

May 15, 2006

Dear Sirs,

(Consolidated) Business Results for the three months ending March 31, 2006

Name of the Company:	Xinhua Finance Limited
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**1. Business Results**

Business Results for three months year-to-date ending March 31, 2006 provided below (three months year-to-date ending March 31, 2005 provided for reference).

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 reduce our net results substantially under Japan GAAP.

**Business Results under Japan GAAP**

(Units: USD thousand (Yen thousand))

	March, 2005 (3 Months YTD)	March, 2005 (3 Months YTD)	March, 2006 (Year to date)	Variance (%)
	(as reported on April 21, 2005)	(at current Yen rate as of Mar 31, 2006)	(at current Yen rate as of Mar 31, 2006)	
<b>Sales</b>	22,230 (2,387,282)	22,230 (2,611,360)	37,355 (4,388,133)	68.0
<b>Operating Profit/Loss (-)</b>	-477 (-51,263)	-477 (-56,075)	1,159 (136,132)	-
<b>Ordinary Profit/Loss (-)</b>	-433 (-46,484)	-433 (-50,847)	1,923 (225,872)	-
<b>Net Profit/Loss (-)</b>	-780 (-83,730)	-780 (-91,590)	860 (101,011)	-
<b>EBITDA</b>	3,098 (332,722)	3,098 (363,953)	5,640 (662,579)	82.1
<b>Total Assets</b>	180,230 (19,354,930)	180,230 (21,171,652)	480,422 (56,435,230)	166.6
<b>Shareholders' Equity</b>	148,311 (15,927,114)	148,311 (17,422,089)	311,927 (36,642,012)	110.3

(Notes)

1. For three months period-to-date ended March 31, 2006 results and three months ended March 31, 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=¥117.47, from the Tokyo Foreign Exchange Market as of March 31, 2006. For three months ended March 31, 2005 results as reported on April 21, 2005, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=¥107.39, from the Tokyo Foreign Exchange Market as of March 31, 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.

### Business Results under IFRS (for reference only)

	<b>March, 2005 (3 Months YTD)</b>	<b>March, 2005 (3 Months YTD)</b>	<b>March, 2006 (Year to date)</b>	<b>Variance (%)</b>
	<b>(as reported on Apr 21, 2005)</b>	<b>(at current Yen rate as of Mar 31, 2006)</b>	<b>(at current Yen rate as of Mar 31, 2006)</b>	
<b>Sales</b>	22,230 (2,387,282)	22,230 (2,611,360)	37,355 (4,388,133)	68.0
<b>EBITDA</b>	3,135 (336,668)	3,135 (368,338)	5,756 (676,150)	83.6
<b>Net Income</b>	970 (104,168)	970 (114,081)	3,616 (424,783)	272.8

(Notes)

1. For three months period-to-date ended March 31, 2006 results and three months ended March 31, 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=¥117.47, from the Tokyo Foreign Exchange Market as of March 31, 2006. For three months ended March 31, 2005 results as reported on April 21, 2005, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=¥107.39, from the Tokyo Foreign Exchange Market as of March 31, 2005.
2. We define EBITDA in relation to our IFRS financial statements as profit (loss) before interest, tax, depreciation and amortization.

## **2. Outline of Business Results (from January 1, 2006 to March 31, 2006)**

### **Turnover**

Turnover was US\$37,355 thousand (¥4,388,133 thousand) for the three months ended March 31, 2006, higher than the US\$22,230 thousand (¥2,611,360 thousand) for the three months ended March 31, 2005.

Higher turnover in 2006 is primarily due to:

- Demand for China focused financial information, product line extensions with existing clients and cross-selling
- Efficiency in extracting synergies among the group, including cross-selling and cost savings
- Streamlined sales and marketing, with improvements in global cross-selling efforts
- Consolidation of subsidiaries acquired in first quarter 2006 and in 2005

### **Cost of sales**

Cost of sales was US\$16,110 thousand (¥1,892,452 thousand) for the three months ended March 31, 2006, higher than the US\$10,352 thousand (¥1,216,084 thousand) for the three months ended March 31, 2005. Cost of sales mainly consists of production, distribution and data acquisition costs. Cost of sales represented 43% and 47% of turnover for the three months ended March 31, 2006 and three months ended March 31, 2005, respectively.

### **Gross Margin**

Gross margin was 57% for the three months ended March 31, 2006 versus 53% for the three months ended March 31, 2005, mainly due to higher margins we derived from our various products and services lines.

### **Selling, general and administrative expenses**

Selling, general and administrative expenses were US\$20,086 thousand (¥2,359,549 thousand) for the three months ended March 31, 2006, higher than the US\$12,355 thousand (¥1,451,351 thousand) for the three months ended March 31, 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 quarter 2006 acquisitions.

### **Operating profit**

As a result of the above, operating profit was US\$1,159 thousand (¥136,132 thousand) for the three months ended March 31, 2006, versus operating loss of US\$477 thousand (¥56,075 thousand) for the three months ended March 31, 2005.

### **Ordinary profit**

Ordinary profit was US\$1,923 thousand (¥225,872 thousand) for the three months ended March 31, 2006, versus ordinary loss of US\$433 thousand (¥50,847 thousand) for the three months ended March 31, 2005.

### **Net profit for the period**

As a result of the above, net profit was US\$860 thousand (¥101,011 thousand) for the three months ended March 31, 2006, versus net loss of US\$780 thousand (¥91,590 thousand) for the three months ended March 31, 2005. Net profit for the three months ended March 31, 2006 includes a one-time gain of US\$650 thousand (¥76,380 thousand) from the sale of a minority stake in a subsidiary to a strategic investor.

### **EBITDA**

EBITDA was US\$5,640 thousand (¥662,579 thousand) for the three months ended March 31, 2006, versus US\$3,098 thousand (¥363,953 thousand) for the three months ended March 31, 2005. EBITDA is calculated by taking operating earnings or loss and adding back depreciation, amortization, amortization of goodwill.

### **Cashflow Analysis**

#### **Operating activities**

Net cash used in operating activities amounted to US\$9,472 thousand (¥1,112,665 thousand) for the three months ended March 31, 2006. This 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\$7,084 thousand (¥832,161 thousand) for the three months ended March 31, 2006, mainly consisting of capital expenditures and cash used for strategic acquisitions.

#### **Financing Activities**

Cashflow from financing activities amounted to US\$48,528 thousand (¥5,700,603 thousand) for the three months ended March 31, 2006, mainly consisting of issuance of shares from the exercise of outstanding warrants, funds raised by a subsidiary, and repayment of bank loan.

#### **Cash Balance**

Ending cash balance was US\$112,645 thousand (¥13,232,412 thousand) as at March 31, 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.

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.

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

	<b>Sales</b>	<b>EBITDA</b>	<b>Operating Income</b>	<b>Ordinary Income</b>	<b>Net Income</b>
	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)
<b>For six months</b>	74,704 (7,843,915)	11,504 (1,207,963)	3,484 (365,835)	3,234 (339,585)	273 (28,707)
<b>For a year</b>	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 (estimate).
2. 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:

	<b>Sales</b>	<b>EBITDA</b>	<b>Net Income</b>
	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)	US\$ Thousand (JPY Thousand)
<b>For six months</b>	74,704 (7,843,915)	11,504 (1,207,963)	6,394 (671,335)
<b>For a year</b>	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 (estimate).
2. Performance estimates are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates.