

November 14, 2006

Dear Sirs,

(Consolidated) Summary of Business Results for the nine months ended September 30, 2006

Name of the Company:	Xinhua Finance Limited (URL www.xinhuafinance.com.)
Representative:	Chief Executive Officer, Fredy Bush (TSE Mothers, Code Number : 9399)
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1. Consolidated Business Results

Consolidated Business Results for the nine months year-to-date ended September 30, 2006 are provided below (consolidated business results for the nine months year-to-date ended September 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 make our consolidated net income under Japan GAAP substantially lower than our consolidated net income under IFRS for the period ended September 30, 2006.

Consolidated Business Results under Japan GAAP

(Units: USD thousand (Yen thousand))

	September, 2005 (9 Months YTD) (at past USD-Yen rate as of September 30, 2005)	September, 2005 (9 Months YTD) (at current USD-Yen rate as of September 29, 2006)	September, 2006 (Year to date) (at current USD-Yen rate as of September 29, 2006)	Variance (%)
Turnover	76,476 (8,656,350)	76,476 (9,016,553)	125,067 (14,745,456)	63.5%
Operating Profit	51 (5,752)	51 (5,992)	4,237 (499,513)	8236.6%
Ordinary	115	115	4,580	3890.1.6%

Profit	(12,993)	(13,533)	(539,982)	
Net Profit/Loss (△)	△1,049 (△ 118,799)	△1,049 (△ 123,721)	10,330 (1,217,929)	N/A
EBITDA	11,605 (1,313,636)	11,605 (1,368,299)	20,076 (2,367,012)	73.0%
Total Assets	270,634 (30,633,014)	270,634 (31,907,698)	578,177 (68,167,056)	113.6%
Total Net Assets	197,889 (22,399,016)	197,889 (23,331,071)	406,116 (47,881,070)	105.2%
Basic EPS	△1.61 (△ 181.93)	△1.61 (△ 189.50)	11.96 (1,410.08)	N/A
Diluted EPS	N/A N/A	N/A N/A	11.85 (1,397.12)	N/A

(Notes)

1. For the nine months year-to-date ended September 30, 2006 results and nine months ended September 30, 2005 results at current U.S. dollar / Japanese yen exchange rate, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=¥117.90, from the Tokyo Foreign Exchange Market as of September 29, 2006. For the nine months ended September 30, 2005 results as reported on November 14, 2005, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=¥113.19, from the Tokyo Foreign Exchange Market as of September 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 the nine months year-to-date ended September 30, 2005 and for the nine months year-to-date ended September 30, 2006, both of which are at the current rate as of September 29, 2006.(as defined above in note 1)
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 September 30, 2005 was reported as total shareholders' equity in the previous announcement at the balance sheet date.

Consolidated Business Results under IFRS (for reference only)

(Units: USD thousand (Yen thousand))

	September, 2005 (9 Months YTD)	September, 2005 (9 Months YTD)	September, 2006 (Year to date)	Variance (%)
	(at past USD-Yen rate as of September 30, 2005)	(at current USD-Yen rate as of September 29, 2006)	(at current USD-Yen rate as of September 29, 2006)	
Turnover	76,476 (8,656,350)	76,476 (9,016,553)	125,067 (14,745,456)	63.5%
EBITDA	11,764 (1,331,557)	11,764 (1,386,965)	19,716 (2,324,389)	67.6%
Net Income	4,835 (547,220)	4,835 (569,991)	15,794 (1,862,116)	226.7%
Basic EPS	7.41	7.41	18.28	147.0%

	(838)	(874)	(2,155)	
Diluted EPS	7.38	7.38	18.11	145.4%
	(835)	(871)	(2,135)	

(Notes)

1. For the nine months year-to-date ended September 30, 2006 results and the nine months ended September 30, 2005 results at current US dollar / Japanese yen exchange rate, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=¥117.90, from the Tokyo Foreign Exchange Market as of September 29, 2006. For the nine months ended September 30, 2005 results as reported on November 14, 2005, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=¥113.19, from the Tokyo Foreign Exchange Market as of September 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 the nine months year-to-date ended September 30, 2005 and for the nine months year-to-date ended September 30, 2006 both of which are at current rate as of September 29, 2006.
4. On September 22, 2005, the Company carried out a share split to split 1 share to 3 shares.

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

Turnover

Consolidated turnover was US\$125,067 thousand (¥14,745,456 thousand) for the nine months year-to-date ended September 30, 2006, as compared to US\$76,476 thousand (¥9,016,553 thousand) for the nine months year-to-date ended September 30, 2005.

Higher consolidated turnover in 2006 is primarily due to:

- Consolidation of newly acquired subsidiaries, including Xinhua Finance Advertising Limited (formerly known as Ming Shing International Ltd), Beijing JingGuanXinCheng Advertising Co. Ltd. and Shanghai Hyperlink Market Research Co., Ltd, in the first nine months of 2006 which accounted for 21% of our consolidated turnover in 2006.
- Full period impact from subsidiaries, including Taylor Rafferty Associates Inc., EconWorld Media Ltd., Washington Analysis Corporation, Beijing Century Media Culture Co. Ltd., and Shanghai Far East Credit Rating Co., Ltd. that joined the group in 2005 as they accounted for 21% of our consolidated turnover in 2006.
- Increasing demand for China focused financial information and product line extensions such as the G7's China Service, MNI's China Bullet Points and China MainWire, as well as translated China news services for the Japan markets.
- Increasing volume of press releases within China and the region in the IR/PR service line
- Realizing synergies among the group, including cross-selling group services and products, through a more streamlined sales and marketing approach of our global operations.

Cost of sales

Consolidated cost of sales was US\$53,346 thousand (¥6,289,551 thousand) for the nine months year-to-date ended September 30, 2006, as compared to US\$33,156 thousand (¥3,909,058 thousand) for the nine months year-to-date ended September 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 43% of consolidated turnover for both the nine months ended September 30, 2006 and the nine months ended September 30, 2005. The increase of the amount of consolidated cost of sales is primarily due to consolidation of newly acquired subsidiaries that accounted for US\$ 15,739 thousand (¥1,855,580 thousand) in the nine months year-to-date ended September 30, 2006 and full period impact from subsidiaries which joined the group in 2005 which accounted for US\$ 6,736 thousand (¥794,134 thousand) in the nine months year-to-date ended September 30, 2006.

Gross Margin

Gross margin ratio of consolidated gross profit to consolidated turnover was 57.3% for the nine months ended September 30, 2006 versus 56.6% for the nine months ended September 30, 2005, mainly due to higher gross margin derived from the full period impact of subsidiaries that joined the group in 2005 such as Washington Analysis Corporation, Taylor Rafferty Associates Inc. and Shanghai Far East Credit Rating Co., Ltd.

Selling, general, and administrative expenses

Consolidated selling, general, and administrative expenses were US\$67,484 thousand (¥7,956,392 thousand) for the nine months year-to-date ended September 30, 2006, higher than the US\$43,270 thousand (¥5,101,503 thousand) for the nine months year-to-date ended September 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 nine months 2006 acquisitions. Selling, general, and administrative expenses, inclusive of depreciation and amortization, as a percentage of consolidated turnover was 53.9% for the nine months ended September 30, 2006 versus 56.6% for the nine months ended September 30, 2005. Selling, general, and administrative expenses, excluding depreciation and amortization, as a percentage of consolidated turnover was 41.3% for the nine months ended September 30, 2006 versus 41.6% for the nine months ended September 30, 2005.

Operating profit/loss

As a result of the above, operating profit was US\$4,237 thousand (¥499,513 thousand) for the nine months year-to-date ended September 30, 2006, versus operating profit of US\$51 thousand (¥5,992 thousand) for the nine months year-to-date ended September 30, 2005.

Ordinary profit/loss

Ordinary profit was US\$4,580 thousand (¥539,982 thousand) for the nine months year-to-date ended September 30, 2006, versus ordinary profit of US\$115 thousand (¥13,533 thousand) for the nine months year-to-date ended September 30, 2005. As a result of the above operating profit, ordinary profit was arrived at after accounting for US\$3,473 thousand (¥409,491 thousand) interest and other income being offset by US\$3,130 thousand (¥369,021 thousand) interest expense and others.

Net profit/loss

As a result of the above, net profit was US\$10,330 thousand (¥1,217,929 thousand) for the nine months year-to-date ended September 30, 2006, versus net loss of US\$1,049 thousand (¥123,721 thousand) for the nine months year-to-date ended September 30, 2005. Net profit for the nine months ended September 30, 2006 was arrived at after charging taxation of US\$ 4,320 thousand (¥509,308 thousand) of which US\$ 900 thousand (¥106,110 thousand) relates to a one-time adjustment pertaining to a prior period and includes 1) a combined gain of US\$10,956 thousand (¥1,291,685 thousand) from the partial and deemed disposal of subsidiaries to strategic investors and partners being one-time in nature and 2) a one-time gain of US\$3,000 thousand (¥353,700 thousand) from the redemption of minority interests, and 3) minority interests US\$3,877 thousand (¥457,142 thousand) of which US\$1,650 thousand (¥194,535 thousand) was a one-time charge related to the previously mentioned one-time gain of US\$ 3,000 thousand (¥353,700 thousand). Proforma net income was US\$ 675 thousand (¥79,640 thousand) after elimination of the above and other one-time items and non-cash ESOP expense of US\$ 1,205 thousand (¥142,072 thousand).

EBITDA

EBITDA was US\$20,076 thousand (¥2,367,012 thousand) for the nine months year-to-date ended September 30, 2006, versus US\$11,605 thousand (¥1,368,299 thousand) for the nine months year-to-date ended September 30, 2005. EBITDA is calculated by taking operating income (or loss) and adding back depreciation, amortization and amortization of goodwill.

Balance Sheet Analysis

(Units: USD thousand (Yen thousand))

	As of September 30, 2005	As of September 30, 2005	As of September 30, 2006	Variance (%)
	(at past USD-Yen rate as of September 30, 2005)	(at current USD-Yen rate as of September 29, 2006)	(at current USD-Yen rate as of September 29, 2006)	

Current Assets	52,379 (5,928,810)	52,379 (6,175,516)	173,185 (20,418,485)	230.6%
Non-current Assets	218,254 (24,704,204)	218,254 (25,732,182)	404,992 (47,748,571)	85.6%
Current Liabilities	44,216 (5,004,779)	44,216 (5,213,035)	95,705 (11,283,609)	116.4%
Non-current Liabilities	28,106 (3,181,362)	28,106 (3,313,743)	76,356 (9,002,377)	171.7%
Total Net Assets	197,889 (22,399,016)	197,889 (23,331,071)	406,116 (47,881,070)	105.2%

Cashflow Analysis

Operating activities

Net cash used in operating activities amounted to US\$14,775 thousand (¥1,742,023 thousand) for the nine months year-to-date ended September 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 and consolidation from our acquired businesses.

Investing activities

Net cash used in investing activities amounted to US\$66,146 thousand (¥7,798,604 thousand) for the nine months year-to-date ended September 30, 2006, mainly consisted of cash used for strategic acquisitions and investments such as Xinhua Finance Advertising Limited, Beijing JingGuanXinCheng Advertising Co. Ltd, Shanghai Hyperlink Market Research Co., Ltd, Praeдея Solutions Inc, Glass, Lewis & Co., LLC and subsequent consideration payment for Washington Analysis Corporation and Stone & McCarthy Research Associates Inc, that totalled to US\$25,107 thousand (¥2,960,081 thousand), deposit for purchase of intangible assets of US\$21,021 thousand (¥2,478,327 thousand), deposits paid for upcoming acquisitions US\$9,174 thousand (¥1,081,568 thousand) and capital expenditures US\$4,249 thousand (¥500,975 thousand).

Financing Activities

Cashflow from financing activities amounted to US\$76,347 thousand (¥9,001,319 thousand) for the nine months year-to-date ended September 30, 2006. This amount mainly consisted of cash inflows of US\$832 thousand (¥98,129 thousand) in issuance of shares from the exercise of outstanding warrants, increase in short term loans of US\$13,274 thousand (¥1,565,062 thousand), increase in long term debt of US\$13,327 (¥1,571,245 thousand), and US\$70,000 thousand (¥8,253,000 thousand) of funds raised by a subsidiary and cash outflows of increases in deposits pledged of US\$17,109 (¥2,017,113 thousand) being deposits made to secure financing for making certain investments.

Cash Balance

Ending cash balance was US\$76,106 thousand (¥8,972,856 thousand) as at September 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 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.

- *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 start 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.

Qualitative Information Regarding Forecast

Our business operations are progressing as we planned and in line with our strategy. Client demand for our China focused products and services continues to display steady growth. Unforeseen events, such as one-time gains and non cash ESOP expenses were naturally not part of our forecasts made on February 14, 2006. Given the one-time items and non cash ESOP expenses, we have revised our net income forecast to more accurately reflect the full year impact of these to our 2006 projected net income.

The year to date impact of these include: 1) a combined gain of US\$10,956 thousand (¥1,291,685 thousand) from the partial and deemed disposal of subsidiaries to strategic investors and partners being one-time in nature and 2) a one-time gain of US\$3,000 thousand (¥353,700 thousand) from the redemption of minority interests, and 3) one time charge of US\$1,650 thousand (¥194,535 thousand) related to the one-time gain of US\$ 3,000 thousand (¥353,700 thousand) noted in 2) above and 4) one time adjustment of US\$ 900 thousand (¥106,110 thousand) pertaining to a prior period and other one time items

However, other figures in the forecast, (being Turnover, EBITDA, Operating Income and Ordinary Income) are not being revised as the full year impact of the above adjustments do not have material impacts on them.

1. Adjustment in consolidated financial forecast for net income (Japanese GAAP) for the fiscal year ending December 31, 2006 (January 1, 2006 – December 31, 2006)

(units: thousands of US dollars (thousands of JPY) except for %)

	Turnover	EBITDA	Operating Income	Ordinary Income	Net Income
Previous Projections ¹ (A)	166,009 (17,430,922)	25,565 (2,684,362)	9,417 (988,742)	8,917 (936,242)	1,094 (114,828)
Revised Projections ² (B)	166,009 (17,430,922)	25,565 (2,684,362)	9,417 (988,742)	8,917 (936,242)	10,469 (1,099,292)
Difference (B - A)	- -	- -	- -	- -	9,375 (984,464)
Percent Change (%)	0.0%	0.0%	0.0%	0.0%	857.0%
<i>(for reference only)</i> Previous Year's Results ³ (year ended Dec 31, 2005)	110,010 (12,988,885)	18,787 (2,218,226)	3,472 (409,893)	523 (61,801)	△2,814 (△332,299)

1. Exchange rate used for previous projections: USD1 = ¥105.00
2. Exchange rate used for adjusted projections: USD1 = ¥105.00
3. Exchange rate used for previous year's results: USD1 = ¥118.07, based on the foreign currency exchange rate (middle rate) from the Tokyo Foreign Exchange Market as of December 30, 2005.
4. △ Denotes loss.

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

2. No adjustment is necessary for non-consolidated financial forecasts (Japanese GAAP) for the fiscal year ending December 31, 2006 (January 1, 2006 – December 31, 2006). The Company is not revising its non-consolidated financial forecasts as the results are not reflective of the whole group. The non-consolidated company acts as a holding company and substantial amounts of operations are at the subsidiary level. As a result, only consolidated results are a good reflection of our operations.

<For Reference Only (IFRS)>

1. Adjustment in consolidated financial forecast for net income (IFRS) for the fiscal year ending December 31, 2006 (January 1, 2006 – December 31, 2006)

(units: thousands of US dollars (thousands of JPY) except for %)

	Turnover	EBITDA	Net Income
Previous Projections ¹ (A)	166,009 (17,430,922)	25,565 (2,684,362)	13,842 (1,453,448)
Revised Projections ² (B)	166,009 (17,430,922)	25,565 (2,684,362)	18,523 (1,944,942)
Difference (B - A)	- -	- -	4,681 (491,494)
Percent Change (%)	0.0%	0.0%	33.8%
<i>(for reference only)</i> Previous Year's Results ³ (year ended Dec 31, 2005)	110,010 (12,988,885)	21,234 (2,506,937)	10,270 (1,212,576)

1. Exchange rate used for previous projections: USD1 = ¥105.00
2. Exchange rate used for adjusted projections: USD1 = ¥105.00
3. Exchange rate used for previous year's results: USD1 = ¥118.07, based on the foreign currency exchange rate (middle rate) from the Tokyo Foreign Exchange Market as of December 30, 2005.

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

Forward looking statements in this report are based on information available to management at the time this report was prepared. As such, they carry risks and uncertainties and actual results and events may differ significantly from the forecast. Investors are advised not to rely solely on business forecasts in this report for making investment decisions. The Company plans to continue to release quarterly financial results. Forecasts of business results will also be revised as and when considered necessary, in accordance with disclosure rules.