

August 14, 2006

Dear Sirs,

(Consolidated) Summary of Business Results for the six months ending June 30, 2006

Name of the Company:	Xinhua Finance Limited (URL www.xinhuafinance.com .)
Representative:	Chief Executive Officer, Fredy Bush (TSE Mothers, Code Number : 9399)
Inquiries to:	Chief Financial Officer, Gordon Lau (TEL: Shanghai 86-21-6113-5900)
Inquiries to:	Managing Director, Investor Relations, Jiong Sun (TEL: Tokyo 81-3-3221-9500)

1. Consolidated Business Results

Consolidated Business Results for six months year-to-date ending June 30, 2006 are provided below (consolidated business results for six months year-to-date ending June 30, 2005 are provided as well for reference).

Consolidated financial statements in accordance with Japan GAAP and International Financial Reporting Standards (IFRS) have been prepared for our investors in Japan and elsewhere in accordance with the Company's past practice. Significant differences between Japan GAAP and IFRS as applied to us include those relating to share based payment expenses and amortization of goodwill. Please refer to section "2 Outline of Business Results" below for detailed explanation. These items makes our consolidated net income under Japan GAAP substantially smaller than our consolidated net income under IFRS for the period ended June 30, 2006.

Consolidated Business Results under Japan GAAP

(Units: USD thousand (Yen thousand))

	June, 2005 (6 Months YTD) (at past USD-Yen rate as of June 30, 2005)	June, 2005 (6 Months YTD) (at current USD-Yen rate as of Jun 30, 2006)	June, 2006 (Year to date) (at current USD-Yen rate as of Jun 30, 2006)	Variance (%)
Turnover	46,500 (5,143,854)	46,500 (5,358,685)	75,026 (8,646,017)	61
Operating Profit/Loss (-)	-965 (-106,734)	-965 (-111,192)	2,261 (260,523)	-
Ordinary Profit/Loss (-)	-820 (-90,711)	-820 (-94,500)	3,442 (396,600)	-
Net Profit/ Loss (-)	-1,385 (-153,248)	-1,385 (-159,649)	2,012 (231,830)	-
EBITDA	6,223 (688,338)	6,223 (717,086)	11,089 (1,277,853)	78

Total Assets	221,687 (24,523,057)	221,687 (25,547,252)	491,796 (56,674,515)	122
Total Net Assets	174,736 (19,329,311)	174,736 (20,136,592)	383,852 (44,235,049)	
Basic EPS (US\$) (Yen)	-2.20 (-243.36)	-2.20 (-253.11)	2.38 (274.27)	
Diluted EPS (US\$) (Yen)	N/A (N/A)	N/A (N/A)	2.33 (268.51)	

(Notes)

1. For six months period-to-date ended June 30, 2006 results and six months ended June 30, 2005 results at current U.S. dollars and Japanese yen exchange rate, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=¥115.24, from the Tokyo Foreign Exchange Market as of June 30, 2006. For six months ended June 30, 2005 results as reported on August 15, 2005, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=¥110.62, from the Tokyo Foreign Exchange Market as of June 30, 2005.
2. We define EBITDA in relation to our Japan GAAP financial statements as operating income or loss plus depreciation, amortization and amortization of goodwill.
3. Variance shows comparison between consolidated business results for six months year-to-date ending June, 2005 and for six months year-to-date ending June 30, 2006 both of which are at current rate as of June 30, 2006.
4. On September 22, 2005, the Company carried out a share split to split 1 share to 3 shares.
5. Total Net Assets as of June 30, 2005 was reported as total shareholders' equity in the previous announcement at the balance sheet date.
6. June 30, 2005 Basic EPS as shown above being US\$-2.20 (¥-253.11) already reflected the effect of the share split in September 22, 2005 to allow apple to apple comparison. The before adjusted Basic EPS value was US\$-6.59 (¥-759.33) for June 30, 2005.

Consolidated Business Results under IFRS (for reference only)

(Units: USD thousand (Yen thousand))

	June, 2005 (6 Months YTD) (at past USD-Yen rate as of June 30, 2005)	June, 2005 (6 Months YTD) (at current USD-Yen rate as of Jun 30, 2006)	June, 2006 (Year to date) (at current USD-Yen rate as of Jun 30, 2006)	Variance (%)
Turnover	46,500 (5,143,854)	46,500 (5,358,685)	75,026 (8,646,017)	61
EBITDA	6,323 (699,525)	6,323 (728,740)	11,273 (1,299,121)	78
Net Income	2,068 (228,786)	2,068 (238,341)	4,854 (559,418)	135
Basic EPS (US\$) (Yen)	3.28 362.83	3.28 377.99	5.73 660.33	
Diluted EPS (US\$) (Yen)	3.26 360.62	3.26 375.68	5.63 648.80	73

(Notes)

1. For six months period-to-date ended June 30, 2006 results and six months ended June 30, 2005 results at current Japanese yen exchange rate, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=¥115.24, from the Tokyo Foreign Exchange Market as of June 30, 2006. For six months ended June 30, 2005 results as reported on August 15, 2005, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=¥110.62, from the Tokyo Foreign Exchange Market as of June 30, 2005.
2. We define EBITDA in relation to our IFRS financial statements as profit (loss) before interest, tax, depreciation and amortization.
3. Variance shows comparison between consolidated business results for six months year-to-date ending June, 2005 and for six months year-to-date ending June 30, 2006 both of which are at current rate as of June 30, 2006.
4. On September 22, 2005, the Company carried out a share split to split 1 share to 3 shares.
5. June 30, 2005 Basic EPS and Diluted EPS as shown above being US\$3.28 (¥377.99) and US\$3.26 (¥375.68) respectively already reflected the effect of the share split in September 22, 2005 to allow apple to apple comparison. The before adjusted Basic EPS and Diluted EPS values were US\$9.84 (¥1,133.96) and US\$9.78 (¥1,127.05) respectively.

2. Outline of Consolidated Business Results (from January 1, 2006 to June 30, 2006)

Turnover

Consolidated turnover was US\$75,026 thousand (¥8,646,017 thousand) for the six months year-to-date ended June 30, 2006, higher than the US\$46,500 thousand (¥5,358,685 thousand) for the six months year-to-date ended June 30, 2005.

Higher consolidated turnover in 2006 is primarily due to:

- Consolidation of newly acquired subsidiaries, including Ming Shing International Ltd and Beijing JingGuanXinCheng Advertising Co. Ltd in first half 2006 which accounted for 15.9% of our consolidated turnover in 2006.
- Full period impact from subsidiaries, including Taylor Rafferty Associates Inc, Washington Analysis Corporation, EconWorld Media Limited and Beijing Century Media Culture Co. Ltd, that joined the group in 2005 as they accounted for 22.7% of our consolidated turnover in 2006.
- Increased demand for China focused financial information and product line extensions such as Xinhua G7 China Service and China Bullet Points in the news service line.
- Realizing synergies among the group, including cross-selling the services or products provided by our subsidiaries, arising from a more streamlined sales and marketing approach of our global operations.

Cost of sales

Consolidated cost of sales was US\$31,466 thousand (¥3,626,134 thousand) for the six months year-to-date ended June 30, 2006, higher than the US\$22,082 thousand (¥2,544,772 thousand) for the six months year-to-date ended June 30, 2005. Consolidated cost of sales mainly consists of reporting and editorial staff costs, direct marketing expenses, production fees, distribution charges and data acquisition costs. Consolidated cost of sales represented 42% and 47% of consolidated turnover for the six months ended June 30, 2006 and six months ended June 30, 2005, respectively. The increase of the amount of consolidated cost of sales is primarily due to consolidation of newly acquired subsidiaries that accounted for US\$8,054 thousand (¥928,143 thousand) in the six month year-to-date ended June 30, 2006 and full period impact from subsidiaries in that accounted for US\$4,096 thousand (¥472,023 thousand) in the six month year-to-date ended June 30, 2006 which joined the group in 2005.

Gross Margin

Gross margin ratio of consolidated gross profit to consolidated turnover was 58% for the six months ended June 30, 2006 versus 53% for the six months ended June 30, 2005, mainly due to higher gross margin derived from full period impact of subsidiaries that joined the group in 2005 such as Washington Analysis Corporation and Taylor Rafferty Associates Inc.

Selling, general and administrative expenses

Consolidated selling, general and administrative expenses were US\$41,300 thousand (¥4,759,360 thousand) for the six months year-to-date ended June 30, 2006, higher than the US\$25,383 thousand (¥2,925,104 thousand) for the six months year-to-date ended June 30, 2005. Higher selling, general and administrative expenses are mainly due to costs associated with expansion activities and the inclusion of selling, general and administrative expenses from consolidation of our 2005 and first half 2006 acquisitions. Selling, general and administrative expenses as a percentage of sales consolidated turnover remain constant at 55% for the two periods.

Operating profit/loss

As a result of the above, Operating Profit was US\$2,261 thousand (¥260,523 thousand) for the six months year-to-date ended June 30, 2006, versus Operating Loss of US\$965 thousand

(¥111,192 thousand) for the six months year-to-date ended June 30, 2005.

Ordinary profit/ loss

Ordinary Profit was US\$3,442 thousand (¥396,600 thousand) for the six months year-to-date ended June 30, 2006, versus Ordinary Loss of US\$820 thousand (¥94,500 thousand) for the six months year-to-date ended June 30, 2005. As a result of the above Operating Profit, Ordinary Profit was arrived at after accounting for US\$2,150thousand (¥247,778 thousand) interest and other income being offset by US\$969 thousand (¥111,700 thousand) interest expense and others.

Net profit/loss

As a result of the above, Net Profit was US\$2,012 thousand (¥231,830 thousand) for the six months year-to-date ended June 30, 2006, versus Net Loss of US\$1,385 thousand (¥159,649 thousand) for the six months year-to-date ended June 30, 2005. Net Profit for the six months ended June 30, 2006 includes 1) a one-time gain of US\$650 thousand (¥74,930 thousand) from the sale of a minority stake in a subsidiary to a strategic investor, and 2) a one-time gain of US\$3,000 thousand (¥345,720 thousand) from the redemption of minority interests, and 3) minority interests US\$3,349 thousand (¥385,893 thousand) of which US\$1,650 thousand (¥190,146 thousand) was a one-time charge related to the previously mentioned one-time gain of US\$3,000 thousand (¥345,720 thousand). Net income was US\$426 thousand (¥49,092 thousand) after elimination of the above and other one-time items and non-cash ESOP expense of US\$141 thousand (¥16,249 thousand).

EBITDA

EBITDA was US\$11,089 thousand (¥1,277,853 thousand) for the six months year-to-date ended June 30, 2006, versus US\$6,223 thousand (¥717,086 thousand) for the six months year-to-date ended June 30, 2005. EBITDA is calculated by taking Operating Income or Loss adding back depreciation, amortization and amortization of goodwill.

Balance Sheet Analysis

(Units: USD thousand (Yen thousand))

	As of June 30, 2005 (at current USD-Yen rate as of Jun 30, 2006)	As of June 30, 2006 (at current USD-Yen rate as of Jun 30, 2006)	Variance (%)
Current Assets	34,288 (3,951,366)	151,461 (17,454,378)	342
Non-current Assets	187,399 (21,595,887)	340,334 (39,220,137)	82
Current Liabilities	34,656 (3,993,715)	78,516 (9,048,152)	127
Non-current Liabilities	12,012 (1,384,274)	29,428 (3,391,314)	145
Total Net Assets	174,736 (20,136,592)	383,852 (44,235,049)	

(Notes)

1. Total Net Assets as of June 30, 2005 was reported as total shareholders' equity in the previous announcement at the balance sheet date.

Cashflow Analysis

Operating activities

Net cash used in operating activities amounted to US\$13,180 thousand (¥1,518,867 thousand) for the six months year-to-date ended June 30, 2006. In line with our turnover growth, this usage was due to an increase in working capital needs, mainly trade receivables, from the rapid expansion of our business.

Investing activities

Net cash used in investing activities amounted to US\$43,548 thousand (¥5,018,497 thousand) for the six months year-to-date ended June 30, 2006, mainly consisted of cash used for strategic acquisitions such as Ming Shing International Ltd and Beijing JingGuanXinCheng Advertising Co. Ltd and subsequent consideration payment for Washington Analysis Corporation that totalled to US\$36,333 thousand (¥4,187,063 thousand), deposits paid for upcoming acquisitions US\$8,035 thousand (¥925,920 thousand) and capital expenditures US\$2,835 thousand (¥326,753 thousand).

Financing Activities

Cashflow from financing activities amounted to US\$63,506 thousand (¥7,318,441 thousand) for the six months year-to-date ended June 30, 2006, mainly consisted of US\$1,230 thousand (¥141,779 thousand) in issuance of shares from the exercise of outstanding warrants, US\$1,944 thousand (¥223,993 thousand) in net repayment of bank borrowing, and US\$70,000 thousand (¥8,066,800 thousand) of funds raised by a subsidiary.

Cash Balance

Ending cash balance was US\$87,455 thousand (¥10,078,291 thousand) as at June 30, 2006, due to the activities as described in “Operating Activities”, “Investing Activities” and “Financing Activities”, above.

3. Financial Projection (from January 1, 2006 to December 31, 2006)

Our projections have been prepared in accordance with Japan GAAP and IFRS to meet the needs of our Japanese and international investors.

There are significant differences between Japan GAAP and IFRS as applied to us, including those relating to amortization of goodwill and share based expenses. These differences result in a material deviation between the net results projected under Japan GAAP and the net results projected under IFRS.

- *Goodwill on Consolidation*

- Japan GAAP requires consolidated goodwill to be amortized within 20 years. The goodwill on consolidation of the Company has been and 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.

- *Share-based Payment Expense*

- Under IFRS, 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 accounting impact for shares or options granted for compensation prior to May 1, 2006. However, shares and options granted after May 1, 2006 starts to attract compensation expense under Japan GAAP.

EBITDA is presented in the projections because we believe it is an important measure of our financial performance. Due to the nature of our industry and extent of our acquisition activities, a large portion of our assets consists of goodwill on consolidation. Goodwill on consolidation represents the excess of the aggregate purchase price over the fair value of the net assets of the business acquired and is required to be amortized under Japan GAAP. Since amortization expense is a non-cash expense, we view EBITDA as an important measure of our cash flow and overall financial performance. However, it is recommended that the investors should carefully take into account financial and non-financial information as well as EBITDA.

The forecasted consolidated financial outlook for the fiscal year ending December 2006 under Japan GAAP is as follows:

	Turnover	EBITDA	Operating Income	Ordinary Income	Net Income
	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)
For a year	166,009 (17,430,922)	25,565 (2,684,362)	9,417 (988,742)	8,917 (936,242)	1,094 (114,828)

(Reference) Forecasted net income per share (for the period): JPY140.81 (2 decimal places)

Notes:

1. Exchange rate used USD1 = ¥105.00 (estimate based on management forecast).
2. We define EBITDA in relation to our Japan GAAP financial statements as operating income or loss plus depreciation, amortization and amortization of goodwill.
3. Performance estimates are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates.

For reference only, the financial outlook for the fiscal period ending December 2006 under IFRS is as follows:

	Turnover	EBITDA	Net Income
	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)
For a year	166,009 (17,430,922)	25,565 (2,684,362)	13,842 (1,453,448)

(Reference) Forecasted net income per share (for the period): JPY1,782.33 (2 decimal places)

Notes:

1. Exchange rate used USD1 = ¥105.00 (estimate based on management forecast).
2. We define EBITDA in relation to our IFRS financial statements as profit (loss) before interest, 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.