized by the optionee.

Company Deduction. In all the foregoing cases, the Company will be entitled to a deduction at the same time and in the same amount as the participant recognizes ordinary income, subject to certain limitations. Among these limitations is Section 162(m) of the Code. Certain performance-based compensation is not subject to the Section 162(m) limitation on deductibility. Stock options and restricted stock awards can qualify for this performance-based exception if they meet the requirements set forth in Section 162(m) and Treasury Regulations promulgated thereunder. The 2005 Plan has been drafted to allow compliance with those performance-based criteria.

Equity Compensation Plan Information

The following table provides information as of December 31, 2004 with respect to the Common Stock that may be issued under our existing equity compensation plans.

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options</u>	<u>Weighted average exercise price of outstanding options</u>	<u>Number of securities remaining available for future issuance under equity compensation plans</u>
Equity compensation plans approved by security holders	10,581,854	\$ 6.7522	0*
Equity compensation plans not approved by security holders			
Total	10,581,854	\$ 6.7522	0*

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* Options that are outstanding under the Company's existing stock option plans will become available for re-granting if those options are forfeited or cancelled prior to exercise or expiration.

Recommendation of the Board

The Board recommends that the stockholders vote **FOR** the approval of the Company's 2005 Stock Incentive Plan.

Table of Contents**MANAGEMENT****Executive Officers**

The following table sets forth certain information with respect to our current directors and executive officers:

Board of Directors	Age	Position
James Ding	39	Chairman of the Board and Board Member
Xingsheng Zhang	49	President, Chief Executive Officer and Board Member
Yungang Lu	41	Board Member
Davin A. Mackenzie	44	Board Member
Weiyang Zhang	46	Board Member
Tao Long	52	Board Member
Chang Sun	48	Board Member
Edward Tian	41	Board Member
Ying Wu	45	Board Member
Bing Yu	39	Board Member

Executive Officers	Age	Position
Xingsheng Zhang	49	President and Chief Executive Officer
Ying Han	50	Executive Vice President and Chief Financial Officer
Steve Zhang	41	President and Chief Executive Officer of AsiaInfo Technologies Division
Bing Yu	39	President and Chief Executive Officer of Lenovo-AsiaInfo Division
Chao Wang	41	General Manager of New Services Division

For a biographical summary of Edward Tian, Chang Sun and Davin A. Mackenzie, please see the section headed "Election of Directors" beginning on page 4 of this Proxy Statement.

James Ding has served as our Chairman of the Board since April 1, 2003 and has served as a member of the Board of AsiaInfo since our inception. He served as our Chief Executive Officer from May 1999 to April 2003. He was also our Senior Vice President for Business Development and Chief Technology Officer from 1997 to 1999. Prior to that, Mr. Ding was our Senior Vice President and Chief Technology Officer from 1993 to 1997. Mr. Ding received a Master of Science degree in information science from the University of California, Los Angeles in 1990.

Xingsheng Zhang has served as President and Chief Executive Officer and a member of the board of directors of AsiaInfo since April 2003. Prior to that, Mr. Zhang served as Chief Marketing Officer of Ericsson (China) Co., Ltd. Since joining Ericsson in 1990, Mr. Zhang took on successively greater management responsibilities in positions of Marketing Manager, Director of Business Development, Vice President/Head of Mobile Phones and Executive Vice President/General Manager of National Network Operators. Before joining Ericsson, Mr. Zhang worked in engineering and management positions with different organizations of the Beijing Toll Telecom Bureau, the Beijing Telecom Administration and China International Telecom Construction Corporation of the Ministry of Posts & Telecom (now the Ministry of Information Industry). Mr. Zhang graduated from Beijing University of Posts and Telecommunications in 1977, and holds an MBA degree from Norwegian School of

Management BI.

Yungang Lu has served as a member of the Board of AsiaInfo since July 2004. Mr. Lu is now Managing Director of APAC Capital Advisors Limited, an investment manager based in Hong Kong. Prior to that, Mr. Lu was a research analyst with Credit Suisse First Boston (Hong Kong) from 1998 to 2004, where his last position

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was the head of China Research. Before moving to Credit Suisse First Boston in 1998, he worked as an equity analyst focused on regional infrastructure at JP Morgan Securities Asia in Hong Kong. Mr. Lu had also been an advisor on infrastructure projects in the power, transportation and healthcare sectors at Schroders Asia in Hong Kong. Mr. Lu received an M.S. in Biochemistry at Brigham Young University and a Ph.D in Finance from the University of California, Los Angeles.

Weiyang Zhang has served as a member of the Board of AsiaInfo since October 2003. Professor Zhang is a Professor of Economics and the First Associate Dean of Guanghua School of Management at Beijing University. He is also a member of the Advisory Board for the State Informatization Committee of China, and a member of the Advisory Board for Telecommunication Law Drafting Committee. Professor Zhang has been involved in economic reform and management science since 1984, when he served as a research fellow of the Economic System Reform Institute of China under the State Commission of Economic System Restructuring. He has also been a member of the Advisory Board on Enterprise Reform to the State Commission for Economic Restructuring, a consultant to the Department of Enterprises of the State Economic and Trade Commission, and a local consultant to the World Bank Project on Chinese State-Owned Enterprise Reform. Professor Zhang received a doctorate degree in economics from Oxford University in 1994.

Tao Long has served as a member of the Board of AsiaInfo since January 2003. He founded and has served as Chairman of Beijing Investment Consultants, Inc. since 1991. Mr. Long worked for KPMG LLP as an auditor in the field of auditing and financial analysis from 1987 to 1989. Mr. Long has been an Associate Professor at Central University of Finance & Economics since 1992. Mr. Long received a Master of Science degree in accounting from the Institute of Public Finance Science Research of the Ministry of Finance in 1985 and a Bachelor of Economics degree in planning and statistics from Inner Mongolia University in 1982.

Ying Wu has served as a member of the Board of AsiaInfo since July 2003. Mr. Wu is the co-founder and Vice-Chairman of UTStarcom Inc. (Nasdaq: UTSI), a leading global provider of wireless and wireline access and IP switching solutions, and Chairman & CEO of UTStarcom (China) Co., Ltd. Before founding Starcom in 1991, which later merged with Unitech in 1995 to become today's UTStarcom, Mr. Wu was a member of the technical staff and senior project manager of AT&T Bell Labs, which he joined in 1987. He holds a MS in Electrical Engineering from New Jersey Institute of Technology and a BS in wireless communication from Beijing Industrial University.

Bing Yu has been a member of the Board of AsiaInfo since October 2004, and he currently also serves as President and Chief Executive Officer of our Lenovo-AsiaInfo Division. Prior to that, Mr. Yu was the senior Vice President of Lenovo Group Limited (Lenovo), and the head of Lenovo's IT services business. Mr. Yu joined Lenovo in 1990. From 1996 to 2001 he was in charge of marketing strategy for Lenovo's PC business, including the establishment and maintenance of sales channels.

Ying Han has been our Executive Vice President and Chief Financial Officer since 1998. From 1996 to 1998 Ms. Han was Chief Controller and Business Development Director of Hewlett-Packard (China). She was also their Finance Manager from 1993 to 1996 and their Service Business Administration Manager from 1990 to 1993. Ms. Han received a college degree in Western Accounting from Xiamen University in 1985.

Steve Zhang has served as President and Chief Executive Officer of our AsiaInfo Technologies Division since November 2004. Previously, he was the Senior Vice President and General Manager of our China Mobile Account from 2003 to 2004, our General Manager for Operation Support System Solutions from 2001 to 2003 and our Vice President for Software from 1999 to 2001. From 1989 to 1999, Mr. Zhang held senior project management and technical positions in several Silicon Valley companies, including Blue Martini Software, Inc., Hyperion Solutions, Inc., Arbor Software, Versant Object Technology, Inc., and Sun Microsystems. From September 1997 to June 1999, he was a development manager and senior development manager at Hyperion

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Solutions, Inc. and from March 1994 to October 1995, he served as Development Manager at Versant Object Technology, Inc. Mr. Zhang earned his Master of Science degree in computer science from Rice University and a doctorate in information science from the University of Pisa, Italy.

Chao Wang has served as General Manager of our New Services Division since August 2004. He joined AsiaInfo in December 2002 and previously served as General Manager of Strategy and Marketing, and Deputy General Manager of Marketing and Presales for Operation Support System Solutions. He also served as Deputy General Manager of R&D for application and communication products from July 2003 to September 2003. Mr. Wang has more than 18 years of experience in the telecommunications and software industry. Before joining AsiaInfo, he worked at MCI-WorldCom as a project manager from 1996 to 2001. He also served as Executive Vice President for sales and marketing at GCTech Company Limited, a systems integrator for China's telecommunications industry. Mr. Wang earned his Master degree in Electrical Engineering from the University of Missouri-Columbia in 1991 and a Bachelor degree in Computer Science from Xidian University in 1984.

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EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the compensation earned for services rendered to AsiaInfo in all capacities for the three fiscal years ended December 31, 2004, by AsiaInfo's Chief Executive Officer and our four next most highly compensated executive officers for the fiscal year ended December 31, 2004 (collectively, the Named Executive Officers):

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards	All Other Compensation (\$) ⁽¹⁾
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Underlying Options (#)	
Xingsheng Zha						