

# LETTER TO SHAREHOLDERS

## Dear Shareholders,

We are pleased to report, that as the result of a number of initiatives taken in 2007, we continued to build upon our strategy, maintaining and growing our leadership position in all of our business lines, while delivering strong financial performance. Demand remains strong for our China-focused financial information and our expanded distribution platform is enabling us to capture the rapid growth in China's advertising and media market. Through the strength of our businesses and our dedicated efforts, China now accounts for over 55% of our revenue and over 70% of our employees worldwide.

## Content and Distribution Strategy Provides Ongoing Opportunities

We are especially happy with the recent achievements recorded by our Content and Distribution businesses. During 2007, these businesses worked together effectively to pursue opportunities in the developing China markets.

For instance, in response to China's booming stock markets and changing regulatory environment, we geared the content of our Fortune China TV program series to help viewers understand market movements. Fortune China is a well-known financial television program series in China focusing on financial and investment related information and analysis and including interviews with influential business people and industry experts. The ratings of Fortune China programs increased because of strengthened content as well as stronger promotional efforts, which in return enhanced the advertising value of the program and attracted more advertisers.



Fortune China TV Program



Our IPO indicator published in the Chinese Venture magazine

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*Chinese Venture*, a monthly financial magazine targeting developing enterprises in China with an interest in financing their businesses, regularly publishes our unique Xinhua Finance/Milken Institute IPO indicator which tracks composition and performance changes in China's IPO market, providing great insight into the performance of newly listed companies.

Our Content and Distribution strategy not only created new revenue streams for the Group but also enabled us to leverage our content, client base and brand name throughout the distribution platform. Businesses are increasingly targeting the upwardly mobile and high net worth demographic in China and we are helping advertisers reach these targeted clients. We expect this strategy to have an even more meaningful impact on our businesses in 2008, as we continue to integrate and expand.

### Strong Financial Performance

For full year 2007, the Company recorded consolidated revenue of US\$257.7 million under International Financial Reporting Standards (IFRS), a 47% increase compared to US\$175.0 million for full year 2006, of which over 55% came from our China businesses. Revenue from continuing operations for the year was US\$247.5 million, representing a 54% increase over full year 2006. Our existing businesses contributed 83% of our total revenues, while our newly acquired subsidiaries contributed 17%. Our Content business represented 47% of these revenues and Distribution represented 53%.

EBITDA was US\$39.0 million for full year 2007, up 67% from US\$23.3 million for the previous year. Net income for the full year 2007 was US\$56.5 million, or US\$51.68 per fully diluted share, compared to net income of US\$18.7 million, or US\$20.14 per fully diluted share for the previous year's period.

We also benefited from sustained efforts to enhance internal controls, disciplines and efficiencies. Accordingly, we have solidified Xinhua Finance's market leadership in all of our service lines and generated solid financial results.





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### Refined Business Strategy Offers Competitive Advantage

Most importantly, we continued to refine our business model to reflect our China focus and emphasize the areas in which we have a competitive advantage. To that end, during 2007 we chose to discontinue or divest of certain non-core businesses: we sold certain non-China news operations of Xinhua Finance News (XFN) to Thomson Financial, which allows XFN to focus its operations in Greater China. Our subsidiary, Mergent, partnered with Moody's Investor Service to provide a comprehensive pricing business covering both equity and debt. As part of this agreement, Moody's acquired the Bond Pricing and Evaluation Service of Mergent. We also divested the proxy advisory and research firm Glass, Lewis & Co., as we mutually agreed that the firm would best thrive under independent ownership outside the public market.

Additionally, we focused on effective integration throughout our business units to uncover more cross-selling and business opportunities for the Group. For instance, Taylor Rafferty and Fortune China Public Relations, the two investor relations/public relations advisories under Xinhua Finance, have merged their businesses in China to heighten the natural synergies between them and enhance the value of their offerings to Chinese companies seeking global financing and visibility. We expect to continue reaping the benefits from our integration efforts in 2008 as our business increases in scale.

### Positioned to Maintain Leadership Standing

Our China focused strategy has given us leadership positions across all service lines, which are elaborated more in the "Overview of Service Lines" section. As a result of our progress in 2007, we are confident that our business lines will continue to grow at an increasing rate in line with the dynamic development of China's economy and capital markets. We are pioneers in the China markets and given our unique position in content and distribution we believe we are well positioned to take advantage of further opportunities for nationwide growth as China continues to evolve.



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In our media distribution business, we expect to further capitalize on XFMedia's leadership position in China. The primary growth focus for this subsidiary in 2008 will be broadcast, print and outdoor advertising, all of which we believe present excellent opportunities and provide us with the highest margins.

We also plan to grow the Distribution service line through our financial solutions strategy. We are targeting securities firms and retail investors in China that need quality financial analysis and effective analytical tools, meeting international standards, to evaluate the China markets as well as back office and trading applications to support their operations. We currently provide these analytic products and applications through software applications. Our goal is to offer a comprehensive financial solution platform that empowers investors throughout China with the right information and analytical tools to enable them to make more well-informed investment decisions.

Going forward, we will continue our focus on China and further expand in this fast-growing market, which is our core competency, while focusing on integrating and refining the services we already offer. We occupy a unique position in China's financial information and media sector and will continue to build on the many synergies that exist between our content and distribution businesses.

We look forward to reporting our progress to you during the year.

Sincerely,




Fredy Bush  
*Chief Executive Officer\**



Ms. Fredy Bush, Founder & CEO of  
Xinhua Finance

\* Ms. Fredy Bush has taken the role as Executive Vice Chairman since May 26, 2008, when Mr. Jae Lie was promoted to CEO.

A Go board with a wooden piece in the foreground and a semi-transparent text box on the right.

Our China-Focused Strategy  
has given us **LEADERSHIP POSITIONS**  
across all service lines

For the past eight years we have been and continue to be dedicated to providing financial professionals with insight into the business and regulatory environment of China. Through our distribution strategy, we are creating incremental value for our content, diverse client base and brand name as we move our proprietary content across various media to reach financial institutions and upwardly mobile individuals nationwide. Today, we are China's premier financial information and media service provider.



## Leveraging Proprietary Content Across Distribution Platforms

Our proprietary content in Indices, Ratings, Financial News and Investor Relations assists financial institutions, corporations and re-distributors globally, and our client base has kept growing over the years. These unique product suites comprising essential components that have become the investment infrastructure for China's financial markets are complementary to each other and highly customizable.

Based upon the well-established content business, we develop a China distribution capability expanding our reach from our current customer base of financial institutions and corporations to China's upwardly mobile and high net worth population who need our information to make investment decisions. Our subsidiary XFMedia under our Distribution service line provides targeted demographic with financial information and entertainment via television, radio, newspapers, magazines, websites and outdoor media. In 2007, XFMedia itself generated US\$135 million, or 52%, of the Group's total revenue. Also as part of our Distribution service line, via our Solutions business, we are offering our content to China's growing number of brokerage companies and financial institutions through their trading terminals and systems.

## Xinhua Finance Group

