

Letter to Shareholders



"XFMedia has the vision to lead
and the ability to deliver."

Fredy Bush
CEO, Xinhua Finance Media

Dear Shareholders,

2007 was an exciting and significant year in the development of our Company. Approximately 16 months from our founding in November 2005, we successfully completed a public offering, raising approximately US\$200 million. This has provided us with financial flexibility to take advantage of new business opportunities. In our short history, we have built and continue to build a portfolio of media assets through establishing strong alliances and acquiring companies that enhance XFMedia and provide an even stronger foundation for our continued growth. Last year, we made four major acquisitions that complemented our five business groups and further grew our client base, which translated into strong financial performance. These results were not accidental. We performed well because we have a clear strategy, talented management and employees, and the right resources that are essential for success.

Letter to Shareholders (continued)

Delivering Our Vision

Our vision was born out of the opportunity that we saw in China's burgeoning economy, trends towards internationalization, and fragmented nature of its media industry. This unique environment represents an ever growing opportunity for XFMedia to provide the most highly sought-after demographic, the upwardly mobile and high net worth individuals, with financial information and entertainment to enrich their lives. Our engaging content creates valuable media channels for major corporations and organizations to advertise to this growing demographic.

During the year we made excellent progress in integrating acquisitions into our operations and capitalizing on our leadership position in China's media and advertising markets. We continued to attract new clients and cross-sell our services to existing clients. Today we represent some of the most widely known brands worldwide, including HSBC, UBS, BMW, Tissot, Nokia, Johnnie Walker, Sony, IBM, UPS, P&G and Kodak, among others.

We also delivered solid financial results during the year. Net revenue for 2007 rose 129% to \$134.8 million, up from \$59.0 million at the end of 2006. Excluding contributions from our acquisitions completed in 2007, net revenue for full year 2007 was US\$104.9 million, up 78% year-over-year. EBITDA (non-GAAP)¹ was \$43.2 million for full year 2007, compared to EBITDA (non-GAAP) of \$15.3 million for full year 2006. Our adjusted net income (non-GAAP)² also increased significantly in 2007 to \$37.9 million, or \$0.56 earnings per ADS on a diluted basis, compared to adjusted net income (non-GAAP) of \$9.2 million, or \$0.07 earnings per ADS on a diluted basis for full year 2006.

The financial performance of our five business groups emphasizes the tremendous growth we are achieving. Net revenue for our Broadcast Group recorded an approximate 20-times increase to \$28.2 million from \$1.4 million for 2006. Our Print Group increased 45% to \$19.8 million, up from \$13.6 million for full year 2006. Net revenue for our Production Group grew 17% to \$7.7 million for full year 2007, compared to \$6.5 million for 2006. Our Advertising Group's revenue rose 108% to \$74.1 million from \$35.6 million in full year 2006, while our Research Group increased 180% for the full year with net revenue of \$5.0 million.

We believe these results confirm the attractiveness of our business model and our ability to deliver on our plan. The financial information, wealth management intelligence, lifestyle acumen, and entertainment that we provide to the upwardly mobile and high net worth demographic throughout China are paying off for both XFMedia and our clients.

1. EBITDA (non-GAAP) is defined as earnings before interest expense, taxes, depreciation, amortization of intangible assets and share-based compensation expenses.

2. Adjusted net income (non-GAAP) is defined as net income before amortization of intangible assets, imputed interest, share-based compensation expenses and one time items.

Letter to Shareholders (continued)

Strengthening our Leadership Position

During the year we completed four major acquisitions, building on our leadership position in China's media industry.

Through the purchase of 100% of the shares of SingShine (Holdings) Hong Kong Limited in June, we acquired control of Guangzhou SingShine Communication Co., Ltd., which expanded our exclusive advertising rights to three radio channels in the wealthiest Guangdong province in southern China, Guangdong Radio FM 107.7, FM 103.6 and FM 90.0, building upon our existing radio coverage in Beijing and Shanghai through the bilingual EasyFM channels.

In the same transaction, we also acquired control of Shanghai SingShine Marketing Service Co., Ltd., an advertising services agency providing below-the-line solutions from planning to execution of nationwide promotional campaigns to numerous international brands. Together with the addition of the wholly owned JCBN Group in November, we are now the market leader in providing below-the-line services for imported spirits brands such as Johnnie Walker, Budweiser, Hennessy, Chivas and Martell, accounting for over 50% market share of advertising revenue.

JCBN Group is an advertising group serving an impressive list of clients, particularly property developers in addition to imported spirits brands. This acquisition was very significant in making XFMedia China's largest player in online real estate advertising. Currently, we are the exclusive advertising agent of key real estate portals in China, including China.com.cn (i.e. House.china.cn) and Sohu.com (i.e. Focus.cn), and one of the only two advertisers for Sina.com's online property site.

These acquisitions enhance our multimedia advertising platform for advertisers who are looking to tap into China's upwardly mobile demographic.

We view outdoor advertising as a natural extension to our traditional platform and we were most happy to have Convey Advertising Company become part of the XFMedia family in July. The acquisition of 100% interest of Convey brings over 3,000 outdoor media assets that provide us with high profile access to wealthy southern China cities as well as the prime shopping and gambling destinations of Hong Kong and Macau. We believe the outdoor business provides us with excellent growth potential in both the near and longer term.

We have achieved our leadership position in all of these areas by focusing on our demographic, upwardly mobile individuals. This group is buying real estate, enjoying fine spirits, shopping in leading retail centers in Hong Kong, and enjoying gambling and entertainment in Macau. Advertisers want to have their products and services in front of these individuals and we are providing them with access to this most attractive audience.

Beijing Mobile Interactive Co., Ltd., which we acquired in June of last year is a first step in our entry into New Media – an area that will provide us with new revenue sources as we create an additional path for our advertisers to reach out to China's over 480 million mobile phone users.

Furthermore, we won a number of awards in the areas of advertisement creation, television programming and outdoor media during the year. These credits demonstrate our capabilities in delivering best-in-class products and services and our leading competitive edge.

Letter to Shareholders (continued)

Corporate Governance

We are committed to best practices in all areas of business and especially in providing the highest standards of corporate governance. We were therefore extremely pleased to have met Nasdaq's standards related to our board of directors well in advance of requirements for compliance. During 2008 we are striving to fulfill our remaining Sarbanes-Oxley requirements within the deadline. Today, our Board of Directors has 13 members coming from Asia, Europe and the US, eight of whom are independent.

Confidence in Our Future

XFMedia has come a long way in a very short time but we believe that there remain many untapped opportunities in China's financial and media sectors for us to capitalize on. The total media solutions that we provide are most attractive to a growing base of international clients and we expect this will continue to increase with China's internationalization and growing high net worth demographic. We have been a first mover in gaining access to both the consumer and our advertisers and we are confident in our ability to continue to expand on this during 2008 and going forward. There is much to be done and we look forward to both the challenges and the opportunities.

In 2008, we expect to continue to capitalize on our leadership position in China. Our primary focus will be on broadcast, print and outdoor advertising, which we believe present excellent opportunities for growth and provide us with our highest margins. At the same time, we will continue to advance the integration of recent acquisitions into our operations and diversify the capital structure to support our development.

We are especially grateful to our clients, employees and shareholders and we thank you for your continued support.



Fredy Bush
Chairman of the Board & Chief Executive Officer

