

2005 Year 12 Month Financial Summary (Consolidated)
2006 Year 02 Month 14 Date
Listed Company Name : Xinhua Finance Limited
Listed Section : Mothers
Code No. : 9399
Head Office Location : Grand Cayman
(URL <http://www.xinhuafinance.com>)
Representative- Title : Chief Executive Officer ; Name : Fredy Bush
Inquiry- Title : Chief Financial Officer ; Name : Gordon Lau ; Tel : Hong Kong (852) 3196-3939
Title : Managing Director of Investor Relations ; Name : Sun Jiong ; Tel : Tokyo (81) 3 3221-9500
Directors' meeting on Financial results : Year 2006 Month 02 Date 13
Applied the US GAAP? No
1. Consolidated Results for the period ending December 2005 (1 January 2005 to 31 December 2005) under Japan GAAP
(1) Consolidated Operating Results
Note: The figures are rounded.

	Sales		EBITDA		Operating Income		Ordinary Income	
	US\$ Thousand (JPY Thousand)	%	US\$ Thousand (JPY Thousand)	%	US\$ Thousand (JPY Thousand)	%	US\$ Thousand (JPY Thousand)	%
Dec, 2005	110,010 (12,988,885)	84.3	18,787 (2,218,226)	344.2	3,472 (409,893)	-	523 (61,801)	-
Dec, 2004	59,689 (7,047,476)	-	4,230 (499,425)	-	△4,134 (△488,114)	-	△9,100 (△1,074,437)	-

	Net Income		Earnings per share	Diluted Earnings per Share	% of Net income/ shareholders' equity	% of Ordinary income / total assets	% of Ordinary income / Sales
	US\$ Thousand (JPY Thousand)	%	US\$ (JPY) 2 decimal places	US\$ (JPY) 2 decimal places	%	%	%
Dec, 2005	△2,814 (△332,299)	-	△4.25 △(501.90)	N/A N/A	△1.3	0.2	0.5
Dec, 2004	△9,305 (△1,098,684)	-	△34.65 (△4,090.54)	N/A N/A	△10.5	△7.7	△15.2

(Note) 1. P/L from applying Equity Method : December, 2005 : 1 JPY Nil; December, 2004: N/A JPY Nil

2. Average no. of shares during the period : December, 2005 : 662,085.34 shares ; December, 2004 : 89,530.42 shares. On September 22, 2005, the Company carried out a share split to split 1 share to 3 shares. The record date of the share split was September 14, 2005.

3. Change in Accounting Method : No

4. % of Sales, Operating Income, Ordinary Income and Net Income represent increase or decrease in comparison to the prior year.

5. Exchange rate used USD1 = ¥118.07; The amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), from the Tokyo Foreign Exchange Market as of December 30, 2005.

6. EBITDA is defined as operating income or loss plus depreciation, amortization and amortization of goodwill.

(2) Consolidated Financial Status

	Total Assets	Shareholders' Equity	% of Shareholders' Equity / Total Assets	Net Assets per Share
	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	%	US\$ (JPY) 2 decimal places
Dec, 2005	368,817 (43,546,177)	279,442 (32,993,684)	75.8	305.65 (36,087.70)
Dec, 2004	201,927 (23,841,573)	149,102 (17,604,505)	73.9	239.89 (28,323.60)

(Note)

1. Total issued shares at end of period (consolidated) : Dec, 2005 : 815,477.29 shares ; Dec, 2004 : 203,565.36 shares

2. On September 22, 2005, the Company carried out a share split to split 1 share to 3 shares. The record date of the share split was September 14, 2005.

(3) Consolidated Cashflow result

	Cash flow from Operating Activities	Cash flow from Investing Activities	Cash flow from Financing Activities	Cash and Cash Equivalent at the year end
	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)
Dec, 2005	△7,154 (△844,625)	△55,431 (△6,544,786)	103,255 (12,191,289)	80,669 (9,524,644)
Dec, 2004	△1,915 (△226,073)	△54,595 (△6,446,069)	78,387 (9,255,207)	40,089 (4,733,278)

(4) Details regarding the application of consolidated scope and Equity Method

Number of consolidated entities : 42; Number of non-consolidated entities using the Equity Method : 0;
Number of related firms using the Equity Method: 1

(5) Changes in conditions on the applicability of the consolidated scope and Equity Method

Consolidated : (New) 20, (Excluded) N/A; Equity Method : (New) 1, (Excluded) N/A

2. Forecast on Consolidated Results for the period ending December 2006 (1 January 2006 to 31 December 2006) under Japan GAAP

	Sales	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 6 months	74,704 (7,843,915)	11,504 (1,207,963)	3,484 (365,835)	3,234 (339,585)	273 (28,707)
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)

1. Exchange rate used USD1 = ¥105 (estimate).

*Performance estimates are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates.

<For Reference Only (IFRS)>

1. Consolidated Results for the period ending December 2005 (1 January 2005 to 31 December 2005) under IFRS

(1) Consolidated Operating Results

	Sales	EBITDA	Net Income	Earnings per share	Diluted Earnings per Share
	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ (JPY) 2 decimal places	US\$ (JPY) 2 decimal places
Dec, 2005	110,010 (12,988,885)	21,234 (2,506,937)	10,270 (1,212,576)	15.51 (1,831.27)	15.23 (1,798.21)
Dec, 2004	59,690 (7,047,598)	4,577 (540,419)	△1,420 (△167,637)	△5.29 (△624.14)	N/A N/A

(Note) 1. P/L from applying Equity Method : Dec, 2005 : 1 JPY Nil; Dec, 2004: N/A JPY Nil

2. Average no. of shares during the period : Dec, 2005 : 662,085.34 shares ; Dec, 2004 : 89,530.42 shares On September 22, 2005, the Company carried out a share split to split 1 share to 3 shares. The record date of the share split was September 14, 2005.

3. Change in Accounting Method : No

4. Exchange rate used USD1 = ¥118.07.

(2) Details regarding the application of consolidated scope and Equity Method

Number of consolidated entities : 42; Number of non-consolidated entities using the Equity Method : 0;
Number of related firms using the Equity Method: 1

(3) Changes in conditions on the applicability of the consolidated scope and Equity Method

Consolidated : (New) 20, (Excluded) N/A; Equity Method : (New) 1, (Excluded) N/A

2. Forecast on Consolidated Results for the period ending December 2006 (1 January 2006 to 31 December 2006) under IFRS

	Sales	EBITDA	Net Income
	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)
For 6 months	74,704 (7,843,915)	11,504 (1,207,963)	6,394 (671,335)
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)

1. Exchange rate used USD1 = ¥105 (estimate)

*Performance estimates are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates.

(1) Conditions of Group

Xinhua Finance is a provider of financial information products focused on China's financial markets for China and globally. We believe that we are uniquely positioned in the market because we provide all four complementary services of market indices, ratings, financial news and analysis and investor relations in one company. To our knowledge, a company with such a comprehensive service portfolio has never been seen in the market before. As a company providing all of these services to China's financial markets, we have established the infrastructure for making investment decisions in China.

Investors can make more well-informed investment decisions on China's financial markets through one or more of our services. For example, through our market indices and financial news and analysis, an investor can track the overall performance of the equity and debt markets, follow the events that affect these markets, and be informed of recent developments of individual companies. Simultaneously, an investor can assess the creditworthiness and performance of individual companies that make up such market indices with our ratings products. Also, through our investor relations services, investors can learn what companies are saying about themselves in their corporate announcements and public relations activities.

We offer the following four principal services:

- Market Indices. We provide equity indices and bond indices measuring the performance of China's stock and bond markets. We follow the China markets with more than 100 equity indices covering domestic and international China-related stocks, 12 bond indices, and four style indices (equity indices customized to track more specific investment criteria). These indices are all developed according to methodology generally used in international markets. Also, we provide a customized U.S. index, the Dividends Achiever Index, that tracks dividend-paying equities in the U.S. that have increased their payout every year for the past ten consecutive years.
- Ratings. We issue ratings on RMB denominated corporate bonds, ratings on commercial loans, and public information ratings (ratings on companies based on publicly available information). Our ratings are developed according to methodology generally used in international markets. We also offer a comprehensive global portfolio of company, securities and financial information, along with research and analytic tools that enable investors to conduct in-depth company evaluation.
- Financial News and Analysis. We provide financial news mainly covering China's financial markets, as well as international financial markets. We also offer a comprehensive range of analytic reports and products for China and the international markets covering economic developments, fixed-income and foreign exchange, currency and interest rate movements, government policies and central bank activities.

- Investor Relations. We offer corporate announcement services that allow companies inside and outside of China to communicate their news and events. Via our extensive network of more than 4,000 media outlets in China, we currently distribute over 35 such company announcements per week. Through our professional, independent IR consulting services, we assist private companies on IPO roadshows as well as ongoing investor roadshows for public companies. Additionally, we offer shareholder analysis for publicly listed companies to diversify and globalize their investor base. We also provide China-specific investor and public relations services, encouraging corporate governance and disclosure practices for companies in China.

In 2005, we enhanced our product lines through acquisitions including:

- Taylor Rafferty Associates Inc. (“Taylor Rafferty”), one of the leading independent investor relations and financial communications advisors worldwide, which added depth to our IR service offering; and
- Washington Analysis Corporation (“Washington Analysis”), which is a premier economic and political advisory firm, strengthening our government policy analytic capabilities.

In line with our strategy of further penetrating China’s financial media sector and leveraging our content across multiple distribution platforms, we also implemented the following initiatives:

- Acquired EconWorld Media Ltd (“EconWorld”) (60% of its outstanding shares), a Hong Kong based book-publishing company and its subsidiaries, called Money Journal, a PRC financial magazine distributed in China, Hong Kong and Taiwan;
- Acquired Beijing Century Media Culture Co (“Beijing Century Media Culture”), a Beijing-based consulting and production company involved in TV program production and distribution, TV post-production and animation production; and
- Further developed desktop terminal business, focusing on commodities and futures data with the intention of expanding into other key asset classes such as equity, fixed income, and foreign exchange.

We are a global organization with our headquarters in Shanghai and offices across Asia, Australia, North America and Europe. Our 18 office locations include Hong Kong, Beijing, Shanghai, Guangzhou, Shenzhen, Taipei, Tokyo, Seoul, Singapore, Kuala Lumpur, Melbourne, New York, Washington, D.C., Charlotte, Dallas, San Diego, Toronto, and London. Our 21 news bureaus are located in Hong Kong, Beijing, Shanghai, Taipei, Tokyo, Seoul, Singapore, Kuala Lumpur, Jakarta, Manila, Sydney, New York, Washington, D.C., Chicago, Princeton, Sunnyvale, London, Frankfurt, Brussels, Paris and Berlin. As at December 31, 2005 we had 906 employees worldwide.

(2) Management policy, operating results and financial conditions

Sales

Sales was US\$110,010 thousand (¥12,988,885 thousand) for the twelve months ended December 31, 2005, compared to US\$59,689 thousand (¥7,047,476 thousand) for the twelve months ended December 31, 2004. Sales for the twelve months ended 2005 close to doubled the sales from twelve months in 2004 due to:

- New revenue streams from acquired subsidiaries in 2005 – including EconWorld, Taylor Rafferty, Washington Analysis, and Beijing Century Media Culture.
- Business development activities in 2005 – continued increase in demand for China focused financial information, product line extensions with existing clients and cross-selling efforts.

Cost of sales

Cost of sales was US\$45,455 thousand (¥5,366,860 thousand) for the twelve months ended December 31, 2005, compared to US\$29,283 thousand (¥3,457,493 thousand) for the twelve months ended December 31, 2004. Higher cost of sales was mainly due to the inclusion of newly acquired subsidiaries, including EconWorld, Taylor Rafferty, Washington Analysis, and Beijing Century Media Culture. Cost of sales represented 41% of sales for the twelve months ended December 31, 2005 and 49% of sales for the twelve months ended December 31, 2004.

Gross Margin

Gross margins were 59% for the twelve months ended December 31, 2005 and 51% for the twelve months ended December 31, 2004.

Selling, general and administrative expenses

Selling, general and administrative expenses were US\$61,084 thousand (¥7,212,132 thousand) for the twelve months ended December 31, 2005, compared to US\$34,540 thousand (¥4,078,097 thousand) for the twelve months ended December 31, 2004. Higher selling, general and administrative expenses in 2005 are mainly due to:

- Enlarged operations and global distribution network given the inclusion of new subsidiaries, including EconWorld, Taylor Rafferty, Washington Analysis, and Beijing Century Media Culture
- Professional (such as auditing, legal and investor relations) and other fees related to expanded operations
- Non-cash items related to strategic acquisitions to extend distribution network and enhance global capabilities:
 - Higher amortization of goodwill on consolidation
 - Higher amortization expense for intangible assets
 - Higher depreciation expense for fixed assets

Operating Income

As a result of the above, operating income was US\$3,472 thousand (¥409,893 thousand) for the twelve months ended December 31, 2005, as compared to operating loss of US\$4,134 thousand (¥488,114 thousand) for the twelve months ended December 31, 2004.

Ordinary Income

Ordinary income was US\$523 thousand (¥61,801 thousand) for the twelve months ended December 31, 2005, as compared to ordinary loss of US\$9,100 thousand (¥1,074,437 thousand) for the twelve months ended December 31, 2004. The change from operating income to ordinary income was mainly due to US\$4,443 thousand (¥524,562 thousand) of share issuance costs incurred by the Company during the period.

Net loss for the period

As a result of the above, net loss for the twelve months ended December 31, 2005 was US\$2,814 thousand (¥332,299 thousand), as compared to US\$9,305 thousand (¥1,098,684 thousand) for the twelve months ended December 31, 2004.

EBITDA

EBITDA was US\$18,787 thousand (¥2,218,226 thousand) for the twelve months ended December 31, 2005, compared to EBITDA of US\$4,230 thousand (¥499,425 thousand) for the twelve months ended December 31, 2004. EBITDA is calculated by taking operating earnings or loss and adding back the following items in selling, general and administrative expenses: (1) depreciation; (2) amortization; and (3) amortization of goodwill. EBITDA as % of sales improved to 17.1% for the twelve months ended December 31, 2005 from 7.1% for the twelve months ended December 31, 2004.

Difference in net results under IFRS and Japan GAAP

Net results achieved under IFRS for the twelve months ended December 31, 2005 was net income of US\$10,270 thousand (¥1,212,576 thousand) rather than a net loss of US\$2,814 thousand (¥332,299 thousand) under Japan GAAP. This material difference of US\$13,084 thousand (¥1,544,875 thousand) is mainly due to different treatment of the following items:

- Share issuance costs for fundraising exercise (including third party allotment equity fundraising)
Our share issuance costs under Japan GAAP are charged to income statement when incurred. Under IFRS, external costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.
- Amortization of goodwill on consolidation (a consolidation adjustment which is a non-cash expense) arising from strategic acquisitions
Japan GAAP requires goodwill arise from consolidation to be amortized within 20 years. The goodwill on consolidation of the Company has been and is 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.

- Compensation expense reversal related to Employee Stock Option Program (“ESOP”)
IFRS requires recognition of compensation expense related to ESOP, whereas Japan GAAP does not have this requirement.

Cashflow Analysis

Operating activities

Net cash used in operating activities amounted to US\$7,154 thousand (¥844,625 thousand) for the twelve months ended December 31, 2005. This usage was due to an increase in working capital needs from the rapid expansion of our business.

Investing activities

Net cash used in investing activities amounted to US\$55,431 thousand (¥6,544,786 thousand) for the twelve months ended December 31, 2005. Net cash used in investing activities mainly consisted of capital expenditures and payments for strategic acquisitions. Total capital expenditures were US\$3,566 thousand (¥420,989 thousand) for the twelve months ended December 31, 2005. US\$30,558 thousand (¥3,608,026 thousand) of cash was applied to payment terms for strategic acquisitions in 2004 and 2005, including Mergent, Inc., EconWorld, Taylor Rafferty, and Washington Analysis. This amount is in addition to non-cash consideration in promissory notes and stock.

Financing Activities

Cashflow from financing activities amounted to US\$103,255 thousand (¥12,191,289 thousand) for the twelve months ended December 31, 2005. Our primary source of fund for the twelve months of 2005 have continued to be proceeds from our fundraising exercises, including a private placement of shares to strategic and financial investors worldwide, which raised approximately US\$78,749 thousand (¥9,297,952 thousand) in net proceeds after expenses.

Cash Balance

Ending cash balance was US\$80,669 thousand (¥9,524,644 thousand) at December 31, 2005 as a result of the above.

(3) Consolidated financial statements etc

(4) Summary of each individual financial statement (for details, please refer to Each Individual Financial Statement’s Summary)

(5) Others

For the purpose of press conferences, meetings on financial results (should be done 1 to 2 days after

release of financials), if preparing materials in addition to the Financial Summary and (1) to (5) above, these materials should be attached with the materials used for making financial announcement. Or, it should be disclosed as Additional materials for financial announcement (for meeting on financial results).