

FINAL TRANSCRIPT

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939900.T - Q4 2008 XINHUA FINANCE LIMITED Earnings Conference Call

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CORPORATE PARTICIPANTS

Jae Lie

Xinhua Finance Limited - CEO

David Wang

Xinhua Finance Limited - CFO

PRESENTATION

Operator

Hello and thank you for standing by for Xinhua Finance Limited's full-year 2008 earnings conference call. You may find a copy of the press release and the earnings announcement filed with the Tokyo Stock Exchange on the Company's website, www.xinhuafinance.com, as well as on newswire services.

Today's call will cover the Company's consolidated financial results under international financial reporting standards and all figures are presented in US dollars. Results under both Japan GAAP and IFRS are available in the earnings announcement in accordance with the Company's past practice.

Our speakers today will be Mr. Jae Lie, Chief Executive Officer of Xinhua Finance, and Mr. David Wang, Chief Financial Officer. After their prepared remarks, Jae and David will be available to answer your questions. Before we continue, please note that the forward-looking statements disclosed on this conference call are based on information available to management at this time. As such, they carry risk and uncertainties and actual results and events may differ significantly from the forecast.

Investors are advised not to rely solely on business forecasts disclosed on this conference call for making investment decisions. Forecasts of business results will also be revised, as and when considered necessary, in accordance with applicable disclosure rules. As a reminder, this conference is being recorded and webcast live on the Xinhua Finance website, under the Investor Relations section.

Both the webcast and a transcript will be available on the site following the call. I will now turn the call over to Xinhua Finance's CEO, Mr. Jae Lie. Please proceed.

Jae Lie - Xinhua Finance Limited - CEO

Thank you for joining us today for Xinhua Finance's 2008 full-year results conference call. During the past year, we have reviewed our strategic position to ensure long-term success of the Company in line with the changing market demographics. We have since implemented a comprehensive reorganization plan and have divested non-core assets.

In July of 2008, we sold Mergent and Kinetic; and over the past few months, we have sold more non-core businesses, including Washington Analysis, Market News International, certain assets of G7 Group and Taylor Rafferty, as well as our joint alliance interest in Xinhua PR Newswire.

We used around \$49 million of the Mergent and Kinetic sale proceeds to buy back bonds in September last year, and repaying debt has been a key initiative. And earlier this month, we launched a tender offer to redeem a further \$42 million of bonds.

As part of the overall plan to separate Xinhua Finance Limited from Xinhua Finance Media, which was renamed Xinhua Sports & Entertainment Limited on February 15 of this year. And to show their independent results, on December 31, 2008, Xinhua Finance Limited converted its class B shares in Xinhua Finance Media to class A shares and thereby relinquished its super voting rights in Xinhua Finance Media. As a result, Xinhua Finance Limited no longer controls Xinhua Finance Media and no longer consolidates it.

Feb. 27. 2009 / 8:00AM, 939900.T - Q4 2008 XINHUA FINANCE LIMITED Earnings Conference Call

The deconsolidation of Xinhua Finance Media is another step towards streamlining our company and reducing corporate costs, as Xinhua Finance Media's expenses, such as audit and compliance costs, will no longer be consolidated into Xinhua Finance Limited.

The separation of the two companies also improves transparency and provides a clearer picture of the underlying Xinhua Finance Limited business. Due to our continuing 34% ownership interest in Xinhua Finance Media, we will continue to book a portion of Xinhua Finance Media's profits or losses which will be reflected in our net income or loss.

We will continue to devote our attention towards further expansion in China's fast-growing markets, focusing on organic growth opportunities, while reducing operating costs and indebtedness.

Our CFO, David Wang, will now go over our results for the 2008 year with you, after which I will discuss in more detail the progress that Xinhua Finance has made over the past year.

David Wang - *Xinhua Finance Limited - CFO*

Thank you, Jae, and hello, everyone. Before reviewing our results, I would like to announce that the class action lawsuit against Xinhua Finance Media was dismissed yesterday. We are extremely pleased with the outcome of this case, given the frivolous nature of the claims.

I will now review with you our results under IFRS. The Company is pleased to report year-on-year growth in revenue. Revenue for 2008 was \$279.4 million, up 8% year-on-year, driven by our China businesses.

Cost of sales was \$154.3 million for 2008 as compared to \$129.5 million for the previous year. Cost of sales represented 55% of turnover in 2008 versus 50% of turnover in 2007. Gross profit margin was 45% for 2008, lower than the 50% margin for 2007, due mainly to the increasing contribution of XFMedia, which has a lower gross profit margin.

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.

Due to the worsening economic environment, which has a direct impact on the Group's assessment of intangible asset values, as well as divestitures resulting from XFL's restructuring initiatives, the Group recognized significant intangible asset impairments for the year. The main impairments are as follows --

We recorded a goodwill impairment charge of \$295.5 million, of which \$183 million relates to Xinhua Finance Media. The remaining \$109.4 million from XFL was due to the sales of certain US assets, including Mergent and Washington Analysis, as the Company repositioned itself to focus on the China markets.

We also recorded an \$81.5 million impairment related to its investment in Xinhua Finance Media, an associated company. Xinhua Finance Media was deconsolidated on December 31, 2008, and is now accounted for as an associated company. Xinhua Finance Media incurred intangible asset writedowns resulting in lower net asset value. Following the deconsolidation, XFL was required to recognize its proportionate share of the net asset value decrease.

We also recorded a provision for the \$25 million equity-linked note issued by Lehman Brothers Holdings, which is held by Xinhua Finance Media. Lehman Brothers unfortunately filed for bankruptcy in September 2008.

Primarily as a result of provisions and other one time items, EBITDA was negative \$457.3 million for 2008 compared to positive EBITDA of \$39 million for 2007.

Feb. 27. 2009 / 8:00AM, 939900.T - Q4 2008 XINHUA FINANCE LIMITED Earnings Conference Call

We also provide pro forma EBITDA numbers in order for you to better evaluate our underlying operating and financial trends. Pro forma EBITDA excludes intangible asset impairments such as goodwill, non-cash share-based payments and one-time items. Pro forma EBITDA for 2008 was \$50.3 million versus \$52.0 million for 2007.

Due mainly to non-cash write-downs of goodwill and other intangible assets, the Company suffered a net loss for the year. The net loss for 2008 was \$341.7 million, versus a net profit of \$56.5 million for 2007. The net profit of \$56.5 million for 2007 included a gain of \$95.8 million arising from the listing of Xinhua Finance Media on the NASDAQ in March 2007. On a pro forma basis, adjusting for impairments, non-cash ESOP and one time items, pro forma net income for 2008 was \$2.9 million, which was higher than the \$1.8 million pro forma net income for 2007.

As of December 31, 2008, total assets were \$214.5 million, compared to \$1.1 billion as at December 31, 2007. Total liabilities as at December 31, 2008 were \$96.8 million compared to \$463.5 million as at December 31, 2007. The significant decrease in assets and liabilities in 2008 was mainly due to the deconsolidation of Xinhua Finance Media at the end of the year, as well as XFL's divestiture activities.

Cash flow from operating activities was negative \$15.5 million for 2008. Net cash used in investment activities was negative \$38.1 million and net cash used in financing activities was negative \$2.9 million.

Following the disposal of many non-core assets and the deconsolidation of XFMedia, Xinhua Finance Limited is now a smaller, more focused enterprise. On a continuing operations basis, revenue for 2008 was \$30.1 million and EBITDA was negative \$7.1 million. Our full-year forecast for 2009 is revenue of \$34.2 million, pro forma EBITDA of \$5.6 million, EBITDA of \$5.1 million and a net loss of \$19.9 million.

We expect operating profitability improvements as a result of our aggressive cost-cutting efforts, which should reduce corporate costs by 50%. As mentioned prior, it is important to note that XFL will continue to recognize its proportionate share of Xinhua Finance Media's net profit or loss, as Xinhua Finance Media will continue to be an associated company.

Our goal for 2009 is to continue to further optimize our operations, lower costs and focus on our core competencies in China. Through this reorganization process, we expect to unlock unrealized value in our assets and reallocate capital and resources to businesses that are central to our China focus.

I would now like to turn the call back to Jae for further discussion about our business.

Jae Lie - *Xinhua Finance Limited* - CEO

Thank you, David. I would now like to review some recent significant achievements in our three business lines. In the Index service line, we signed contracts with the Commercial Bank of China and the China Pacific Insurance Company. We will be providing both companies with indices that will allow them to benchmark and track their respective domestic China investments with greater ease. Also, China Investment Corporation chose our Xinhua FTSE Index as the first benchmark to track their portfolio in Hong Kong. And as of December 31, 2008, we had over \$125 billion of global assets being tracked or benchmarked against our China indices.

As the China economy and financial sector continues to evolve, we continue to receive requests from many financial institutions in China for customized and specialized indices. We are in the process of setting up a structure which will allow us to capture this tremendous potential.

In the Ratings service line, our team produced several industry studies and commentaries. The Ratings team is also in the process of building up an inventory of rating reports. This inventory will eventually hold reports of more than 90 corporations and financial institutions.

Feb. 27. 2009 / 8:00AM, 939900.T - Q4 2008 XINHUA FINANCE LIMITED Earnings Conference Call

We have also signed a cooperative agreement with Orient Asset Management Company, the only independent asset management company in China. Through this partnership, we intend to roll out new services and products ranging from research, consulting, education, and so forth.

In the Solutions service line, in 2008, we had a significant development with the signing of a strategic alliance with AVOX, a division of Deutsche Boerse, to provide business entity data to financial institutions in China and Taiwan. Our Solutions team was also involved in the implementation of a financial innovation and risk management conference held by the Chinese Academy of Sciences and Hunan University.

We will continue to seek opportunities to pursue both front office and back office solutions for the growing financial market for China through creation of new products as well as strategic alliances with reputable domestic and overseas partners.

This concludes a brief selection of highlights for our core businesses from 2008, and I would like to now give you some closing remarks.

Xinhua Finance Limited has gone through major changes in 2008 in its strategy and business. These changes have made significant impacts on the company's overall operations, size and revenue. With our new strategy, cost cutting, repayment of debt and focus on the growing Chinese market, we are clearly healthier as a company in terms of finance, management and operations, and we strongly feel that our efforts will prove positive over the years to come.

Last year, we redeemed \$49 million of bonds and earlier this month we launched a tender offer to buy back a further \$42 million of bonds. Bondholders have until 6th of March to reply back to the tender. Assuming a full redemption in March, we will have paid off around \$90 million and have \$10 million remaining. We hope to redeem the rest of \$10 million during this year, so that we will be completely debt free by the end of this year.

For 2009, we will continue to focus on China, where we will concentrate on our indices, ratings and solutions businesses, as well as other service lines that will give us additional revenue opportunities.

We would now like to open the call for Q&A and welcome any questions you may have regarding our results and our business progress.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

At this time, we have no questions in the queue. I will now turn the call back over to Mr. Jae Lie.

Jae Lie - Xinhua Finance Limited - CEO

Thank you for taking the time to attend our results announcement conference call for 2008. Please feel free to contact our IR team with any questions or information requests regarding the Company. They can be reached at ir@xinhuafinance.com. Thank you again for your attendance.

Feb. 27. 2009 / 8:00AM, 939900.T - Q4 2008 XINHUA FINANCE LIMITED Earnings Conference Call

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect, and have a wonderful day.

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