

MESSAGE FROM THE CFO

DEAR SHAREHOLDERS,

The past year has been an exceptional one for Xinhua Finance, both from an operational standpoint and a corporate finance and accounting perspective. It has been marked by major achievements in financing, continued implementation of financial controls and integration, and significant enhancements to our global investor relations program.

UNPRECEDENTED FINANCING MILESTONES ACHIEVED

During 2004, the Company transformed from a privately invested enterprise to a publicly traded entity supported by a diverse investor base. The Company's public listing on October 28, 2004 marked important milestones for both the Company itself and the Tokyo Stock Exchange ("TSE") as well. As the first China entity on the TSE and the first foreign company to choose the Mothers board of the TSE as its primary listing, the Xinhua Finance investment story has established a precedent for a foreign stock in the Japan markets.



The market's support of the Xinhua Finance story has been reflected in our share price since our IPO date, with the price rising from 175,000 Yen at IPO to 289,000 Yen on May 31, 2005. The stock has also witnessed good trading liquidity of an average of approximately 6,000 shares and US\$14 mn (1.5 bn Yen) per day as of May 31, 2005, making it a good currency for future M&A activity.

To further diversify our funding sources, we have also secured a three-year term facility with ABN AMRO in late 2004 to complement our equity financing.

STRINGENT CONTROLS AND TREASURY MANAGEMENT

The fast development of Xinhua Finance has been accounted for using strict financial and accounting standards recognized globally. These standards allow us to accurately measure the financial impact of our strategic initiatives and operational achievements.

We have focused on enhancing our controls to ensure efficient reporting, given our worldwide subsidiaries. Also, we have kept an increasingly tight watch over internal audit and controls with our current status as a publicly listed entity. The regular and stringent enforcement of such processes enable us to provide transparent and accurate information to investors on the Company's financial situation.

With expanding global operations and a growing client base, we have also increased our efforts for treasury and tax planning on a universal level to ensure optimal cash management for the entire group.



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PRO-ACTIVE INVESTOR RELATIONS PROGRAM

Ongoing communication with the worldwide investment community forms the basis of our investor relations program and has proven invaluable to the market's understanding of the Xinhua Finance story. Through our investor outreach programs, we keep our existing and potential shareholders updated on a continual basis. Effective communication of our developments ensures that investors appreciate the Xinhua Finance story.

As a foreign company listed in Tokyo, we not only focus on domestic investors in Japan, but make it a priority to reach out to investors overseas to form a more diversified shareholder base for our stock.

Quarterly events allow us to meet one on one with investors in Japan and overseas to get a true pulse on how the market perceives Xinhua Finance. Our monthly Japanese retail seminars are designed to maximize public understanding of our operations and business opportunities.

RESULTS OF OUR EFFORTS

The results of our efforts in 2004 has been a successful IPO and increased funding sources. In conjunction, we have developed an even more robust platform for measuring and accounting for our financial progress, and enhanced the overall profile of the Company internationally. Through Xinhua Finance, investors can participate in a unique opportunity in China's burgeoning financial information and media industry. 

Sincerely,

Gordon Lau, CA MBA
CFO

