

2008 Year Financial Summary

27 February, 2009

Listed Company Name: Xinhua Finance Limited
Code No. : 9399
Representative-Title: Chief Executive Officer;
Inquiry-Title: Chief Financial Officer;
Title: Director of Investor Relations;
Scheduled Date of Annual General Meeting of Shareholders:
Scheduled Date of Annual Securities Report:

Listed Section : Mothers
URL: <http://www.xinhuafinance.com>
Name : Jae Lie
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Name : Yoshitaka Yamada; Tel: Tokyo (81) 3 5403- 4832-
May 29, 2009
March 31, 2009

(Note: Figures are rounded to the nearest thousand of US dollar (US\$) or the nearest million of Japanese Yen (JPY))

1. Consolidated Results for the period ended December 31, 2008 (from January 1, 2008 to December 31, 2008) under Japan GAAP

(1) Consolidated Operating Results

(Note: % represents increase or decrease compared to the corresponding period of a year earlier.)

	Turnover		Operating Income / △ Loss		Ordinary Income / △ Loss		Net Income / △ Loss	
	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%
December, 2008	279,351 (25,429)	8.4	△44,838 (△4,082)	-	△54,789 (△4,987)	-	△268,322 (△24,425)	-
December, 2007	257,676 (23,456)	47.3	△13,073 (△1,190)	-	△14,830 (△1,350)	-	23,497 (2,139)	118.4

	Basic Earnings per share	Diluted Earnings per Share	Net Income to Average of Adjusted Shareholders' Equity (%)	Ordinary Income to Total Assets (%)	Operating Income to Turnover (%)
	US\$ (JPY) 2 decimal places	US\$ (JPY) 2 decimal places	%	%	%
December, 2008	△212.89 (△19,379.08)	- (-)	△113.8	△9.3	△16.1
December, 2007	23.33 (2,123.73)	23.24 (2,115.54)	7.1	△1.7	△5.1

	Proforma EBITDA		EBITDA		Proforma Net Income / △ Loss	
	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%
December, 2008	51,681 (4,705)	△2.3	△160 (△15)	-	714 (65)	△93.7
December, 2007	52,883 (4,814)	62.2	28,672 (2,610)	16.2	11,420 (1,040)	△24.9

(Notes)

- 1) P/L from applying Equity Method: December 31, 2008: US\$64 thousand (JPY6 million); December 31, 2007: US\$6 thousand (JPY1 million)
- 2) Average number of shares during the period: December 2008: 1,260,396.77 shares; December 2007: 1,007,036.74 shares.

- 3) Exchange rate used US\$1 = ¥91.03; the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), from the quotations by The Bank of Tokyo-Mitsubishi UFJ, Ltd. for buying and selling spot US\$ by telegraphic transfer against yen as of December 30, 2008.
- 4) We define EBITDA in relation to our Japan GAAP financial statements as operating income or loss plus depreciation, amortization, amortization of goodwill and amortization of deferred long term contracts within cost of sale.
- 5) We define Proforma EBITDA in relation to our Japan GAAP financial statements as EBITDA excluding non cash share based payments and one time items and including recurring non operating income.
- 6) Proforma EBITDA for December, 2007 has been adjusted to exclude US\$ 2,262 thousand (JPY 206 million) in other income previously classified as recurrent in nature.
- 7) We define Proforma Net Income in relation to our Japan GAAP financial statements as net income excluding non cash share based payments, one time items and amortization arising from acquisitions.

(2) Consolidated Financial Status

	Total Assets	Total Net Assets	Adjusted Shareholders' Equity to Total Assets (%)	Net Assets per Share
	US\$ thousand (JPY million)	US\$ thousand (JPY million)	%	US\$ (JPY) 2 decimal places
December, 2008	216,113 (19,673)	119,592 (10,886)	51.7	75.15 (6,840.90)
December, 2007	967,099 (88,035)	572,472 (52,112)	37.2	348.24 (31,700.29)

(Notes) Adjusted shareholders' equity: December 31, 2008: US\$111,674 thousand (JPY 10,166 million)
December 31, 2007: US\$359,751 thousand (JPY 32,748 million)

(3) Consolidated Cash flow results

	Cash flow from Operating Activities	Cash flow from Investing Activities	Cash flow from Financing Activities	Cash and Cash Equivalent at the end of the period
	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)
December, 2008	57,491 (5,233)	△82,347 (△7,496)	△27,302 (△2,485)	57,624 (5,246)
December, 2007	24,040 (2,188)	△157,773 (△14,362)	164,322 (14,958)	125,373 (11,413)

2. Condition of Dividends

(Recorded Date)	Dividend per Share		
	For Interim	For the second half year	For a year
	US\$ (JPY) 2 decimal Places	US\$ (JPY) 2 decimal places	US\$ (JPY) 2 decimal places
For a year of 2007	- (-)	- (-)	0.00 (0.00)
For a year of 2008	- (-)	- (-)	0.00 (0.00)
For a year of 2009 (Forecast)	- (-)	- (-)	0.00 (0.00)

3. Forecast on Consolidated Results for the period ended December 31, 2009 (from January 1, 2009 to December 31, 2009) under Japan GAAP

(Note: % represents increase or decrease compared to the corresponding period of a year earlier.)

	Turnover	EBITDA	Operating Income/ △ Loss	Ordinary Income/ △ Loss	Net Income/ △ Loss	Basic Earnings per share
Interim	US\$ thousand (JPY million) 15,822 (1,440) △88.9%	US\$ thousand (JPY million) 314 (29) △96.3%	US\$ thousand (JPY million) △437 (△40) -	US\$ thousand (JPY million) △11,131 (△1,013) -	US\$ thousand (JPY million) △14,132 (△1,286) -	US\$ (JPY) 2 decimal places △18.97 (△1,726.58)
For a year	34,163 (3,110) △87.8%	4,827 (439) -	3,436 (313) -	△12,409 (△1,130) -	△20,093 (△1,829) -	△26.97 (△2,454.97)

(Notes)

- 1) Exchange rate used: US\$1 = ¥91.03
- 2) We define EBITDA in relation to our Japan GAAP financial statements as operating income or loss plus depreciation, amortization, amortization of goodwill and amortization of deferred long term contracts within cost of sales.
- 3) Performance estimates are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates.

4. Miscellaneous

- (1) Changes of significant subsidiaries during reporting period (with changes in scope of specified consolidated entities): Yes
 Newly consolidated subsidiaries 0;
 Excluded 24: Mergent Inc., Xinhua Finance Media Limited (name changed to Xinhua Sports and Entertainment Limited on February 15, 2009), Beijing Century Media Culture Co. Ltd., Beijing Century Workshop Communications Co. Ltd., Beijing Golden Ways Animation Production Co. Ltd., Changzhou Golden Ways Digital Technology Co. Ltd., Shanghai Renhe Movie and Television Intermediary Co. Ltd., Beijing Perspective Orient Movie and Television Intermediary Co. Ltd., Shanghai Hyperlink Market Research Co. Ltd., Beijing Taide Advertising Co. Ltd., Beijing Xin Tai Hua De Advertising Co. Ltd., Shangtuo Zhiyang International Advertising (Beijing) Co. Ltd., New China Media (Shanghai) Co. Ltd., Active Advertising Agency (Guangzhou) Ltd., Beijing Shiji Guangnian Advertising Co. Ltd., Jia Lou Consulting (Shanghai) Co. Ltd., Beijing Linghang Dongli Advertising Co. Ltd., Beijing JinGuan XinCheng Advertising Co. Ltd., Beijing EWEO Advertising Co. Ltd., Xinhua Finance Media (Shanghai) Co. Ltd., Xinhua Finance Media (Beijing) Co. Ltd., Zhongxi Taihe Culture Consultancy (Shanghai) Co. Ltd., Beijing Pioneer Media Advertising Co. Ltd. and Beijing Mobile Interactive Co. Ltd.
 (Note) Please refer to "2. Outline of the group" on page 24 for details.
- (2) Changes in basis, procedures or representing method of accounting treatments, for the consolidated financial statements (significant matters as basis for the consolidated financial statements)
 - (i) Changes arising from changes in accounting standards: No
 - (ii) Other changes, except for (i): No
- (3) Issued Shares (Common stock)
 - (i) Total issued shares at the end of period (including treasury):
 December 31, 2008: 1,486,051.79 shares; December 31, 2007: 1,033,053.79 shares
 - (ii) Treasury stocks at the end of period:
 December 31, 2008: 0 shares; December 31, 2007: 0 shares
 (Note) Please refer to the note 2 "Average number of shares during the period" on page 1 for the number of shares used for calculation of Basic Earnings per share.

(Reference Information I) Individual Financial Statement Summary

Individual Results for the period ended December 31, 2008 (from January 1, 2008 to December 31, 2008) under Japan GAAP

1. Individual Operating Results

(Note: % represents increase or decrease compared to the corresponding period of a year earlier.)

	Turnover		EBITDA		Operating Income/ △ Loss		Ordinary Income/ △ Loss	
	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%
December, 2008	2,872 (261)	△33.0	△12.954 (△1,179)	-	△12.954 (△1,179)	-	△22.467 (△2,045)	-
December, 2007	4,288 (390)	△54.2	△11.696 (△1,065)	-	△11.696 (△1,065)	-	△14.603 (△1,329)	-

	Net Income/ △ Loss		Basic Earnings per share		Diluted Earnings per share	
	US\$ thousand (JPY million)	%	US\$ (JPY) 2 decimal places		US\$ (JPY) 2 decimal places	
December, 2008	△204.178 (△18,586)	-	△162.00 (△14,746.41)		- (-)	
December, 2007	△81.075 (△7,380)	-	△80.51 (△7,328.83)		- (-)	

2. Individual Financial Status

	Total Assets		Total Net Assets		Adjusted Shareholders' Equity to Total Assets (%)		Net Assets per Share	
	US\$ thousand (JPY million)		US\$ thousand (JPY million)		%		US\$ (JPY) 2 decimal places	
December, 2008	288,956 (26,304)		54,379 (4,950)		18.2		35.38 (3,220.64)	
December, 2007	467,731 (42,578)		241,045 (21,942)		50.1		230.55 (20,986.97)	

(Notes) Adjusted shareholder's equity: December 31, 2008: US\$52,582 thousand (JPY 4,787 million)
December 31, 2007: US\$238,171 thousand (JPY 21,681 million)

(Reference Information II) Consolidated Results under IFRS (from January 1, 2008 to December 31, 2008)

1. Consolidated Operating Results for the period ended December 31, 2008 (from January 1, 2008 to December 31, 2008) under IFRS

	Turnover	Proforma EBITDA	EBITDA	Net Income/ △ Loss	Proforma Net Income/ △ Loss	Basic Earnings per share	Diluted earnings per share
	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ (JPY) 2 decimal places	US\$ (JPY) 2 decimal places
December, 2008	279,351 (25,429)	50,276 (4,577)	△457,315 (△41,629)	△341,707 (△31,106)	2,854 (260)	△271.11 (△24,679.14)	- (-)
December, 2007	257,676 (23,456)	52,044 (4,738)	39,045 (3,554)	56,466 (5,140)	1,842 (168)	56.07 (5,104.05)	51.68 (4,704.43)

(Notes)

- 1) P/L from applying Equity Method: December 31, 2008: US\$64 thousand (JPY6 million); December 31, 2007: US6 thousand (JPY1 million)
- 2) Average number of shares during the period: December 2008: 1,260.396.77 shares; December 2007: 1,007,036.74 shares
- 3) Exchange rate used USD1 = ¥91.03. The amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), from the quotations by The Bank of Tokyo – Mitsubishi UFJ, Ltd. For buying and selling spot USD by telegraphic transfer against yen as of December 30, 2008.
- 4) We define EBITDA in relation to our IFRS financial statements as profit (loss) before interest expense, tax, depreciation and amortization.
- 5) We define Proforma EBITDA in relation to our IFRS financial statements as EBITDA excluding non cash share based payments and one time items.
- 6) Proforma EBITDA for December, 2007 has been adjusted to exclude US\$ 2,262 thousand (JPY 206 million) in other income previously classified as recurrent in nature.
- 7) We define Proforma Net Income in relation to our IFRS financial statements as net income excluding non cash share based payments, one time items and amortization arising from acquisitions.

2. Forecast on Consolidated Results for the period ended December 31, 2009 (from January 1, 2009 to December 31, 2009) under IFRS

	Turnover	EBITDA	Net Income/ △ Loss
	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)
Interim	15,822 (1,440)	496 (45)	△14,008 (△1,275)
For a year	34,163 (3,110)	5,086 (463)	△19,932 (△1,814)

(Notes)

- 1) Exchange rate used: USD1 = ¥91.03
- 2) We define EBITDA in relation to our IFRS financial statements as profit (loss) before interest expense, tax, depreciation and amortization.
- 3) Performance estimates are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates.

*Cautionary Statement about the use of forecast information and other special information;

The forward-looking statements in this document (including but not limited to performance estimates) are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates. Please see "1. Consolidated Operating Results (1) Consolidated Operating Results Analysis (b) Outlook for the next fiscal year" on page 11 for the details of such factors.

1. Consolidated Operating Results

(1) Consolidated Operating Results Analysis

(a) Operating results of this fiscal year

In the Index service line, Xinhua FTSE Index (“XFI”) signed contracts with Industrial and Commercial Bank of China and China Pacific Insurance Company for the provision of benchmarking services to track their respective domestic China investments. China Investment Corporation also chose XFI as the first benchmark to track their portfolio in Hong Kong. As of December 31 2008, the AUM tracking XFI indices or benchmarking against XFI products exceeded USD125.5 billion. In our Ratings service line, our team released several reports including harbor and electric industry studies. Additionally, our Solutions division is now offering an international business entity data service in mainland China.

During 2008, the Company engaged a financial advisor to help conduct a review of the business. The purpose of the review was to evaluate opportunities for the Company to unlock shareholder value with the goal of focusing resources on its core competency of providing valuable information on China’s financial information sector. With these objectives in mind, in July 2008, the Company sold Mergent Inc (“Mergent”) and Kinetic Information System Services Limited (“Kinetic”) and in November 2008, the Company sold its interest in the business operation of Xinhua PR Newswire and certain assets of G7 Group Inc. In December 2008, the Company sold Washington Analysis Corporation (“Washington Analysis”) and certain assets of its investor relations subsidiary, Taylor Rafferty Associates Inc. and closed down its loss-making Asia news business. In January 2009, the Company completed the sale of its US-based news subsidiary Market News International. It was determined that these businesses no longer fit in with the Company’s overall strategic focus on China’s markets, and the divestiture of these businesses provided the best value to the Company.

At the end of 2008, the Company converted its super voting class B shares in Xinhua Finance Media Limited (“XFMedia”), (name changed to Xinhua Sports and Entertainment Limited on February 15,2009), to ordinary class A shares. From the beginning of 2009, XFMedia is no longer consolidated into the accounts of the Company, and is now accounted for as an associated company. The separation of the two companies improves transparency and provides a clearer picture of the underlying businesses of both entities.

In September 2008, the Company redeemed approximately US\$49 million (¥4,437 million) of the Company’s 10% Senior Guaranteed Notes due 2011 (the “Notes”) with the sale proceeds of Mergent and Kinetic. In February 2009, the Company launched a tender for US\$42 million (¥3,823 million) of the Notes from the sale proceeds of Glass, Lewis & Co., LLC and Washington Analysis.

Turnover

Turnover was US\$279,351 thousand (¥25,429 million) for the year ended December 31, 2008, as compared to US\$257,676 thousand (¥23,456 million) for the year ended December 31, 2007.

Higher turnover in 2008 is primarily due to:

- 1) The growth of our China business, especially from XFMedia, which contributed 67% of our turnover; and
- 2) The full period impact from subsidiaries which joined the group in 2007.

Cost of sales

Cost of sales was US\$150,522 thousand (¥13,702 million) for the year ended December 31, 2008, as compared to US\$124,185 thousand (¥11,305 million) for the year ended December 31, 2007. Cost of sales represented 53.9% of turnover in 2008 versus 48.2% of turnover in 2007. The increase in cost of sales percentage is due mainly to the following:

- 1) The full period impact from subsidiaries which joined the group in 2007;
- 2) The larger contribution from the distribution and media business, XFMedia, which has a higher proportion of cost of sales and hence a lower gross profit margin; and
- 3) The increase of amortization of long term contracts of XFMedia included in cost of sales.

Cost of sales mainly consists of reporting and editorial staff costs, direct marketing expenses, production fees, distribution charges, data acquisition costs, media buying costs and amortization of long term contracts.

Gross profit margin

Given the reasons mentioned above, gross profit margin was 46.1% for the year ended December 31, 2008 versus 51.8% for the year ended December 31, 2007.

Selling, general and administrative expenses

Selling, general, and administrative expenses were US\$173,666 thousand (¥15,809 million) for the year ended December 31, 2008, higher than US\$146,564 thousand (¥13,342 million) for the year ended December 31, 2007.

Higher selling, general, and administrative expenses are mainly due to:

- 1) full period impact of selling, general and administrative expenses from subsidiaries acquired in 2007;
- 2) increased corporate cost associated with the XFMedia's public shareholding structure following its initial public offering in March 2007;
- 3) higher costs associated with regulatory compliance from XFMedia;
- 4) higher non-cash share based compensation expenses from XFMedia; and
- 5) higher bad debt provision from XFMedia.

Our non-cash expenses included within selling, general and administrative expenses for the year ended December 31, 2008 included depreciation of US\$4,304 thousand (¥392 million), amortization of US\$7,635 thousand (¥695 million), amortization of goodwill of US\$20,113 thousand (¥1,831 million) and non-cash share based payment expense of US\$14,148 thousand (¥1,288 million). Our depreciation, amortization and amortization of goodwill expenses for the year ended December 31, 2008 totaled US\$32,052 thousand (¥2,918 million) compared to depreciation and amortization expenses for the year ended December 31, 2007 which totaled to US\$41,745 thousand (¥3,800 million).

Selling, general, and administrative expenses, as a percentage of turnover was 62.2% for the year ended December 31, 2008 versus 56.9% for the year ended December 31, 2007.

Operating income

As a result of the above reasons for the increase in selling, general and administrative expenses, operating loss was US\$44,838 thousand (¥4,082 million) for the year ended December 31, 2008, versus operating loss of US\$13,073 thousand (¥1,190 million) for the year ended December 31, 2007.

Ordinary income

Ordinary loss was US\$54,789 thousand (¥4,987 million) for the year ended December 31, 2008, versus ordinary loss of US\$14,830 thousand (¥1,350 million) for the year ended December 31, 2007. Ordinary loss for 2007 included share issuance expenses of US\$9,522 thousand (¥867 million) from the listing of XFMedia on the Nasdaq market in March 2007. Ordinary loss for 2008 was arrived at after accounting for non-operating income of US\$16,681 thousand (¥1,518 million), which includes interest income and gain on foreign exchange, and offset mainly by US\$24,492 thousand (¥2,230 million) in interest expense.

Net income for the period

Due to the worsening economic environment which has a direct impact on the Company's assessment of intangible asset values, the Group recorded unexpected non cash impairment charges on goodwill and intangible assets. Due mainly to these charges and other one time items, coupled with the loss in ordinary income, and offset with minority interest of US\$132,106 thousand (¥12,026 million), the Group made a net loss for the year of US\$268,322 thousand (¥24,425 million).

The extraordinary gains and losses include:

- 1) provision for uncollectable accounts of US\$42,098 thousand (¥3,832 million) which is primarily related to the impairment provision of the equity linked note issued by Lehman Brothers Holdings Inc and held by XFMedia;
- 2) impairment loss of US\$203,703 thousand (¥18,543 million), due mainly to impairments on goodwill and

intangible assets, following the Group's restructuring and impairment testing;

- 3) additional amortization of goodwill of US\$95,054 thousand (¥8,653 million), related to its investment in associated company XFMedia. XFMedia, a former subsidiary of the Company, was excluded from the scope of consolidation and now held as an associate, which is accounted for under the equity method, due to the decrease in the Company's ratio of voting rights because all of XFMedia's series B ordinary shares attached with 10 voting rights for each share that were held by the Company were converted into series A ordinary shares of which voting right attached with was one for each share. Before the conversion of shares, a portion of XFMedia's net assets which the Company reclassified from receivable without new share issuance, had been regarded as interests which belonged to the Company. However, as the Company lost control over XFMedia due to decrease in the ratio of voting rights, a part of the said portion of XFMedia's net assets over which the Company lost control was reclassified into goodwill and immediately amortized; and
- 4) the other extraordinary losses include change in equity interest of US\$14,858 thousand (¥1,353 million), prior year adjustment of US\$3,692 thousand (¥336 million), disposal of a non-deliverable option of US\$2,150 thousand (¥196 million), impairment loss on securities assets of US\$607 thousand (¥55 million), disposal of investment in subsidiaries of US\$4,159 thousand (¥379 million), disposal of fixed assets of US\$436 thousand (¥40 million), sale of business of US\$300 thousand (¥27 million), and others of US\$296 thousand (¥27 million). Extraordinary gains include disposal of fixed assets of US\$229 thousand (¥21 million), termination of a derivative contract of US\$4,297 thousand (¥391 million), forfeiture of share option of US\$876 thousand (¥80 million), disposal of investment in a subsidiary of US\$17,635 thousand (¥1,605 million) and sale of a business of US\$6,017 thousand (¥548 million),

Net loss for the year ended December 31, 2008 was US\$268,322 thousand (¥24,425 million), versus net profit of US\$23,497 thousand (¥2,139 million) for the year ended December 31, 2007. The net profit of US\$23,497 thousand (¥2,139 million) for 2007 included a gain from changes in equity interest of US\$99,192 thousand (¥9,029 million) arising from the listing of XFMedia on the Nasdaq in March 2007.

Proforma net income for the year ended December 31, 2008 was US\$714 thousand (¥65 million) compared to Proforma net income of US\$11,420 thousand (¥1,040 million) for the year ended December 31, 2007. Proforma net income is defined as net income excluding non-cash share based payment expenses, one-time non recurrent items, and amortization arising from acquisitions.

EBITDA

EBITDA was negative US\$160 thousand (¥15 million) for the year ended December 31, 2008, versus EBITDA of US\$28,672 thousand (¥2,610 million) for the year ended December 31, 2007. EBITDA is calculated by taking operating income (or loss) and adding back the following non-cash items: (1) depreciation; (2) amortization; (3)

amortization of goodwill; and (4) amortization of deferred long term contracts within cost of sales.

Proforma EBITDA for the year ended December 31, 2008, was US\$51,681 thousand (¥4,705 million) versus US\$52,883 thousand (¥4,814 million) for the year ended December 31, 2007. Proforma EBITDA for 2008 includes recurring non operating income of US\$16,681 thousand (¥1,518 million) which is mainly interest income of US\$4,590 thousand (¥418 million) and foreign exchange gain of US\$8,226 thousand (¥749 million), and excludes non cash share based payments of US\$14,148 thousand (¥1,288 million).

Difference in net results under IFRS and Japan GAAP

Under IFRS, the Company incurred a net loss of US\$341,707 thousand (¥31,106 million) for the year ended December 31, 2008 versus a net loss of US\$268,322 thousand (¥24,425 million) under Japan GAAP.

The material differences between IFRS and Japan GAAP when applied to us include:

- 1) Amortization of goodwill on consolidation arising from strategic acquisitions (a consolidation adjustment which is a non-cash expense)

Japan GAAP requires goodwill arising from consolidation to be amortized within 20 years. The goodwill on consolidation of the Company has been and is projected to be amortized by the straight-line method over a period of 20 years. Under IAS 36, our goodwill on consolidation in connection with subsidiaries acquired on or after March 31, 2004 is not amortized but is assessed for impairment at least annually.

- 2) Goodwill Impairment

Under Japan GAAP, goodwill arising from consolidation is required to be amortized within 20 years, whereas under IFRS, such amortization is not required, as mentioned in point 1 above. As a result, the goodwill balance arising from consolidation under Japan GAAP is lower than the corresponding amount under IFRS. Thus when there is goodwill impairment for a certain asset, the amount of goodwill impairment under Japan GAAP will be lower than under IFRS.

- 3) Compensation expense related to Employee Stock Option Plan

Under IFRS and Japan GAAP, fair value of shares or options granted for compensation is amortized over the vesting period of the shares or options. Under Japan GAAP there is no requirement for this amortization for shares or options granted for compensation prior to May 1, 2006. However, shares and options granted after May 1, 2006 start to attract compensation expense under Japan GAAP.

- 4) Share issuance expenses

Under IFRS, share issuance expenses are net off with shareholders' equity in the balance sheet. Under Japan GAAP, costs associated with share issuance are expensed through the income statement.

- 5) Fair value gain on the redemption option of the Notes

Under IFRS, at each balance sheet date subsequent to initial recognition, the redemption option of the Notes is measured at fair value, with changes in fair value recognized directly in the income statement in

the period which they arise. However, this fair value treatment is not required under Japan GAAP.

(b) Outlook for the next fiscal year

In 2009 we will continue to streamline the Company and focus resources on our core competency of providing valuable information on China's financial information sector. We will focus on Indices, Ratings and Solutions. We will continue to diversify out of non core assets which no longer fit with the Company's overall focus on China's markets. We intend to reduce the long term indebtedness of the Company by making further redemptions of the Notes with the proceeds from asset sales.

With a cost cutting, restructuring and reorganizing strategy in place, the Company has been able to reduce its overall corporate costs which are a part of sales, general and administrative cost from US\$14m in 2008 to a forecasted US\$7m in 2009. The measures taken to reduce overall corporate costs included the closing of loss making operations, disposal of non core businesses, cutting of travel and entertainment expenses, office relocations and the negotiated reduction of audit and professional fees.

Due to the sale of many of our non-core China businesses and the deconsolidation of XFMedia in 2008, which constituted a large part of our business, there will be a significant difference in the FY2008 Actual numbers and the Forecasted FY2009 numbers. Because of the large difference in our FY2008 Actual numbers and our FY2009 Forecast numbers, we provide adjusted figures which include our Continuing Business only. The Continuing Business figures will allow investors to be able to more appropriately compare our FY2009 forecasts versus the prior year.

Forecasted results are as follows:

(Units: US\$ thousand (JPY million))

	FY 2008 Actual	FY 2008 Continuing Operations (note)	FY 2009 Forecast
Turnover	279,351 (25,429)	30,610 (2,786)	34,163 (3,110)
EBITDA	△160 (△15)	△7,110 (△647)	4,827 (439)
Operating income / (loss)	△44,838 (△4,082)	NA NA	3,436 (312)

Ordinary income / (loss)	△54,789 (△4,987)	NA NA	△12,409 (△1,130)
Net Income / (loss)	△268,322 (△24,425)	NA NA	△20,093 (△1,829)

Exchange rate used: USD1 = ¥91.03

(Note)

To facilitate a more appropriate year on year comparison, the Company shows Continuing Operations excluding operations that have been discontinued since last year due either to disposal, dissolution or deconsolidation. Due to the deconsolidation of XFMedia, it has been removed from Continuing Operations. Mergent and other discontinued subsidiaries and businesses have also been removed from Continuing Operations. Continuing Operations numbers are unaudited and not reviewed by auditors and are management estimates only. As the Company does not prepare individual subsidiary accounts under Japan GAAP, it would be impractical for the Company to produce consolidated continuing operations metrics for line items below EBITDA.

The turnover for FY2009 is expected to be US\$34,163 thousand (JPY3,110 million) compared to 2008 continuing operations turnover of US\$30,610 thousand (JPY2,786 million) as a result of growth in the business. The EBITDA for FY2009 is expected to be US\$4,827 thousand (JPY439 million) compared to 2008 continuing operations EBITDA of minus US\$7,110 thousand (JPY647 million) as a result of the Company's cost cutting efforts. The Operating Income for FY2009 is expected to be US\$3,436 thousand (JPY312 million). The Ordinary Income for FY2009 is expected to be loss of US\$12,409 thousand (JPY1,130 million). The net income for FY2009 is expected to be loss of US\$20,093 thousand (JPY1,829 million).

(2) Consolidated Financial Status Analysis

(a) Total Assets, Net Assets, Liabilities and Cashflow Analysis

Total Assets

Total Assets as at December 31, 2008, was US\$216,113 thousand (¥19,673 million) compared to US\$967,099 thousand (¥88,035 million) as at December 31, 2007. Lower Total Assets as at December 31, 2008 is mainly due to the deconsolidation of XFMedia, disposition of subsidiaries such as Mergent, Kinetic and Washington Analysis, intangible asset impairment and other one time provisions.

Total Net Assets

Total Net Assets as at December 31, 2008, was US\$119,592 thousand (¥10,886 million) compared to US\$572,472

thousand (¥52,112 million) as at December 31, 2007. Lower Total Net Assets as at December 31, 2008 is mainly due to the net loss for the year ended December 31, 2008.

Total Liabilities

Total Liabilities as at December 31, 2008, was US\$96,521 thousand (¥8,786 million) compared to US\$394,627 thousand (¥35,923 million) as at December 31, 2007. Lower Total Liabilities is mainly due to the deconsolidation of XFMedia, reduction of other payables and the partial redemption of the Notes.

Cashflow analysis

Operating activities

Net cash provided by operating activities amounted to US\$57,491 thousand (¥5,233 million) for the year ended December 31, 2008.

Investing activities

Net cash used in investing activities amounted to US\$82,347 thousand (¥7,496 million) for the year ended December 31, 2008. The main cash outflows were the subsequent consideration payments mainly for XFMedia subsidiaries of US\$60,999 thousand (¥5,553 million) and the accounting impact from the deconsolidation of XFMedia on December 31, 2008. The main cash inflow was the proceeds from the sale of investment in subsidiaries resulting in a change in scope of consolidation of US\$86,728 thousand (¥7,895 million).

Financing Activities

Cashflow used in financing activities amounted to US\$27,302 thousand (¥2,485 million) for the year ended December 31, 2008. The main cash inflow was the cash proceeds of US\$27,381 thousand (¥2,492 million) mainly from the issuance of convertible preferred shares in XFMedia. The main cash outflows were the repayment of US\$48,739 thousand (¥4,437 million) of the Notes and interest paid of US\$17,039 thousand (¥1,551 million).

Cash Balance

As a result of the activities described in “Operating Activities”, “Investing Activities” and “Financing Activities” above, the net cash and cash equivalents was US\$57,624 thousand (¥5,246 million) as at December 31, 2008. The ending cash and bank balance was US\$75,289 thousand (¥6,854 million) as at December 31, 2008, shown on the balance sheet. After taking into account of deducting deposits pledged as collateral of US\$18,004 thousand (¥1,639 million), and adding marketable securities of US\$340 thousand (¥31 million), the net cash and cash equivalents was US\$57,624 thousand (¥5,246 million).

(b) Change of indexes related to the Cashflow

(Reference) Change of indexes related to Cashflow

	December 2007	December 2008
Shareholders' Equity Ratio	37.2%	51.7%
Ratio of Market Capitalization to Total Assets	22.6%	18.3%
Ratio of Interest-bearing Debts to Cashflow	6.3	1.2
Interest Coverage Ratio	2.5	3.4

Shareholders' Equity Ratio: Adjusted Shareholders' Equity/Total Assets

Ratio of Market Capitalization to Total Assets: Ratio of Total Market Capitalization/Total Assets

Ratio of Interest-bearing Debts to Cashflow: Interest-bearing Debts/Cashflow

Interest Coverage Ratio: Cashflow/Interest Payable

(Note)

- 1) Each of Indexes is calculated based on the Consolidated Financial Information.
- 2) Market Capitalization is calculated with: [the number of issued shares excluding treasury stock as of each fiscal year end] x [closing share price of each fiscal year end]. The exchange rate used is US\$1 = ¥91.03, which is the exchange rate as set forth above.
- 3) Cashflow means Operating Cashflow in this sub-section.
- 4) Interest-bearing Debt includes all of interest-bearing Liability stated on the Consolidated Financial Statements.
- 5) Interest Payable is the figure of interest paid in financing cashflow.

(3) Basic policy about profit distribution

Since we have a relatively short operating history, dividends have not yet been declared and paid.

In order to maintain our leadership in our business sectors and maximize the value of our company, we have thus far considered funding the expansion of our business paramount to the distribution of dividends. Currently, we are making efforts to strengthen our profit profile while expanding our current core business.

(4) Risk Factors

Risks Related to the Business

Our limited operating history and successive acquisitions make evaluating our business and prospects difficult.

Xinhua Financial Network Limited, our predecessor company, commenced operations in 1999. As a result, we have a limited operating history for you to evaluate our business. It is also difficult to evaluate our prospective business,

because we may not have sufficient experience to address the risks frequently encountered by fast growing companies. These risks include our potential failure to:

- develop new and enhance existing product and services, obtain new clients, and retain existing clients;
- adequately and efficiently operate, upgrade and develop the systems that we use to produce and distribute our products;
- maintain adequate control of our expenses;
- attract and retain qualified personnel; and
- respond to competitive market conditions.

If we do not successfully address any of these risks, our business could be materially adversely affected. Furthermore, the financial statements included in this document may not be representative of our results and may not be a reliable indicator of our future results because of our limited history, rapid expansion and successive acquisitions.

We are currently in a net loss position and may not be profitable in the future.

We have sustained net losses in the past and were profitable in 2006 and 2007. We cannot assure that we can avoid net losses or achieve profitability in the future. We have accounted for a significant amount of goodwill from acquisitions which we amortize over a period not exceeding 20 years in accordance with Japanese GAAP. In addition, share issuance and related costs incurred in connection with our initial public offering and private placements of our shares made after December 31, 2003 are accounted for as an expense under Japanese GAAP. Furthermore, any additional acquisitions giving rise to increased goodwill or any decrease or delay in generating additional sales volume and revenue or in successful integration of acquired companies could result in substantial operating and net losses in future periods.

If we are unable to maintain and properly manage existing partnerships and joint ventures, our business may suffer.

Some of our products, knowledge and brand names depend on our strategic partnerships and joint ventures. If relationships with such partners, the operations of such partners or the operations of such joint ventures suffer serious setbacks, our ability to offer key products and to keep and attract clients may be adversely affected. We cannot assure you that our joint venture partners will always be committed to our business.

Recent and future acquisitions may have an adverse effect on our ability to manage our business.

Selective acquisitions form part of our strategy to further expand our business. We have recently completed a number of acquisitions and if we are presented with appropriate opportunities, we may acquire additional complementary companies, products or technologies. Future acquisitions and the subsequent integration of new

companies into ours would require significant attention from our management. The diversion of our management's attention and any difficulties encountered in any integration process could have an adverse effect on our ability to manage our business. Future acquisitions would expose us to potential risks, including risks associated with the assimilation of new operations, technologies and personnel, unforeseen or hidden liabilities, the diversion of resources from our existing businesses and technologies, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions, and potential loss of, or harm to, relationships with employees, customers and suppliers as a result of integration of new businesses.

We may not be able to achieve the benefits we expect from recent and future acquisitions.

Strategic acquisitions are a key part of our overall growth strategy. Historically we have made acquisitions that were critical in providing us with product suites, customer base, market access, and our talent pool. The integration of such acquired companies requires a great deal of management attention, dedicated staff efforts and skillful leadership. A successful integration process is key to realize the benefits of an acquisition. Although we have established an integration committee to oversee the integration process, if we encounter difficulty integrating our recent and future acquisitions, our business will be adversely affected. In addition, we cannot assure you that the revenue and cost synergies that we expect to achieve from our acquisitions will materialize. There is no assurance that the acquisitions will result in the expected growth or development and the Company may have significant loss caused in relation to the acquisitions due to the risk factors described above or others.

We rely on our competitors to provide redistribution for certain of our products and services.

We rely on a number of on-line third party networks to redistribute certain of our products and services to end users. Many of the owners and operators of those third party networks also compete with us in one or more of our principal business areas. If one or more of those firms refuses to continue to redistribute those products and services in the future, or makes the terms of doing so more onerous, we may not be able to distribute our services effectively, which could harm our business.

We rely on services from third parties to carry out our business and to deliver our products and services to customers, and if there is any interruption or deterioration in the quality of these products services, our customers may not continue using our products.

We rely on certain third-party computer systems to deliver our products and services. If our third party providers fail to perform their required services in a timely manner to our clients, our products and services will not be delivered to the requirements of our clients and our reputation and brand will be damaged. Furthermore, if our

arrangements with any of these third parties are terminated, we may not find an alternate source of support on a timely basis or on terms as advantageous to us.

If we fail to maintain and further develop our ability to provide and innovate products and services, we may not be able to maintain our growth in revenue.

The financial services and media industry is highly dynamic and a company like ours needs to provide timely and relevant content and analysis to serve a highly demanding customer base that relies on products and services like ours to make investment decisions. If we fail to maintain such ability or fail to continue to innovate and keep up with the changing needs of our customers, we may suffer a decline in our revenue and profitability.

If we do not compete successfully against new and existing competitors, we may lose our market share, and our profitability may be adversely affected.

We compete primarily with other global financial information and analysis providers. Although we believe that we have a stronger market position and better expertise in the China market, many of our competitors have a longer operating history, larger product suites, greater capital resources and broader international recognition. Given the recent growth in the China market, we expect most of these companies to increase their focus in this region and that competition in our business areas is likely to intensify. We cannot assure you that we will be able to successfully compete against new or existing competitors.

We may not be able to prevent others from using our intellectual property, which may harm our business and expose us to litigation.

We regard our content, domain names, trade names, trademarks and similar intellectual property as critical to our success. We try to protect our intellectual property rights by relying on trademark protection, copyright and confidentiality laws and contracts. The trademark and confidentiality protection in China may not be as effective as in other countries, such as Japan, the United States or elsewhere. Policing unauthorized use of proprietary technology and information is difficult and expensive.

The steps we have taken may be inadequate to prevent the misappropriation of our proprietary technology and information. Any misappropriation could have a negative effect on our business and operating results. Furthermore, we may need to resort to litigation to enforce our intellectual property rights. Litigation relating to our intellectual property might result in substantial costs and diversion of resources and management attention.

Our business depends substantially on the continuing efforts of our key executives, and our business may be severely disrupted if we lose their services.

Our future success heavily depends upon the continued services of our key executives. We rely on their expertise in business operations, finance and financial information and on their relationships with our shareholders, strategic partners, and regulators. If one or more of our key executives are unable or unwilling to continue in their present positions, we may not be able to easily replace them or at all. Therefore, our business may be severely disrupted, our financial conditions and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit and train personnel.

In addition, if any of these key executives joins a competitor or forms a competing company, we may lose clients and strategic partners. Each of our executive officers has entered into an employment agreement with us which contains confidentiality and non-competition provisions. If any disputes arise between our executive officers and us, we cannot assure you that these agreements would be enforced effectively.

If we are unable to attract, train and retain key individuals and highly skilled employees, our business may be adversely affected.

We expect to need to hire additional employees, including editorial personnel to maintain and expand our news production effort, analysts to provide more in-depth analysis, information technology and engineering personnel to maintain and expand our delivery platform, marketing personnel to sell our products, and administrative staff to support our operations. If we are unable to identify, attract, hire, train and retain sufficient employees in these areas or retain our existing employees due to our failure to provide them with adequate incentives or otherwise users of our products and services may have negative experiences and turn to our competitors, which could adversely affect our business and results of operations.

Our business could suffer if we do not successfully manage current growth and potential future growth.

Our business has grown very quickly in its few years of operation. We have rapidly expanded our operations and anticipate further expansion of our operations and workforce. Our growth to date has placed, and our anticipated future operations will continue to place, significant demands on our management, systems and resources. In addition to training and managing our workforce, we will need to continue to improve and develop our financial and managerial controls and our reporting systems and procedures. We cannot assure you that we will be able to efficiently or effectively manage the growth of our operations, and any failure to do so may limit our future growth and hamper our business strategy.

We may need additional capital and we may not be able to obtain it.

We believe that our current cash and cash equivalents, cash flow from operations and the proceeds from capital raising activities and asset sales undertaken in connection with our review of our strategic positioning are sufficient to meet our anticipated cash needs for the foreseeable future. We may require additional cash resources due to

changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities or sell additional assets. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of additional debt would result in increased debt service obligations and the operating and financing covenants of the debt could restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. The sale of additional assets may reduce our turnover and operating cash flow, and we cannot assure you that buyers will be available for any assets on terms acceptable to us.

We may be subject to litigation for information provided in our products and services, which may be time-consuming and costly to defend.

Our products and services contain information such as news of events, quotes of securities prices and analytical reports and ratings on companies. It is possible that if any information contains errors or false or misleading information, third parties could take action against us for losses incurred in connection with the use of such information. Any claims, with or without merit, could be time-consuming and costly to defend, result in litigation and divert management's attention and resources.

The values of certain of our assets may be impaired to amounts less than we have accounted for in our financial statements.

Certain of our assets such as goodwill, intangibles and securities assets on our financial statements are subject to periodic impairment and valuation tests. Should they be determined to be worth less than their carrying value during such tests, their value would be written down and our financial results could be adversely affected.

Restrictions or limitations on the ability of our subsidiaries to pay dividends to us would reduce the funds available to pay dividends to our shareholders.

We are a holding company with no significant assets other than our equity interests in our wholly-owned operating companies and affiliated entities. As a result, we rely on payments of dividends and consulting and other fees from our subsidiaries to make dividend payments to our shareholders. If our subsidiaries were to incur debt in the future, the agreements governing the debt may contain provisions restricting their ability to make dividend or other payments to us. Regulatory requirements in the jurisdiction of incorporation of our subsidiaries may also restrict or limit their ability to make payments to us. For a discussion of the regulatory requirements governing our subsidiaries in China, please see "Risks Related to Doing Business in China—Payments from China are subject to restrictions and controls."

We have not declared or paid dividends before and we are not likely to declare or pay dividends in the near future.

Currently, in order to maintain and increase the Company's leadership in its business sector and maximize the value of the Company, the Company considers funding the expansion of its business through reinvestment of profits to be paramount to the distribution of dividends and accordingly is not likely to declare or pay dividends in the near future.

Our business and operating results may be adversely affected by the conditions of the global financial markets.

We derive our revenues primarily from the provision of financial information and other related services, and our customer base primarily comprises financial institutions and other global market participants. Our customer's demand for our products and services is affected by the conditions of the global economy and in particular the global financial markets. Unfavourable financial or economic conditions that either reduce investor demand for securities or reduce issuers' willingness or ability to issue securities could reduce the level of activity in the global financial markets, the business performance of our clients and the demand for our products and services.

We are exposed to increased risk from multinational operations.

We maintain offices in Asia and the US and derive the majority of our revenue from sources in Asia. Operations in different countries expose us to a number of legal, economic and regulatory risks, such as changes in legal and regulatory requirements which affect either our operations or our customers' use of our products and services, restrictions on the movement of currencies, export and import restrictions and political and economic instability. Any of these factors could have a material adverse effect on our business and operations.

Hardware and software failures, delays in the operation of our computer and communications systems or the failure to implement system enhancements may harm our business.

Our success depends on the efficient and uninterrupted operation of our computer and communications systems. A failure of our network or data gathering procedures could impede the processing of data, delivery of databases and services, client orders and day-to-day management of our business and could result in corruption and loss of data. Any failure by our computer environment to provide our required data communications capacity could result in interruptions to our service. Significant delays in the planned delivery of system enhancements and improvements, or inadequate performance of the systems once they are completed, could damage our reputation and harm our business.

Restrictions imposed on the Company by the US\$ 51,261 thousand (¥ 4,666 million) 10% Senior Guaranteed Notes issued may adversely affect our business operations.

In November 2006, we issued US\$ 100,000 thousand (¥ 9,103 million) 10% Senior Guaranteed Notes due 2011 (the “Notes”). In September of 2008, the Company redeemed US\$ 48,739 thousand (¥ 4,437 million) of the Notes, leaving US\$ 51,261 thousand (¥ 4,666 million) outstanding. The Notes are governed by the Indenture, which includes a number of significant restrictive covenants that could limit our ability to plan for or to react to market conditions or meet our capital needs. These covenants restrict among other things, our ability, to: incur additional debt; make restricted payments, pay dividends or distributions on our capital stock, repurchase our capital stock, pay existing indebtedness, make or repay intercompany loans or advances or sell or transfer property or assets; issue or sell capital stock; guarantee indebtedness, enter into transactions with affiliates, create liens on assets to secure debt; enter into sale and leaseback transactions; sell assets; make investments; merge or consolidate with another company; and engage in a different business activity. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance with the covenants.

We may be unable to comply with the restrictions and covenants under the Notes, the Indenture and other financing agreements, which could lead to a default under the terms of the Notes, the Indenture or those agreements resulting in an acceleration of our debt repayment

If we are unable to comply with the restrictions and covenants in the Notes, the Indenture or our current or future financing and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. If these events occur, there is no assurance that our assets and cash flow would be sufficient to repay in full all indebtedness, or that alternative financing could be found. Even if alternative financing could be obtained, there is no assurance that it would be on terms that are favourable or acceptable to us.

Risks Related to Doing Business in China

We are an international company with offices around the world. We have focused a significant part of our business in China and, as such, are subject to certain risks which are particular to China. The more significant of these risks are described below.

Restrictions on the development and growth of Chinese financial markets may hamper our growth.

A sizeable part of our business is conducted in China. China has liberalized its laws on foreign and domestic investments including promulgating regulations permitting qualified foreign institutional investors to invest in

Chinese listed companies. We expect that demand for our products would generally increase as the markets are liberalized. Restrictions imposed on the Chinese markets which have the effect of restricting its growth and development may have an adverse effect on the continued growth of our business in China.

As we operate in highly regulated industries, being financial markets, we are subject to changes in government policies and regulations. While China has deregulated these industries in the past few years, this trend may change and we may be operating in a more restricted environment. This may also have a negative impact on our business in China.

More generally, if the business environment in China deteriorates from the perspective of domestic or international investors, our business in China may also be adversely affected. Such deterioration may be caused by numerous factors including natural disasters, terrorism, domestic and international political issues, market downturns, or changes in government policies.

Uncertainties exist with respect to Chinese laws and regulations and their interpretation and administration.

Chinese laws relating to foreign investments and financial markets are relatively new compared with those in more mature markets. New laws and regulations continue to be promulgated. We believe our current ownership structure, the ownership structure of our wholly-owned subsidiaries and our affiliated Chinese entities, the contractual arrangements among us, our wholly owned subsidiaries, our affiliated Chinese entities and their shareholders, our business operations and the approvals and licenses to carry them out are in compliance with all existing Chinese laws, rules and regulations. However, there are substantial uncertainties regarding the interpretation, application and administration of current Chinese laws and regulations and the impact of any new laws and regulations is unknown. Accordingly, we cannot assure you that Chinese government authorities will not ultimately take a view contrary to our belief.

Payments from China are subject to restrictions and controls.

We are a holding company incorporated in the Cayman Islands with operations in China. Dividends and other payments from our subsidiaries and other entities in China needs to be remitted outside of China to fund operations and expenses outside China as well as dividend payments to our shareholders. Current Chinese regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, our subsidiaries in China are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends. Failure to receive the full amount of dividends from our subsidiaries in China and affiliated Chinese entities may adversely affect the financial condition of our overall operations and our ability to pay dividends to our shareholders.

The remittance of funds out of China as well as the exchange rate of the RMB to other currencies is highly regulated.

Changes to the exchange rate regime as well as the regulations affecting the remittance of funds out of China may have an adverse impact on our ability to fund our expenses outside of China or to issue dividends to our shareholders. Furthermore, any change in the exchange rates between the RMB and other currencies may also have an impact on the amount of proceeds in other currencies we receive from China and, ultimately, the value of your investment. The value of your investment in our shares will also be affected by the foreign exchange rate between the Japanese yen and other currencies.

We have limited business insurance coverage in China.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products. As a result, we do not have any business liability or disruption insurance coverage for our operations in China. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources.

Third party facts and statistics included in this document may be inaccurate.

Third party facts and statistics in this document, including those relating to the Chinese financial services industry and economy, are derived from various government and institute research publications and news articles. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us. Due to possibly flawed or ineffective collection methods used by third parties, the statistics in this document may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon.

Risks Related to the Shares

You may face difficulties in protecting your interests under the legal systems, and your ability to protect your rights through the Japanese courts may be limited, because we are incorporated under Cayman Islands law.

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law and the Cayman Islands law. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in Japan. In particular, Cayman Islands law provides significantly less protection to investors than Japanese law. Therefore, under the legal systems, our public shareholders may have more difficulties in protecting their interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in Japan, the United States or elsewhere. In addition, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action before Japanese courts.

Your ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, will be limited because we are incorporated in the Cayman Islands, because we conduct a portion of our operations in China and because the majority of our directors and officers reside outside of Japan.

We are incorporated in the Cayman Islands, and we conduct a portion of our operations in China through our wholly-owned subsidiaries and affiliates in China. Most of our directors and officers reside outside of Japan and substantially all of the assets of those persons are located outside of Japan. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the relevant jurisdiction may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information, please refer to the relevant laws of the Cayman Islands and China.

Future issuances of our shares at below-market prices may adversely affect the market price of our shares.

Neither the laws of the Cayman Islands nor our articles of incorporation require shareholders' approval for issues of new shares at below-market prices. The market price of our shares may be adversely affected due to dilution if our management decides to issue large number of shares at below-market prices for the purpose of corporate acquisition or other business purposes.

We and our shareholders may not be able to obtain compensation for damages caused by the acts done, concurred in or omitted in or about the execution of the duties of directors, officers, auditors, etc.

In accordance with our Memorandum and Articles of Association, our directors, officers, auditors, etc. are indemnified and secured harmless out of our assets and profits against all actions, costs, damages, etc. sustained or incurred by reason of any act done, concurred in or omitted in or from the execution of their duty, or supposed duty, unless such actions, costs, damages, etc. are a result of any fraud, gross negligence or criminal offence under Cayman Islands law by such persons. Further, also in accordance with our Memorandum and Articles of Association, our shareholders may not claim or take action against our directors on account of any action taken by such director or the failure of such director to take any action in the performance of his duties unless such claim or action is made or taken in respect of any fraud, gross negligence or criminal offence under Cayman Islands law by such persons. As a result, we and our shareholders may not be able to obtain adequate compensation for damages caused by the acts done, concurred in or omitted in or from the execution of the duties of directors, officers, auditors, etc.

2. Outline of the group

The Company converted the Class B common shares held in XFMedia into Class A common shares as of 31 December 2008. After the conversion, XFMedia and its subsidiaries ceased to be consolidated subsidiaries of the Company.

- ① Company that newly became specified subsidiaries - nil
- ② Company that ceased to be a specified subsidiary

Mergent Inc ceased to be a specified subsidiary because it was sold in July 2008. XFMedia ceased to be a specified subsidiary because the Company converted the class B shares into class A shares at 31 December 2008 and no longer controls nor consolidates XFMedia.

The subsidiaries of XFMedia which ceased to be specified subsidiaries: Beijing Century Media Culture Co. Ltd., Beijing Century Workshop Communications Co. Ltd., Beijing Golden Ways Animation Production Co. Ltd., Changzhou Golden Ways Digital Technology Co. Ltd., Shanghai Renhe Movie and Television Intermediary Co. Ltd., Beijing Perspective Orient Movie and Television Intermediary Co. Ltd., Shanghai Hyperlink Market Research Co. Ltd., Beijing Taide Advertising Co. Ltd., Beijing Xin Tai Hua De Advertising Co. Ltd., Shangtuo Zhiyang International Advertising (Beijing) Co. Ltd., New China Media (Shanghai) Co. Ltd., Active Advertising Agency (Guangzhou) Ltd., Beijing Shiji Guangnian Advertising Co. Ltd., Jia Lou Consulting (Shanghai) Co. Ltd., Beijing Linghang Dongli Advertising Co. Ltd., Beijing JinGuan XinCheng Advertising Co. Ltd., Beijing EWEO Advertising Co. Ltd., Xinhua Finance Media (Shanghai) Co. Ltd., Xinhua Finance Media (Beijing) Co. Ltd., Zhongxi Taihe Culture Consultancy (Shanghai) Co. Ltd., Beijing Pioneer Media Advertising Co. Ltd. and Beijing Mobile Interactive Co. Ltd.

3. Management Policy

(1) Basic policy of company management

We are a provider of financial information products focused on China's financial markets. We are an integrated provider of market indices, ratings and solution services. As a company providing these services to China's financial markets, we have established the information infrastructure for making investment decisions in China. Investors can make more well-informed investment decisions on China's financial markets through our services.

We offer the following three principal services:

- *Market Indices.* We provide equity indices and bond indices measuring the performance of China's stock and bond markets. We follow the China markets with more than 100 equity indices covering domestic and international China-related stocks, 35 bond indices, 4 style indices (equity indices customized to track more specific investment criteria) and 23 fund indices. These indices are all developed according to methodology generally used in international markets.

- *Ratings.* We issue public information ratings (ratings on companies based on publicly available information). Our ratings are developed according to methodology generally used in international markets. We also offer a comprehensive global portfolio of company, securities and financial information, along with research and analytic tools that enable investors to conduct in-depth company evaluation.
- *Solutions.* We provide comprehensive market data and research to institutions, funds, government units and private enterprises. We are currently expanding our efforts into Financial Research, Value Added Services, Risk Analysis and Terminal Services.

Our office locations include Hong Kong, Beijing, Shanghai, Shenzhen, Taipei, Tokyo, Seoul, Singapore, London, New York and Princeton. As at December 31, 2008 we had 465 employees worldwide.

(2) Management index to aim for

The Group places great importance on results and the rates of change in the following operating metrics as the Group monitors and measures its performance against these metrics: turnover, operating income, ordinary income, net income, cash flows, and EBITDA* and Proforma EBITDA**.

*We define EBITDA in relation to our Japan GAAP financial statements as operating income or loss plus depreciation, amortization, amortization of goodwill and amortization of deferred long term contracts within cost of sales.

**We define Proforma EBITDA in relation to our Japan GAAP financial statements as EBITDA excluding non cash share based payments and one time items and including recurring non operating income.

(3) Corporate strategy of a long-medium term

The Company will continue to focus on its core competencies of; Indices, Ratings and Solutions, as well as cost cutting and improving operational efficiencies. As a premier financial information provider in the fast growing Chinese markets, we will utilize our unique market position to further our attempts to improve profitability and shareholder value. We will take advantage of the growing financial sector in China.

(4) Problems that should be dealt with

We continue to take steps to resolve the following issues relating to our business:

Growing competition. As China's financial industry continues to be deregulated, more players are likely to participate in the China markets and the competition is expected to intensify.

Mitigating factors:

- *Continue to launch services that bring new standards in the China market.* In order to maintain and increase

our competitive edge, we will continue to bring new standards (such as standards of index calculation methodology, ratings calculation methodology, disclosure, and corporate governance) for China's financial markets by adding depth and breadth to our service lines and applying proven technologies and methodologies for the China market.

- *Continue to pursue strategic partnerships to expand and broaden our service offerings and acquire proven expertise.* We intend to continue pursuing strategic partnerships that provide us with additional products to bring into China, and gain additional revenue streams from new service lines.

A strong and stable management team. We require a strong and stable management team for our operations due to the rapidly developing business environment in China and our growth strategy in China.

Mitigating factors:

- *Retain and attract a solid management team with international experience.* Our international senior management team includes experienced managers with extensive experience in building businesses in China, Asia and overseas. It is a high priority within the Company to continue to employ skilled and proficient managers.
- *Align interests of our management team and shareholders through a share compensation program.* Under this program, our management team has equity ownership, incentivizing them to perform for the long-term success of the Company.
- *Sign executive contracts with key managers to protect the Company.* Existing key managers and managers from acquired companies are required to sign employment contracts with non-compete, non-disclosure and confidentiality provisions. We will continue to sign such contracts with key managers in the future.

(5) Other important matters for the management of the Company

The Company issued restricted shares without compensation to certain Directors in December 2008 based on the resolution of the board of directors as of August 31, 2007. Please refer to "Announcement of the Issuance of Shares" as of August 31, 2007 for details.

(Press release on our company's website)

<http://www.xinhuafinance.com/uploadedFiles/media-center/news-and-events/press-releases/2007/20070831rsuJ.pdf>

4. Consolidated financial statements

Please refer to separate documents.

5. Individual financial statements

Please refer to separate documents.

6. Miscellaneous

(1) Change of Directors or Officers

Not applicable.

(2) Miscellaneous (useful information)

For presentation and other related financial documents please visit:

<http://www.xinhuafinance.com/en/for-investors/reporting/quarterly-results/>