

## **WHISTLEBLOWER POLICY AND PROCEDURES**

### **PURPOSE**

Xinhua Sports & Entertainment Limited (“XSEL”, and together with its subsidiaries or affiliates (the “XSEL Entities”), the “Company”) is committed to maintaining a workplace where the Company can promptly and effectively receive, retain and treat concerns and complaints about accounting, internal accounting controls, auditing matters or other improper activity and misconduct. The Company adheres to the fundamental principle of ensuring that employees, officers and directors of the Company (collectively “XSEL Employees”) who raise such concerns in good faith will not be subject to any form of retaliation.

### **SCOPE**

The policy applies to all subsidiaries of the Company, involving not only employees but also shareholders, vendors, outside agencies doing business with employees of the Company and unknown parties.

### **DUTY TO REPORT IMPROPER ACTIVITY**

The Company’s Code of Business Conduct and Ethics requires XSEL Employees to promptly report known or suspected violation of law and Company policies, including any acts or suspected acts of circumvention or attempted circumvention of internal accounting controls or acts that would constitute a violation of the Company’s Code of Business Conduct and Ethics. XSEL Employees should also report other matters that could have significant impact on the Company’s operations or reputations. Examples of reportable activities include:

- questionable accounting practices, internal accounting controls, financial statements or auditing matters (collectively “Accounting Issues”);
- corporate fraud;
- bribery, receiving kick-backs or other forms of corruption;
- conduct which may result in a substantial mismanagement of Company resources or assets;
- unethical or illegal business conduct by XSEL Employees;
- conduct which may result in a violation of applicable laws, rules or regulations;
- conduct which may result in a violation of the Company’s Code of Business Conduct and Ethics or the Company’s Statement of Policies Governing Material, Non-Public Information and the Prevention of Insider Trading, or other Company policies;

- conduct which may result in a violation of the rules or regulations (the “Exchange Rules”) of the principal market on which Xinhua Sports & Entertainment Limited’s securities are traded or quoted (currently the NASDAQ Stock Exchange);
- substantial and specific danger to the health and safety of XSEL Employees or the general public, including sexual harassment and other forms of harassment; or
- any other matter of concern that XSEL Employees, stockholders or other interested persons believe may adversely affect the XSEL Entities and/or XSEL Employees

### **HOW DO I MAKE COMPLAINTS OR COMMUNICATE CONCERNS?**

All management personnel should have an “open door policy” that permits an XSEL Employee to raise concerns or report known or suspected violations. Your supervisor or office manager may be in a position to address your concerns quickly. However, approaching your supervisor or office manager is not your only option. You may continue to seek guidance from specific departments within the Company, depending on the type of concerns you have. For example:-

- employment matters and discrimination or harassment issues may be addressed with HR;
- financial and accounting concerns can be reported to XSEL’s Internal Audit Department;
- environmental, health and safety matters can be appropriately reported to XSEL’s Chief Operating Officer;
- questions relating to trading in XSEL securities can be directed to the Legal Department;
- issues relating to potential violations of laws or conflicts of interests can be reported to the Legal Department.

In addition to any other usual avenue available to an XSEL Employee, any XSEL Employee may report any concern to the Compliance Officer openly, confidentially or anonymously. The Compliance Officer is a person appointed by the board of directors of XSEL. Currently, John A. McLean, General Counsel of Xinhua Finance, is XSEL’s Compliance Officer.

You may make complaints or report improper activities to the Compliance Officer either by the telephone or email or in person. Reports can be made anonymously by calling the Hotline, which is monitored by the Compliance Officer and the Audit Committee.

For callers from within the People's Republic of China, the toll-free numbers for the Hotline are:

- 10800 852 1745 (via CNC fixed network)
- 10800 152 1745 (via CT fixed network)

For callers from within Hong Kong, the toll-free number for the Hotline is:

- (852) 3516-8341

For callers from within the United States of America, the toll-free number for the Hotline is:

- 1 (866) 615-2934

You may also send your report by email to the Compliance Officer at [compliance@xsel.com](mailto:compliance@xsel.com).

If you prefer, you can schedule appointments to meet the Compliance Officer in private.

For the outsiders, complaints can be made through email to the Compliance Officer at [compliance@xsel.com](mailto:compliance@xsel.com).

In some cases, an XSEL Employee can report to the Chairman of the Company's Audit Committee directly. These cases would normally involve one or more of the following conditions:

- the XSEL Employee is not satisfied with the investigation result or feedback
- an executive officer (e.g., the CEO, CFO and COO or other senior management) is alleged

Choosing which means to make a report is purely voluntary. On the other hand, improper use or abuse of the reporting mechanisms by any person may be subject to disciplinary actions. This would be the case if you make a report knowing that the allegation is false or unfounded.

All XSEL Employees may report known or suspected improper activity anonymously. However, providing your name may expedite the time it takes the Company to respond to your concern and would also allow the Company to contact you directly if necessary during an investigation. The Company will treat the information you provide as confidential to the extent reasonably possible. The Company may be obligated to inform the subject of a reported violation that a report was lodged and how he or she may exercise his or her right to defend the allegation. However, this right does not automatically entitle the subject of the allegation to information identifying the person

who reported the allegation.

### **COMPLAINT HANDLING: WHAT HAPPENS TO THE REPORTS I FILE?**

Receipt of all submissions that are not anonymous will be acknowledged by the Compliance Officer (or a designee) either orally or in writing within three (3) working days, unless the person submitting the complaint or concern indicates a specific preference as to how to receive the acknowledgement. The Compliance Officer (or designee) shall maintain a record of its response to each submission, including the date of the acknowledgement and any other actions taken.

Each report that is received, whether openly, confidentially or anonymously, shall be reviewed by the Compliance Officer (or designee). The Compliance Officer (or designee) may, in his discretion, consult with any member of management or employee who is believed to have appropriate expertise or information to assist in the investigation. The Compliance Officer may request the Audit Committee of the Company to lead the investigation under certain circumstances.

In determining whether to request the Audit Committee to lead an investigation, the Compliance Officer shall consider, among other appropriate factors, the following:

- Who is the alleged wrongdoer? If an executive officer (e.g., the CEO, CFO or COO or other senior management) is alleged to have engaged in wrongdoing, that factor alone may militate in favor of the Audit Committee conducting the investigation;
- How serious is the alleged wrongdoing? The more serious the alleged wrongdoing, the more appropriate that the Audit Committee should undertake the investigation. If the alleged wrongdoing concerns Accounting Issues or would raise question as to the integrity of the financial statements of the Company, that factor alone may militate in favor of the Audit Committee conducting the investigation;
- How credible is the allegation of wrongdoing? The more credible the allegation, the more appropriate that the Audit Committee should undertake the investigation. In assessing credibility, the Compliance Officer should consider all facts surrounding the allegation, including but not limited to whether similar allegations have been made in the press or by analysts.

The Compliance Officer (or designee) is responsible for preparing the “Complaint Record” in sequential numbers for each received complaint and summarizing the complaints in the “Monthly Complaints Summary”. The Compliance Officer shall inform the Audit Committee as and when complaints are received, and make quarterly reports to the Audit Committee about the received complaints, the analysis of the complaints and the results of investigation. The Audit Committee determines the disciplinary actions against the violations and whether to disclose.

The Compliance Officer (or designee) documents the response to each complaint in the respective “Complaint Record”.

## **INVESTIGATION AND CORRECTIVE ACTIONS**

All reports will be investigated promptly. Corrective or disciplinary actions will be taken as warranted, appropriate and permitted by applicable law. Depending on the nature and severity of the improper activity, corrective or disciplinary actions may include a warning or letter of reprimand; demotion; loss of merit increase, bonus or stock options; suspension without pay or termination of employment. The specific actions taken by the Company may vary with the matter at hand and, in any particular instance, depend on the nature and gravity of the improper activity reported and the quality of information provided.

XSEL Employees making a complaint or communicating a concern are therefore encouraged to provide as much specific information as possible, including names, dates, places, events that took place and other observations as to why the reported incidents may be a violation. Any XSEL Employee involved in an investigation is expected to provide all relevant information requested in the course of an investigation.

The Company will not necessarily advise you of the actions that the Company has taken or may take or of the final disposition of your report.

## **PROTECTION OF WHISTLEBLOWERS**

The Company strictly prohibits any retaliation, harassment, recrimination or discrimination against any person who, in good faith, seeks help or reports known or suspected violations, or who participates in or provides assistance to the investigation of complaints. Any person who engages in such retaliation, directly or indirectly, or encourages others to do so, may be disciplined, up to and including discharge, to the extent permitted by applicable law.

An employee who in good faith seeks help or reports known or suspected violations will be protected from threats of retaliation, harassment, discharge or other types of discrimination. No XSEL Employee may be adversely affected because they refused to carry out a directive, which, in fact, constitutes corporate fraud or is a violation of laws, rules or regulations, or the Company's Code of Business Conduct and Ethics, or other company policies.

The Compliance Officer or the Audit Committee shall not, to the fullest extent possible under law, reveal the identity of any person who makes a good faith allegation and who asks that his or her identity remain confidential. The Company shall not make any effort, or tolerate any effort made by any other person or group, to ascertain the identity of any person who makes a good faith allegation anonymously.

**RECORD RETENTION**

The Company shall retain all records relating to any report or allegation and to the investigation of any such report or allegation in accordance with the Company's record retention policy as in effect or in such manner as the Company or the Audit Committee may direct, in each case in compliance with applicable law, including data protection law, rules and regulations.

**AMENDMENTS TO THIS POLICY**

This Whistleblower Policy and Procedures will be reviewed annually by the Compliance Officer, the Internal Auditor and the Audit Committee. XSEL's Board of Directors is authorized to modify this Policy unilaterally at any time without prior notice. Modification may be necessary, among other reasons, to maintain compliance with laws, rules and regulations, Exchange Rules and/or to accommodate organizational changes within the Company. The Company will announce any material revisions to this Policy and will make a current version of this Policy available on our website. The Company will also make hardcopies of the then-current Policy to Employees upon request.

**EFFECTIVE DATE: 20 JUNE, 2008**