

4. Consolidated Financial Information

Third quarter consolidated balance sheets

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

Item	Note	2nd period-3rd quarter Consolidated fiscal period (As of September 30, 2005)		3rd period-3rd quarter Consolidated fiscal period (As of September 30, 2006)		Consolidated fiscal year -prior year (As of December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
(Assets)							
Current assets							
Cash and bank balances	4	18,870		100,056		88,118	
		(2,224,781)		(11,796,561)		(10,389,091)	
Trade receivables	4, 6	19,906		32,943		19,048	
		(2,346,923)		(3,884,025)		(2,245,708)	
Marketable securities		-		266		145	
		(-)		(31,414)		(17,107)	
Other receivables		3,869		21,950		1,467	
		(456,191)		(2,587,895)		(173,004)	
Deferred tax assets		793		-		571	
		(93,527)		(-)		(67,377)	
Other current assets	4	8,941		17,969		7,655	
		(1,054,094)		(2,118,590)		(902,490)	
Total current assets		52,379	19.4	173,185	30.0	117,004	31.7
		(6,175,516)		(20,418,485)		(13,794,777)	
Non-current assets							
Property and equipment							
Buildings and structures	4	1,352		4,578		1,546	
		(159,384)		(539,693)		(182,244)	
Less: accumulated depreciation	4	539	813	822	3,756	639	907
		(63,518)	(95,866)	(96,913)	(442,780)	(75,336)	(106,908)
Equipments	4	8,462		14,194		9,323	
		(997,686)		(1,673,455)		(1,099,159)	
Less: accumulated depreciation	2, 4	3,602	4,860	4,017	10,177	3,960	5,363
		(424,704)	(572,982)	(473,622)	(1,199,833)	(466,848)	(632,311)
Total property and equipment		5,673	2.1	13,932	2.4	6,270	1.7
		(668,849)		(1,642,613)		(739,219)	
Intangible assets							
Goodwill		7,232		2,203		2,784	
		(852,698)		(259,728)		(328,264)	
Goodwill on consolidation	7	182,873		294,401		185,934	
		(21,560,760)		(34,709,890)		(21,921,661)	
Trade mark and distribution rights	3	3,078		2,320		700	
		(362,916)		(273,526)		(82,530)	
Contractual rights and other	10	-		13,565		-	
		(-)		(1,599,303)		(-)	
Total intangible assets		193,184	71.3	312,489	54.0	189,419	51.4
		(22,776,374)		(36,842,447)		(22,332,456)	
Investments and other assets							
Securities assets	4	17,789		43,991		23,367	
		(2,097,266)		(5,186,530)		(2,755,006)	
Investment in securities	4	68		-		-	
		(8,005)		(-)		(-)	
Investment in associates		-		338		223	
		(-)		(39,907)		(26,283)	
Investment in progress	1	317		9,174		29,000	
		(37,331)		(1,081,568)		(3,419,100)	
Deferred tax assets		258		754		204	
		(30,386)		(88,857)		(24,055)	
Others		967		24,314		3,330	
		(113,971)		(2,866,649)		(392,583)	
Total investments and other assets		19,397	7.2	78,571	13.6	56,124	15.2
		(2,286,959)		(9,263,511)		(6,617,027)	
Total non-current assets		218,254	80.6	404,992	70.0	251,813	68.3
		(25,732,182)		(47,748,571)		(29,688,701)	
Total assets		270,634	100.0	578,177	100.0	368,817	100.0
		(31,907,698)		(68,167,056)		(43,483,478)	

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

Item	Note	2nd period-3rd quarter Consolidated fiscal period (As of September 30, 2005)		3rd period-3rd quarter Consolidated fiscal period (As of September 30, 2006)		Consolidated fiscal year -prior year (As of December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
(Liabilities)							
Current liabilities							
Trade payables		2,396		7,737		2,969	
		(282,531)		(912,161)		(350,094)	
Short-term loans	4, 8	2,066		20,882		7,608	
		(243,564)		(2,462,004)		(896,942)	
Current portion of long-term debt	4, 8	1,032		-		21,341	
		(121,648)		(-)		(2,516,118)	
Taxation payables		870		6,792		2,802	
		(102,550)		(800,805)		(330,305)	
Other payables	5	13,781		31,959		17,355	
		(1,624,788)		(3,767,933)		(2,046,212)	
Accrued expenses		6,105		10,649		6,779	
		(719,770)		(1,255,523)		(799,240)	
Deferred revenue		16,696		14,089		15,576	
		(1,968,460)		(1,661,056)		(1,836,435)	
Promissory notes (non-operating)	4	1,250		-		1,250	
		(147,375)		(-)		(147,375)	
Lease obligations		20		65		29	
		(2,350)		(7,720)		(3,388)	
Others		-		3,532		-	
		(-)		(416,408)		(-)	
Total current liabilities		44,216	16.3	95,705	16.6	75,709	20.5
		(5,213,035)		(11,283,609)		(8,926,108)	
Non-current liabilities							
Long-term debt	4, 8, 9	13,124		44,376		16	
		(1,547,301)		(5,231,908)		(1,939)	
Long-term lease obligations		11		105		25	
		(1,356)		(12,434)		(2,972)	
Long-term accrued expenses		-		545		-	
		(-)		(64,309)		(-)	
Long-term other payables	5	14,971		26,505		10,998	
		(1,765,086)		(3,124,902)		(1,296,670)	
Others		-		4,825		-	
		(-)		(568,824)		(-)	
Total non-current liabilities		28,106	10.4	76,356	13.2	11,040	3.0
		(3,313,743)		(9,002,377)		(1,301,581)	
Total liabilities		72,322	26.7	172,061	29.8	86,749	23.5
		(8,526,777)		(20,285,986)		(10,227,689)	
(Minority interests)							
Minority interests		423	0.2	-		2,626	0.7
		(49,850)		-		(309,610)	
(Capital and reserves)							
Share capital		1,697	0.6	-		2,091	0.6
		(200,035)		-		(246,525)	
Share premium		230,176	85.1	-		312,966	84.9
		(27,137,769)		-		(36,898,721)	
Accumulated deficit		33,720	12.5	-		35,485	9.6
		(3,975,535)		-		(4,183,634)	
Unrealized loss on available-for-sale securities		171	0.1	-		-	-
		(20,172)		-		(-)	
Foreign currency translation adjustment		94	0.0	-		131	0.1
		(11,026)		-		(15,432)	
Total shareholders' equity		197,889	73.1	-		279,442	75.8
		(23,331,071)		-		(32,946,179)	
Total liabilities, minority interests and shareholders' equity		270,634	100.0	-		368,817	100.0
		(31,907,698)		-		(43,483,478)	
(Net Assets)							
Shareholders' equity							
Share capital		-		2,348	0.4	-	
		-		(276,793)		-	
Share premium		-		358,114	62.0	-	
		-		(42,221,656)		-	
Accumulated deficit		-		25,154	4.4	-	
		-		(2,965,706)		-	
Total shareholders' equity		-		335,307	58.0	-	
		-		(39,532,744)		-	
Valuation and translation adjustments							
Foreign currency translation adjustment		-		197		-	
		-		(23,192)		-	
Total valuation and translation adjustments		-		197	0.0	-	
		-		(23,192)		-	
Share subscription rights		-		1,395	0.2	-	
		-		(164,514)		-	
Minority interests		-		69,610	12.0	-	
		-		(8,207,004)		-	
Total net assets		-		406,116	70.2	-	
		-		(47,881,070)		-	
Total liabilities and net assets		-		578,177	100.0	-	
		-		(68,167,056)		-	

Third quarter consolidated income statements

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

Item	Note	2nd period-3rd quarter Consolidated fiscal period (From January 1, 2005 to September 30, 2005)		3rd period-3rd quarter Consolidated fiscal period (From January 1, 2006 to September 30, 2006)		Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
Turnover		76,476	100.0	125,067	100.0	110,010	100.0
Cost of sales		(9,016,553)	43.4	(14,745,456)	42.7	(12,970,184)	41.3
Gross profit		33,156		53,346		45,455	
		(3,909,058)		(6,289,551)		(5,359,133)	
		43,321	56.6	71,721	57.3	64,555	58.7
		(5,107,495)		(8,455,904)		(7,611,050)	
Selling, general and administrative expenses							
Directors' emoluments		710		1,981		900	
Salaries		(83,650)		(233,602)		(106,110)	
Marketing and promotional expenses		13,779		22,408		19,544	
Depreciation		(1,624,510)		(2,641,935)		(2,304,214)	
Amortization		2,813		4,200		4,190	
Amortization of goodwill on consolidation		(331,626)		(495,153)		(493,946)	
Other		1,312		1,904		1,937	
		(154,737)		(224,481)		(228,401)	
		4,784		2,979		5,467	
		(564,086)		(351,263)		(644,551)	
		5,458		10,956		7,912	
		(643,484)		(1,291,755)		(932,778)	
Operating income		14,414	56.6	23,055	53.9	21,134	55.5
		(1,699,410)		(2,718,202)		(2,491,748)	
		51	0.0	4,237	3.4	3,472	3.2
		(5,992)		(499,513)		(409,302)	
Non-operating income							
Interest and dividend income		521		2,366		893	
Unrealized gain on marketable securities		(61,475)		(279,006)		(105,261)	
Foreign exchange gains		-		188		-	
Other		(-)		(22,210)		(-)	
		(-)		179		1,061	
		(-)		(21,105)		(125,102)	
		5	0.7	739	2.8	297	2.0
		(593)		(87,169)		(34,981)	
Non-operating expenses							
Interest expense		282		3,027		742	
Share issuance related expenses	1	(33,204)		(356,850)		(87,487)	
Foreign exchange losses		(-)		103		4,443	
Others		172		(12,171)		(523,807)	
		(20,252)		(-)		(-)	
		9	0.6	-	2.5	14	4.7
		(1,071)		3,130		5,199	
		(54,527)		(369,021)		(612,935)	
Ordinary income		115	0.1	4,580	3.7	523	0.5
		(13,533)		(539,982)		(61,712)	

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Item	Note	2nd period-3rd quarter Consolidated fiscal period (From January 1, 2005 to September 30, 2005)		3rd period-3rd quarter Consolidated fiscal period (From January 1, 2006 to September 30, 2006)		Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
Extraordinary gains							
Gain on sale of fixed assets	4	-	-	-	-	453	
		(-)		(-)		(53,461)	
Gain on disposal of investment in subsidiaries		-		650		-	
		(-)		(76,659)		(-)	
Gain from redemption of minority interest	5	-		3,000		-	
		(-)		(353,700)		(-)	
Gain from changes in equity interest		-	-	10,306	13,956	-	453
		(-)	(-)	(1,215,026)	(1,645,385)	(-)	(53,461)
Extraordinary losses							
Loss on sale and disposal of fixed assets	2	4		6		45	
		(505)		(741)		(5,322)	
Loss on sale of securities assets		-		-		44	
		(-)		(-)		(5,216)	
Loss on impairment	3	-	4	-	6	83	172
		(-)	(505)	(-)	(741)	(9,749)	(20,288)
Income before income taxes, minority interests and distribution of profits (allocation of losses) from joint alliances			111		18,529		805
			(13,028)		(2,184,627)		(94,886)
Distribution of profits (allocation of losses) from joint alliance			218		2		287
			(25,712)		(248)		(33,814)
Income / loss () before income taxes and minority interests			108		18,527		518
			(12,684)		(2,184,379)		(61,071)
Income taxes (current)		1,118		4,073		3,210	
		(131,784)		(480,179)		(378,440)	
Prior year adjustment on tax charges		-		901		-	
		(-)		(106,180)		(-)	
Reversal of over-accrued tax for the past year		-		-		7	
		(-)		(-)		(877)	
Income taxes (deferred)		535	582	654	4,320	260	2,942
		(63,132)	(68,652)	(77,052)	(509,308)	(30,651)	(346,912)
Minority interests			359		3,877		390
			(42,385)		(457,142)		(45,980)
Net income / loss () for the period / year			1,049		10,330		2,814
			(123,721)		(1,217,929)		(331,821)

Third quarter consolidated surplus statements and third quarter consolidated statement of changes in net assets
 Third quarter consolidated surplus statements

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

Item	Note	2nd period-3rd quarter Consolidated fiscal period (From January 1, 2005 to September 30, 2005)		Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)	
		Amount		Amount	
(Share premium)					
Share premium – Beginning balance			181,543 (21,403,976)		181,543 (21,403,976)
Increases of share premium					
Stock issuance		13,121 (1,546,910)		99,739 (11,759,264)	
Suspense account of share exchange	1	31,656 (3,732,295)		27,828 (3,280,893)	
Exercise of warrants		4,982 (587,401)	49,759 (5,866,606)	4,982 (587,401)	132,549 (15,627,558)
Decrease of share premium					
Capitalized share premium		1,126 (132,813)	1,126 (132,813)	1,126 (132,813)	1,126 (132,813)
Share premium - Ending balance			230,176 (27,137,769)		312,966 (36,898,721)
(Accumulated deficit)					
Accumulated deficit - Beginning balance			32,670 (3,851,814)		32,670 (3,851,814)
Increases in accumulated deficit					
Net loss for the period / year		1,049 (123,721)	1,049 (123,721)	2,814 (331,821)	2,814 (331,821)
Accumulated deficit - Ending balance			33,720 (3,975,535)		35,485 (4,183,634)

Third quarter consolidated statement of changes in net assets

3rd period - 3rd quarter consolidated fiscal period - current year (From January 1, 2006 to September 30, 2006)

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

	Shareholders' equity			
	Share capital	Share premium	Retained earnings	Total shareholders' equity
Note		1		
Beginning balance	2,091 (246,525)	312,966 (36,898,721)	35,485 (4,183,634)	279,573 (32,961,611)
Changes of items during the period				
Issuance of new shares	17 (2,010)	2,267 (267,237)	- (-)	2,284 (269,247)
Share-based payment	48 (5,716)	6,336 (746,958)	- (-)	6,384 (752,674)
Increased upon share exchange	191 (22,542)	36,546 (4,308,741)	- (-)	36,737 (4,331,283)
Net income for the period	- (-)	- (-)	10,330 (1,217,929)	10,330 (1,217,929)
Net changes of items other than shareholders' equity	- (-)	- (-)	- (-)	- (-)
Total changes during the period	257 (30,268)	45,148 (5,322,936)	10,330 (1,217,929)	55,735 (6,571,133)
Ending balance	2,348 (276,793)	358,114 (42,221,656)	25,154 (2,965,706)	335,307 (39,532,744)

	Valuation and translation adjustments		Share subscription rights	Minority interests	Total net assets
	Foreign currency translation adjustment	Total valuation and translation adjustments			
Note					
Beginning balance	131 (15,432)	131 (15,432)	- (-)	2,626 (309,610)	282,068 (33,255,789)
Changes of items during the period					
Issuance of new shares	- (-)	- (-)	- (-)	- (-)	2,284 (269,247)
Share-based payment	- (-)	- (-)	- (-)	- (-)	6,384 (752,674)
Increased upon share exchange	- (-)	- (-)	- (-)	- (-)	36,737 (4,331,283)
Net income for the period	- (-)	- (-)	- (-)	- (-)	10,330 (1,217,929)
Net changes of items other than shareholders' equity	66 (7,760)	66 (7,760)	1,395 (164,514)	66,984 (7,897,394)	68,313 (8,054,148)
Total changes during the period	66 (7,760)	66 (7,760)	1,395 (164,514)	66,984 (7,897,394)	124,048 (14,625,281)
Ending balance	197 (23,192)	197 (23,192)	1,395 (164,514)	69,610 (8,207,004)	406,116 (47,881,070)

Third quarter consolidated cashflow statements

(Unit: Thousands of US dollars (Thousands of Japanese Yen))

		2nd period-3rd quarter Consolidated fiscal period (From January 1, 2005 to September 30, 2005)	3rd period-3rd quarter Consolidated fiscal period (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
Item	Note	Amount	Amount	Amount
Operating activities				
Income / loss () before income taxes and minority interests		108 (12,684)	18,527 (2,184,379)	518 (61,071)
Depreciation		1,312 (154,737)	1,904 (224,481)	1,937 (228,401)
Amortization		4,784 (564,086)	2,979 (351,263)	5,467 (644,551)
Amortization of goodwill		5,458 (643,484)	10,956 (1,291,755)	7,912 (932,778)
Share-based compensation		- (-)	1,218 (143,646)	- (-)
Interest and dividend income		638 (75,187)	2,366 (279,006)	893 (105,261)
Interest expense		176 (20,748)	3,027 (356,850)	742 (87,487)
Warrant comission expenses	2	2,347 (276,656)	- (-)	- (-)
Gain from redemption of minority interest		- (-)	3,000 (353,700)	- (-)
Gain on deemed disposal of a subsidiary		- (-)	10,306 (1,215,026)	- (-)
Unrealized gain on marketable securities		- (-)	188 (22,210)	- (-)
Share issuance related expenses		- (-)	103 (12,171)	4,443 (523,807)
Foreign exchange gain / loss (: gain)		117 (13,847)	- (-)	100 (11,733)
Gain on sale of fixed assets		- (-)	- (-)	453 (53,461)
Loss on sale and disposal of fixed assets		4 (505)	6 (741)	45 (5,322)
Loss on impairment		- (-)	- (-)	83 (9,749)
Gain on disposal of investment in subsidiaries		- (-)	650 (76,659)	- (-)
Loss on sale of securities assets		- (-)	- (-)	44 (5,216)
Distribution of profits (allocation of losses) from joint alliances		218 (25,712)	2 (248)	287 (33,814)
Assets received for services		7,634 (899,991)	10,565 (1,245,561)	11,531 (1,359,462)
Increase (decrease) in accounts receivable (: increase)		9,414 (1,109,940)	13,896 (1,638,317)	6,235 (735,151)
Increase (decrease) in accounts payable (: decrease)		617 (72,795)	4,767 (562,067)	44 (5,232)
Increase (decrease) in other current assets (: increase)		2,810 (331,323)	6,676 (787,087)	251 (29,586)
Increase (decrease) in other current liabilities (: decrease)		3,171 (373,861)	9,753 (1,149,897)	7,529 (887,642)
Others		- (-)	44 (5,144)	- (-)
Subtotal		4,354 (513,360)	13,953 (1,645,008)	5,359 (631,864)
Income taxes paid		1,502 (177,135)	823 (97,016)	1,794 (211,545)
Net cash provided by (used in) operating activities		5,857 (690,495)	14,775 (1,742,023)	7,154 (843,409)

(Unit: Thousands of US dollars (Thousands of Japanese Yen))

		2nd period-3rd quarter Consolidated fiscal period (From January 1, 2005 to September 30, 2005)	3rd period-3rd quarter Consolidated fiscal period (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
Item	Note	Amount	Amount	Amount
Investing activities				
Interest and dividend received		638	2,270	893
		(75,187)	(267,601)	(105,261)
Deposit for security released		-	-	360
		(-)	(-)	(42,444)
Purchase of marketable securities		-	-	4
		(-)	(-)	(473)
Purchase of property and equipments		2,475	4,249	3,566
		(291,812)	(500,975)	(420,383)
Proceeds from sale of property and equipments		1	49	37
		(160)	(5,793)	(4,409)
Purchase of intangible assets		-	21,021	-
		(-)	(2,478,327)	(-)
Proceeds from sale of intangible assets		-	-	6,514
		(-)	(-)	(768,053)
Purchase of securities assets		-	10,659	-
		(-)	(1,256,751)	(-)
Deposits paid for purchase of securities assets		3,196	9,174	29,000
		(376,771)	(1,081,568)	(3,419,100)
Proceeds from sale of securities assets		-	745	25
		(-)	(87,804)	(2,911)
Proceeds from sale of shares of subsidiaries		-	1,000	-
		(-)	(117,900)	(-)
Payment to acquire shares of subsidiaries resulting in a change in scope of consolidation		7,655	22,842	11,030
		(902,557)	(2,693,018)	(1,300,445)
Subsequent consideration paid		19,528	2,265	19,528
		(2,302,385)	(267,063)	(2,302,385)
Others		-	-	133
		(-)	(-)	(15,655)
Net cash provided by (used in) investing activities		32,215	66,146	55,431
		(3,798,179)	(7,798,604)	(6,535,363)
Financing activities				
Interest paid		176	2,037	742
		(20,748)	(240,194)	(87,487)
Increase in deposit pledged		-	17,109	7,448
		(-)	(2,017,113)	(878,161)
Decrease in deposit pledged		-	298	-
		(-)	(35,176)	(-)
Increase (decrease) in short-term loans -net		1,913	13,274	6,405
(: decrease)		(225,530)	(1,565,062)	(755,187)
Proceeds from long-term debt		14,100	23,327	22,300
		(1,662,390)	(2,750,245)	(2,629,170)
Repayments of long-term debt		375	-	133
		(44,252)	(-)	(15,668)
Proceeds from issuance of shares		8	131	78,749
		(929)	(15,436)	(9,284,565)
Proceeds from exercise of warrants		1,389	832	5,000
		(163,750)	(98,129)	(589,500)
Proceeds from issuance of shares to minority shareholders		-	60,011	-
		(-)	(7,075,303)	(-)
Dividends paid to minority shareholders		-	1,650	-
		(-)	(194,535)	(-)
Repayments of lease obligations		32	49	41
		(3,743)	(5,767)	(4,824)
Increase (decrease) in long-term other payables		260	682	836
(: decrease)		(30,635)	(80,422)	(98,547)
Net cash provided by (used in) financing activities		16,567	76,347	103,255
		(1,953,222)	(9,001,319)	(12,173,735)
Foreign currency translation adjustments on cash and cash equivalents		74	10	89
		(8,673)	(1,234)	(10,496)
Net increase in cash and cash equivalents		21,579	4,564	40,581
		(2,544,126)	(538,074)	(4,784,467)
Cash and cash equivalents, beginning of the year		40,089	80,669	40,089
		(4,726,463)	(9,510,930)	(4,726,463)
Cash and cash equivalents, end of the period / year	1	18,510	76,106	80,669
		(2,182,337)	(8,972,856)	(9,510,930)

Basis of Presenting Third Quarter Consolidated Financial Statements

Item	2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
1 Scope of consolidation	<p>(1) The number of consolidated subsidiaries: 40</p> <p>The name of consolidated subsidiaries are as follows:</p> <p>Xinhua Financial Network Ltd. Market News International, Inc. Market News Service (International) Inc. China Financial News Ltd. Fortune China Public Relations Ltd. FTSE/Xinhua Index Ltd. Xinhua Financial Network Inc. Xinhua Financial Network (Korea) Ltd. China Finance Limited (formerly known as China Financial Network Ltd.(Taiwan)) AFX Asia Pte Ltd. Xinhua Financial Network (Beijing) Ltd. Xinhua Finance Japan Ltd.(formerly known as Xinhua Netchina Ltd.) Xinhua Investment Group Hong Kong Ltd. Shanghai NetChina Ltd. Xinhua Financial Network (Shanghai) Ltd. Mergent, Inc. Mergent Japan K.K. Stone & McCarthy Research Associates, Inc. SMRA International, Inc. G-7 Group, Inc. Xinhua Mergent Holdings Limited Ford Investor Services, Inc. Taylor Rafferty Associates, Inc. Taylor Rafferty Associates Ltd. Taylor Rafferty KK EconWorld Media Ltd. Financial World (Shanghai) Co., Ltd. EconWorld (Shanghai) Co., Ltd. EconWorld Publishing Ltd. Money Journal Publication Ltd. Money Journal Advertising Co., Ltd. Highasia Investments Ltd. Washington Analysis Corporation Beijing Century Media Culture Co., Ltd Beijing Workshop Communications Co., Ltd. Beijing Golden Ways Culture Development Co Ltd. Shanghai Pobo Data and Information Network Consulting Co., Ltd. Shanghai Huacai Investment Advisory Company Limited Xinhua Top Sky Public Relations Consulting (Beijing) Co., Ltd.</p>	<p>(1) The number of consolidated subsidiaries: 72</p> <p>The name of consolidated subsidiaries are as follows:</p> <p>Xinhua Financial Network Ltd. Market News International, Inc. Market News Service (International) Inc. China Financial News Ltd. Fortune China Public Relations Ltd. FTSE/Xinhua Index Ltd. Xinhua Financial Network Inc. Xinhua Financial Network Korea Company Limited. China Finance Limited (formerly known as China Financial Network Ltd) AFX Asia Pte Ltd. Xinhua Financial Network (Beijing) Ltd. Xinhua Finance Japan Ltd. (formerly known as Xinhua Netchina Ltd.) Xinhua Investment Group Hong Kong Ltd. Shanghai NetChina Ltd. Xinhua Financial Network (Shanghai) Ltd. Mergent, Inc. Mergent Japan K.K. Stone & McCarthy Research Associates, Inc. SMRA International, Inc. G-7 Group, Inc. Xinhua Mergent Holdings Limited Ford Investor Services, Inc. Taylor Rafferty Associates, Inc. Taylor Rafferty Associates Ltd. Taylor Rafferty KK EconWorld Media Ltd. Financial World (Shanghai) Co., Ltd. EconWorld (Shanghai) Co., Ltd. EconWorld Publishing Ltd. Money Journal Publication Ltd. Money Journal Advertising Co., Ltd. Highasia Investments Ltd. Washington Analysis Corporation Beijing Century Media Culture Co., Ltd Beijing Workshop Communications Co., Ltd. Beijing Golden Ways Animation Production Co., Ltd. (formerly known as Beijing Golden Ways Culture Development Co Ltd.) Shanghai Pobo Data and Information Network Consulting Co., Ltd. Shanghai Huacai Investment Advisory Company Limited Xinhua Top Sky Public Relations Consulting (Beijing) Co., Ltd. Tesserae Capital Advisors, LLC</p>	<p>(1) The number of consolidated subsidiaries: 42</p> <p>The name of consolidated subsidiaries are as follows:</p> <p>Xinhua Financial Network Ltd. Market News International, Inc. Market News Service (International) Inc. China Financial News Ltd. Fortune China Public Relations Ltd. FTSE/Xinhua Index Ltd. Xinhua Financial Network Inc. Xinhua Financial Network Korea Company Limited. China Finance Limited (formerly known as China Financial Network Ltd) AFX Asia Pte Ltd. Xinhua Financial Network (Beijing) Ltd. Xinhua Finance Japan Ltd. (formerly known as Xinhua Netchina Ltd.) Xinhua Investment Group Hong Kong Ltd. Shanghai NetChina Ltd. Xinhua Financial Network (Shanghai) Ltd. Mergent, Inc. Mergent Japan K.K. Stone & McCarthy Research Associates, Inc. SMRA International, Inc. G-7 Group, Inc. Xinhua Mergent Holdings Limited Ford Investor Services, Inc. Taylor Rafferty Associates, Inc. Taylor Rafferty Associates Ltd. Taylor Rafferty KK EconWorld Media Ltd. Financial World (Shanghai) Co., Ltd. EconWorld (Shanghai) Co., Ltd. EconWorld Publishing Ltd. Money Journal Publication Ltd. Money Journal Advertising Co., Ltd. Highasia Investments Ltd. Washington Analysis Corporation Beijing Century Media Culture Co., Ltd Beijing Workshop Communications Co., Ltd. Beijing Golden Ways Culture Development Co Ltd. Shanghai Pobo Data and Information Network Consulting Co., Ltd. Shanghai Huacai Investment Advisory Company Limited Xinhua Top Sky Public Relations Consulting (Beijing) Co., Ltd. Tesserae Capital Advisors, LLC</p>

Item	2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
		<p>Xinhua Finance Media Limited Shanghai Far East Credit Rating Co., Ltd. Xinhua Finance Advertising Limited (formerly known as Ming Shing International Limited) Upper Will Enterprises Limited Active Advertising Agency Ltd. Active Advertising Agency (Guangzhou) Ltd. Shenzhen Active Trinity Ltd. Shangtuo Zhiyang International Advertising (Beijing) Co. Ltd. Beijing Dragon Media Advertising Co. Ltd. Beijing Jinlong Runxin Advertising Co. Ltd. Shanghai Yuanxin Advertising Media Co. Ltd. Beijing JinGuan XinCheng Advertising Co., Ltd Beijing JingShi JingGuan Advertising Co., Ltd Accord Group Investments Limited Great Triumph Investments New China Media (Shanghai) Co., Ltd Beijing Shiji Guangnian Advertising Co., Ltd Shanghai Hyperlink Market Research Co., Ltd Guangzhou Hyperlink Market Research Co., Ltd Beijing Perspective Orient Movie and Television Intermediary Co., Ltd. Beijing Perspective Orient Advertising Co., Ltd. Zhongxi Taihe Culture Consultancy (Shanghai) Co., Ltd Beijing Alpha Financial Engineering Co., Ltd. Upper Step Holdings Limited Jia Lou Consulting (Shanghai) Co., Ltd. Shanghai Yuan Zhi Advertising Co., Ltd.</p> <p>Number of other consolidated subsidiaries: 6</p>	<p>Xinhua Finance Media Limited Shanghai Far East Credit Rating Co., Ltd.</p>

Item	2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
	<p>(2) Name of unconsolidated subsidiaries and relative information Intelligence Asia Pty Ltd. LJS Global Information Services, Inc. Mergent Pricing & Evaluation Services, Inc. Mergent (UK) Ltd.</p> <p>(Reason of status to be unconsolidated) All of the unconsolidated subsidiaries do not have significant influence on Group's consolidated financial statements due to its small magnitude taking into account the total assets, revenue, net income for the 3rd quarter of the year and retained earnings as well as the aggregated amounts of all unconsolidated subsidiaries.</p>	<p>(2) Name of unconsolidated subsidiaries and relative information Same as on the left.</p> <p>(Reason of status to be unconsolidated) Same as on the left.</p>	<p>(2) Name of unconsolidated subsidiaries and relative information Same as on the left.</p> <p>(Reason of status to be unconsolidated) All of the unconsolidated subsidiaries do not have significant influence on Group's consolidated financial statements due to its small magnitude taking into account total assets, revenue, net income and retained earnings as well as the aggregated amounts of all unconsolidated subsidiaries.</p>

Item	2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
2 Adoption of the equity method	<p>(1) There is no group company accounted by the equity method.</p> <p>(2) Unconsolidated subsidiaries not accounted by the equity method Intelligence Asia Pty Ltd. LJS Global Information Services, Inc. Mergent Pricing & Evaluation Services, Inc. Mergent (UK) Ltd. (Reason of status not to be accounted by the equity method) The adoption of equity method for all of the subsidiaries dose not have any significant influence on Group's consolidated financial statements due to its small magnitude taking into account the net income for the 3rd quarter of the year and retained earnings as well as the aggregated amounts of all unconsolidated subsidiaries.</p>	<p>(1) Number of associated company accounted by the equity method : 1</p> <p>Name of the associated company Ning Bo Far East Credit Rating Co., Ltd.</p> <p>(2) Unconsolidated subsidiaries not accounted by the equity method Same as on the left.</p> <p>(Reason of status not to be accounted by the equity method) Same as on the left.</p>	<p>(1) Number of associated company accounted by the equity method : 1</p> <p>Name of the associated company Same as on the left.</p> <p>(2) Unconsolidated subsidiaries not accounted by the equity method Same as on the left.</p> <p>(Reason of status not to be accounted by the equity method) The adoption of the equity method for all of the subsidiaries does not have any significant influence on Group's consolidated financial statements due to its small magnitude taking into account the net income and retained earnings as well as the aggregated amounts of all unconsolidated subsidiaries.</p>
3 Reconciliation of closing date for consolidation	<p>There is no consolidated subsidiary whose closing date for the 3rd quarter period is different from that of the Company.</p>	<p>Same as on the left.</p>	<p>There is no consolidated subsidiary whose closing date for the year is different from that of the Company.</p>
4 Significant accounting policies (1) Valuation basis and method for assets	<p>Securities</p> <p>Available-for sale securities -With fair value Fair value method base on the fair value information, such as market information, at the 3rd quarter balance sheet date is applied. (Unrealized gain or loss is accounted for as an equity item, and costs of sales are based on the moving-average method.) -With no fair value Cost method based on the moving-average method is applied</p>	<p>Securities</p> <p>(a) Trading securities -Fair value method (the cost of securities sold is determined based on the moving-average cost method) (b) Held-to-maturity securities -The amortized cost method (c) Available-for sale securities -With fair value Fair value method base on the fair value information, such as market information, at the 3rd quarter balance sheet date is applied. (Unrealized gain or loss is accounted for as a net asset item, and costs of sales are based on the moving-average method.) -With no fair value Same as on the left.</p>	<p>Securities</p> <p>(a) Trading securities Same as on the left.</p> <p>(b) Held-to-maturity securities Same as on the left.</p> <p>(c) Available-for-sale securities -With market value Fair value method based on fair value information, such as market information, at the balance sheet date is applied. (Unrealized gain or loss is accounted for as an equity item, and costs of sales are based on the moving-average method.) -With no fair value Same as on the left.</p>

Item	2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
(2) Depreciation or amortization method	<p>(a) Property and equipment Depreciation of property and equipment of the Company and its consolidated non-Japanese subsidiaries is computed substantially by the straight-line method, while the declining-balance method is applied to the property and equipment of consolidated Japanese subsidiaries. Estimated useful lives are the followings: Buildings and structures: 3 to 7 years Equipments: 1 to 10 years</p> <p>(b) Intangible assets Intangible assets are amortized by the straight-line method. Estimated useful lives are as follows: Trade mark and distribution rights: 3 to 11 years Goodwill : 4 to 5 years</p>	<p>(a) Property and equipment Same as on the left.</p> <p>(b) Intangible assets Intangible assets are amortized by the straight-line method. Estimated useful lives are as follows: Trade mark and distribution rights: 11 to 15 years Contractual rights and data bases: 5 to 20 years Goodwill : 5 years</p>	<p>(a) Property and equipment Same as on the left.</p> <p>(b) Intangible assets Intangible assets are amortized by the straight-line method. Estimated useful lives are as follows: Trade mark and distribution rights: 11 years Goodwill : 5 years</p>
(3) Allowance, reserve and provision	<p>Allowance for Doubtful Accounts For the Company and its non-Japanese subsidiaries, the allowance has been determined by reference to past default experience. For Japanese subsidiaries, the allowance for doubtful accounts is stated in amounts considered to be appropriate based on the past credit loss experience and an evaluation of respective potential losses in the receivables outstanding.</p>	<p>Allowance for Doubtful Accounts Same as on the left.</p>	<p>Allowance for Doubtful Accounts Same as on the left.</p>
(4) Conversion of significant items in foreign currencies	<p>All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into U.S. dollars at the exchange rates at the 3rd quarter balance sheet date, while all revenue and expense account are translated into U.S. dollars at average rate of the 3rd quarter period. The foreign exchange gains and losses from translation are recognized in the 3rd quarter income statement. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the exchange rates at the 3rd quarter balance sheet date, while all revenue and expense account are translated into U.S. dollars at average rate applicable for the 3rd quarter period. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.</p>	<p>All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into U.S. dollars at the exchange rates at the 3rd quarter balance sheet date, while all revenue and expense account are translated into U.S. dollars at average rate of the 3rd quarter period. The foreign exchange gains and losses from translation are recognized in the 3rd quarter income statement. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the exchange rates at the 3rd quarter balance sheet date, while all revenue and expense account are translated into U.S. dollars at average rate applicable for the 3rd quarter period. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of net assets.</p>	<p>All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into U.S. dollars at the exchange rates at the balance sheet date, while all revenue and expense accounts are translated into U.S. dollars at the average rate of the period. The foreign exchange gains and losses from translation are recognized in the income statement. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the exchange rates at the balance sheet date, while all revenue and expense accounts are translated into U.S. dollars at the average rate applicable for the period. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.</p>

Item	2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
(5) Leases	For finance leases deemed not to transfer ownership of the leased property to the lessee, leased properties are capitalized.	Same as on the left.	Same as on the left.
(6) Other significant items for the preparation of the (3rd quarter) consolidated financial statements	<p>Accounting policy of the consumption tax Tax-excluding method is applied.</p> <p>Conversion of dollars into yen In accordance with the Article 66 of the Interim Financial Statements rules, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being USD\$1.00=117.90, from the Tokyo Foreign Exchange Market as of September 29, 2006. The Japanese yen amounts are stated only for purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.</p>	<p>Accounting policy of the consumption tax Same as on the left.</p> <p>Conversion of dollars into yen In accordance with the Article 77 of the Interim Financial Statements rules, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being USD\$1.00=117.90, from the Tokyo Foreign Exchange Market as of September 29, 2006. The Japanese yen amounts are stated only for purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.</p>	<p>Accounting policy of the consumption tax Same as on the left.</p> <p>Conversion of dollars into yen In accordance with the Article 130 of the Financial Statements rules, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being USD\$1.00=117.90, from the Tokyo Foreign Exchange Market as of September 29, 2006. The Japanese yen amounts are stated only for purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.</p>
5 Valuation for assets and liabilities of consolidated subsidiaries	The assets and liabilities of the consolidated subsidiaries for not only the Company's interest but also minority interests are evaluated at fair value.	Same as on the left.	Same as on the left.
6 Amortization of goodwill on consolidation	Goodwill on consolidation is amortized by the straight-line method over 20 years.	Same as on the left.	Same as on the left.
7 Cash and cash equivalents in the (3rd quarter) consolidated cashflow statements	Cash equivalents in the 3rd quarter consolidated cashflow statement are short-term investments that are readily convertible into cash and are not exposed to significant risk of changes in value. Cash equivalents mature or become due within three months of the date of investment.	Same as on the left.	Cash equivalents in the consolidated cashflow statement are short-term investments that are readily convertible into cash and are not exposed to significant risk of changes in value. Cash equivalents mature or become due within three months of the date of investment.

Change in Accounting Policy

2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
	<p>(Presentation of net assets in the consolidated balance sheets)</p> <p>Effective from 3rd quarter period disclosure, the Company adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5, announced by Accounting Standard Board of Japan on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance sheet"(Guidance No. 8, announced by Accounting Standard Board of Japan on December 9, 2005).</p> <p>The amount equivalent to shareholders' equity following the previous presentation manner is USD 335,111 thousand (JPY 39,509,552 thousand).</p> <p>For the change of Interim Financial Statements Rules, net assets in the 3rd quarter consolidated balance sheet is presented in accordance with the revised Interim Financial Statements Rules.</p> <p>(Accounting Standard for Share-based Payment)</p> <p>Effective from 3rd quarter period disclosure, the Company adopted "Accounting Standard for Share-based Payment" (Statement No.8, announced by Accounting Standard Board of Japan on December 27, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance sheet" (Guidance No. 11, announced by Accounting Standard Board of Japan on May 31, 2006).</p> <p>The effect of this change is to decrease operating income, ordinary income and income before income taxes, minority interests and distribution of profits from joint alliances by USD 1,218 thousand (JPY 143,646 thousand) for the period ended September 30, 2006, respectively.</p>	

Footnote Information

(3rd quarter consolidated balance sheets)

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

2nd period-3rd quarter consolidated fiscal period -prior year (As of September 30, 2005)	3rd period-3rd quarter consolidated fiscal period -current year (As of September 30, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)
<p>1 The amount represents the deposit paid for the acquisition of an existing equity shares of a credit rating agency in the People's Republic of China.</p> <p>2 _____</p> <p>3 Trade mark and distribution rights are combined together in one set of contracts and are therefore accounted for in a single account. Another intangible asset that relates to a separate trademark and a distribution right are included in this account as well.</p>	<p>1 The amount represents the deposit paid for acquisition of an equity shares and warrants.</p> <p>2 Amount of accumulated provision on impairment included in accumulated depreciation</p> <p style="text-align: right;">30 (3,515)</p> <p>3 Same as on the left.</p>	<p>1 Same as on the left.</p> <p>2 _____</p> <p>3 Same as on the left.</p>

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

2nd period-3rd quarter consolidated fiscal period -prior year (As of September 30, 2005)	3rd period-3rd quarter consolidated fiscal period -current year (As of September 30, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)
<p>4 Assets collateralized and corresponding liabilities</p> <p>Assets collateralized</p> <p>Bank deposit</p> <p style="text-align: right;">8,954 (1,055,645)</p> <p>Trade receivables</p> <p style="text-align: right;">2,791 (329,003)</p> <p>Other current assets</p> <p style="text-align: right;">1,267 (149,406)</p> <p>Buildings and structures</p> <p style="text-align: right;">24 (2,808)</p> <p>Equipments</p> <p style="text-align: right;">624 (73,537)</p> <p>Investment in securities</p> <p style="text-align: right;">68 (8,005)</p> <p>Other than the assets above, related to credit granted (commitment line USD 24,000 thousand (JPY 2,829,600 thousand)) from a bank, investment in subsidiaries of USD 8,079 thousand (JPY 952,474 thousand) (amount of net assets), which are eliminated on consolidation, have been pledged as collateral.</p>	<p>4 Assets collateralized and corresponding liabilities</p> <p>Assets collateralized</p> <p>Bank deposit</p> <p style="text-align: right;">23,950 (2,823,705)</p>	<p>4 Assets collateralized and corresponding liabilities</p> <p>Assets collateralized</p> <p>Bank deposit</p> <p style="text-align: right;">7,514 (885,910)</p> <p>Trade receivables</p> <p style="text-align: right;">1,812 (213,607)</p> <p>Other current assets</p> <p style="text-align: right;">346 (40,827)</p> <p>Equipments</p> <p style="text-align: right;">169 (19,875)</p> <p>Securities assets</p> <p style="text-align: right;">68 (8,005)</p> <p>In addition, investment in consolidated subsidiaries (the total net assets amount of USD 9,852 thousand (JPY 1,161,508 thousand), which are eliminated on consolidation, have been pledged as collateral for the bank commitment line of USD 24,000 thousand (JPY 2,829,600 thousand)).</p>
<p>Correspondent obligation</p> <p>Promissory notes (non-operating)</p> <p>Short-term</p> <p style="text-align: right;">1,250 (1,473,750)</p> <p>Short-term loans</p> <p style="text-align: right;">1,945 (229,278)</p> <p>Long-term debt</p> <p style="text-align: right;">14,100 (1,662,390)</p>	<p>Correspondent obligation</p> <p>Short-term loans</p> <p style="text-align: right;">20,882 (2,462,004)</p> <p>Long-term debt</p> <p style="text-align: right;">34,376 (4,052,908)</p>	<p>Correspondent obligation</p> <p>Short-term loans</p> <p style="text-align: right;">7,482 (882,161)</p> <p>Current portion of long-term debt</p> <p style="text-align: right;">21,300 (2,511,270)</p> <p>Promissory note (non-operating)</p> <p>Short-term</p> <p style="text-align: right;">1,250 (147,375)</p>

2nd period-3rd quarter consolidated fiscal period -prior year (As of September 30, 2005)	3rd period-3rd quarter consolidated fiscal period -current year (As of September 30, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)
<p>5 Other payables and long-term other payables include part of the consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation, and Shanghai Pobo Data and Information Network Consulting Co., Ltd. The consideration for the acquisition of shares of these companies could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>6 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p> <p style="text-align: right;">584 (68,805)</p> <p>7 The consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation, and Shanghai Pobo Data and Information Network Consulting Co., Ltd. could fluctuate since the final payments are based on the future operating results of the respective company.</p>	<p>5 Other payables and long-term other payables include part of the consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation, Shanghai Pobo Data and Information Network Consulting Co., Ltd., Xinhua Finance Advertising Limited, Beijing JingGuan XinCheng Advertising Co., Ltd. and Shanghai Hyperlink Market Research Co., Ltd. The consideration for the acquisition of shares of these companies could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>6 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p> <p style="text-align: right;">1,384 (163,162)</p> <p>7 The consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation, Shanghai Pobo Data and Information Network Consulting Co., Ltd., Xinhua Finance Advertising Limited, Beijing JingGuan XinCheng Advertising Co., Ltd., and Shanghai Hyperlink Market Research Co., Ltd. could fluctuate since the final payments are based on the future operating results of the respective company.</p>	<p>5 Other payables and long-term other payables include part of the consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation and Shanghai Pobo Data and Information Network Consulting Co., Ltd. The consideration for the acquisition of shares of these companies could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>6 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p> <p style="text-align: right;">373 (44,035)</p> <p>7 The consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation and Shanghai Pobo Data and Information Network Consulting Co., Ltd. could fluctuate since the final payments are based on the future operating results of the respective company.</p>

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

2nd period-3rd quarter consolidated fiscal period -prior year (As of September 30, 2005)	3rd period-3rd quarter consolidated fiscal period -current year (As of September 30, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)																																					
<p>8 Xinhua Mergent Holdings Limited and Shanghai Huacai Investment Advisory Company Limited have a line of credit agreements with banks. The amount of the line of credit and the balance outstanding under the agreements at September 30, 2005 are as follows:</p> <table data-bbox="159 560 574 851"> <tr> <td>Total amount of the line of credit</td> <td>30,555</td> <td>(3,602,449)</td> </tr> <tr> <td>Outstanding balance</td> <td>16,045</td> <td>(1,891,668)</td> </tr> <tr> <td>Remaining amount of the line of credit</td> <td>14,510</td> <td>(1,710,781)</td> </tr> </table> <p>Under the line of credit agreement held by Xinhua Mergent Holdings Limited, the following covenants should be maintained :</p> <p>a) ratio of consolidated total debt at any time during a relevant period to consolidated EBITDA for that relevant period shall not at any time exceed 3.5:1; and</p> <p>b) Interest coverage ratio for each relevant period shall not be less than 4:1.</p> <p>9 _____</p> <p>10 _____</p> <p>1-10 notes correspond with 1-10 as denoted in the consolidated balance sheet.</p>	Total amount of the line of credit	30,555	(3,602,449)	Outstanding balance	16,045	(1,891,668)	Remaining amount of the line of credit	14,510	(1,710,781)	<p>8 The Company, Xinhua Financial Network (Shanghai) Ltd., Shanghai Huacai Investment Advisory Company Limited, Zhongxi Taihe Culture Consultancy (Shanghai) Co. Ltd. and Jai Luo Consulting (Shanghai) Co., Ltd. have line of credit agreements with banks. The amount of the line of credit and the balance outstanding under the agreements at September 30, 2006 are as follows:</p> <table data-bbox="604 560 1021 851"> <tr> <td>Total amount of the line of credit</td> <td>94,129</td> <td>(11,097,863)</td> </tr> <tr> <td>Outstanding balance</td> <td>55,258</td> <td>(6,514,912)</td> </tr> <tr> <td>Remaining amount of the line of credit</td> <td>38,872</td> <td>(4,582,950)</td> </tr> </table> <p>Under the line of credit agreement held by the Company, the following covenants should be maintained:</p> <p>a) On each test date, debt cover ratio in respect of the relevant period ending on such date shall not exceed the ratio set out below:</p> <table data-bbox="654 1008 957 1142"> <tr> <td>December 31, 2006</td> <td>4.0 : 1</td> </tr> <tr> <td>June 30, 2007</td> <td>4.0 : 1</td> </tr> <tr> <td>December 31, 2007</td> <td>3.5 : 1</td> </tr> <tr> <td>June 30, 2008</td> <td>3.5 : 1</td> </tr> <tr> <td>December 31, 2008</td> <td>3.0 : 1</td> </tr> </table> <p>and thereafter</p> <p>b) The interest cover ratio for each relevant period shall not be less than 2.5 : 1.</p> <p>c) The ratio of consolidated total debt to consolidated net worth shall not at any time exceed 2.5 : 1.</p> <p>d) The debt service cover ratio in respect of any relevant period shall not be less than 1.10 : 1.</p> <p>e) EBITDA of U.S. entities is not less than USD16,000,000.</p> <p>9 This includes a loan of USD10 million (JPY 1,179,000 thousand) raised by a consolidated subsidiary with rights to convert into common shares of the subsidiary.</p> <p>10 This account represents contractual rights such as agency rights and publishing rights as well as intellectual properties such as data bases.</p> <p>1-10 notes correspond with 1-10 as denoted in the consolidated balance sheet.</p>	Total amount of the line of credit	94,129	(11,097,863)	Outstanding balance	55,258	(6,514,912)	Remaining amount of the line of credit	38,872	(4,582,950)	December 31, 2006	4.0 : 1	June 30, 2007	4.0 : 1	December 31, 2007	3.5 : 1	June 30, 2008	3.5 : 1	December 31, 2008	3.0 : 1	<p>8 Xinhua Mergent Holdings Limited and Shanghai Huacai Investment Advisory Company Limited have line of credit agreements with banks. The amount of the line of credit and the balance outstanding under the agreements at December 31, 2005 are as follows:</p> <table data-bbox="1050 560 1468 851"> <tr> <td>Total amount of the line of credit</td> <td>30,482</td> <td>(3,593,861)</td> </tr> <tr> <td>Outstanding balance</td> <td>28,782</td> <td>(3,393,431)</td> </tr> <tr> <td>Remaining amount of the line of credit</td> <td>1,700</td> <td>(200,430)</td> </tr> </table> <p>Under the line of credit agreement held by Xinhua Mergent Holdings Limited, the following covenants should be maintained :</p> <p>a) ratio of consolidated total debt at any time during a relevant period to consolidated EBITDA for that relevant period shall not at any time exceed 3.5:1; and</p> <p>b) Interest coverage ratio for each relevant period shall not be less than 4:1.</p> <p>9 _____</p> <p>10 _____</p> <p>1-10 notes correspond with 1-10 as denoted in the consolidated balance sheet.</p>	Total amount of the line of credit	30,482	(3,593,861)	Outstanding balance	28,782	(3,393,431)	Remaining amount of the line of credit	1,700	(200,430)
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(3rd quarter consolidated income statements)

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)																				
<p>1 _____</p> <p>2 Components of loss on disposal of fixed assets are as follows:</p> <table border="0" data-bbox="193 524 580 696"> <tr> <td>Buildings and structures</td> <td style="text-align: right;">2</td> </tr> <tr> <td></td> <td style="text-align: right;">(256)</td> </tr> <tr> <td>Equipments</td> <td style="text-align: right;">2</td> </tr> <tr> <td></td> <td style="text-align: right;">(249)</td> </tr> </table>	Buildings and structures	2		(256)	Equipments	2		(249)	<p>1 Expenses directly relating to share issuance are presented as "share issuance related expenses", which includes "share issuance cost".</p> <p>2 Components of loss on disposal of fixed assets are as follows:</p> <table border="0" data-bbox="636 524 1024 607"> <tr> <td>Equipments</td> <td style="text-align: right;">6</td> </tr> <tr> <td></td> <td style="text-align: right;">(741)</td> </tr> </table>	Equipments	6		(741)	<p>1 Same as on the left.</p> <p>2 Components of loss on disposal of fixed assets are as follows:</p> <table border="0" data-bbox="1080 524 1468 696"> <tr> <td>Buildings and structures</td> <td style="text-align: right;">3</td> </tr> <tr> <td></td> <td style="text-align: right;">(307)</td> </tr> <tr> <td>Equipments</td> <td style="text-align: right;">43</td> </tr> <tr> <td></td> <td style="text-align: right;">(5,014)</td> </tr> </table>	Buildings and structures	3		(307)	Equipments	43		(5,014)
Buildings and structures	2																					
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<p>3 _____</p>	<p>3 _____</p>	<p>3 Loss on impairment</p> <p>The Group recognized losses on impairment for an asset group presented below for the year ended December 31, 2005.</p> <table border="1" data-bbox="1048 898 1455 1016"> <thead> <tr> <th>Area</th> <th>Object</th> <th>Type</th> <th>Recognized losses</th> </tr> </thead> <tbody> <tr> <td>Asia</td> <td>Asset for operation</td> <td>Trademark</td> <td style="text-align: right;">83 (9,749)</td> </tr> </tbody> </table> <p>Grouping is basically implemented by each company unit. However, if it is possible to identify cashflows from an individual asset, recoverable amount is determined for each individual asset.</p> <p>Considering continuous operating losses arising from the above assets, the carrying amount of the assets was reduced to the recoverable amount, and the reduced amount was recorded as loss on impairment in the extraordinary losses section of the consolidated income statement.</p> <p>Recoverable amount of the asset group was determined based upon value in use. The loss on impairment was recognized at the entire carrying amount of the asset group because the estimated future cash flows arising from the asset group were negative.</p>	Area	Object	Type	Recognized losses	Asia	Asset for operation	Trademark	83 (9,749)												
Area	Object	Type	Recognized losses																			
Asia	Asset for operation	Trademark	83 (9,749)																			
<p>4 _____</p>	<p>4 _____</p>	<p>4 Components of gain on sale of fixed assets are as follows:</p> <table border="0" data-bbox="1080 1637 1463 1809"> <tr> <td>Equipment</td> <td style="text-align: right;">0</td> </tr> <tr> <td></td> <td style="text-align: right;">(14)</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">356</td> </tr> <tr> <td></td> <td style="text-align: right;">(41,928)</td> </tr> <tr> <td>Trade mark and distribution rights</td> <td style="text-align: right;">98</td> </tr> <tr> <td></td> <td style="text-align: right;">(11,520)</td> </tr> </table>	Equipment	0		(14)	Goodwill	356		(41,928)	Trade mark and distribution rights	98		(11,520)								
Equipment	0																					
	(14)																					
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	(11,520)																					
<p>5 _____</p> <p>1-5 notes correspond with 1-5 as denoted in the consolidated income statement.</p>	<p>5 Minority interests (in the form of preference shares in a consolidated subsidiary) were redeemed and created an extraordinary gain.</p> <p>1-5 notes correspond with 1-5 as denoted in the consolidated income statement.</p>	<p>5 _____</p> <p>1-5 notes correspond with 1-5 as denoted in the consolidated income statement.</p>																				

(3rd quarter consolidated surplus statements)

2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
<p>1 The Company acquired full ownership of Taylor Rafferty Associates, Inc., Washington Analysis Corporation and Beijing Century Media Culture Co., Ltd. through a cash and share exchange. However, the Company's shares to be exchanged for subsequent consideration have not been issued, whereas related acquisition costs have been included in share premium.</p> <p>1 note corresponds with 1 as denoted in the consolidated surplus statement.</p>	<p>1 Same as on the left.</p> <p>1 note corresponds with 1 as denoted in the consolidated surplus statement.</p>

(3rd quarter consolidated statement of changes in net assets)

3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)

1 . Number and class of issued shares

	Beginning balance	Increase	Decrease	Ending balance
Issued shares				
Ordinary share (shares)	815,477	100,125	-	915,602

(Note 1) In the increase of ordinary shares indicated above, 47,178 shares are issued for acquisition of subsidiaries' shares by way of share exchange, 46,297 shares are issued for consideration for goods and services received, 4,810 shares are issued due to execution of share subscription rights and the remaining 1,840 shares are issued in a normal course of new share issuance.

2 . Share subscription rights

The ending balance of share subscription rights granted by a consolidated subsidiary as share option rights is USD 1,395 thousand (JPY 164,514 thousand).

3 . Dividend

Not applicable.

- 1 The Company acquired full ownership of Taylor Rafferty Associates Inc., Washington Analysis Corporation, Beijing Century Media Culture Co., Ltd. , Xinhua Finance Advertising Limited and Beijing JingGuan XinCheng Advertising Co., Ltd. through a cash and share exchange. However, the Company's shares to be exchanged for subsequent consideration have not been issued, whereas related acquisition costs have been included in share premium.
(1 note corresponds with 1 as denoted in the consolidated statement of changes in net assets)

(3rd quarter consolidated cashflow statements)

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
1 Reconciliation between ending balances of cash and cash equivalents in 3rd quarter consolidated cashflow statement and balance in 3rd quarter consolidated balance sheet:	1 Reconciliation between ending balances of cash and cash equivalents in 3rd quarter consolidated cashflow statement and balance in 3rd quarter consolidated balance sheet:	1 Reconciliation between ending balances of cash and cash equivalents in consolidated cashflow statement and balance in consolidated balance sheet:
Cash and bank balances 18,870 (2,224,781)	Cash and bank balances 100,056 (11,796,561)	Cash and bank balances 88,118 (10,389,091)
Deposit pledged as collateral 360 (42,444)	Deposit pledged as collateral 23,950 (2,823,705)	Deposit pledged as collateral 7,448 (878,161)
Cash and cash equivalents 18,510 (2,182,337)	Cash and cash equivalents 76,106 (8,972,856)	Cash and cash equivalents 80,669 (9,510,930)
2 Non cash expense with share issuance as consideration	2 _____	2 _____
1-2 notes correspond with 1-2 as denoted in the consolidated cashflow statement.	1-2 notes correspond with 1-2 as denoted in the consolidated cashflow statement.	1-2 notes correspond with 1-2 as denoted in the consolidated cashflow statement.

(Lease transaction)

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
Operating leases	Operating leases	Operating leases
Unearned lease expenses	Unearned lease expenses	Unearned lease expenses
Within one year 3,670 (432,738)	Within one year 6,323 (745,504)	Within one year 3,894 (459,059)
After one year 8,820 (1,039,852)	After one year 26,075 (3,074,249)	After one year 8,457 (997,031)
Total 12,490 (1,472,589)	Total 32,398 (3,819,753)	Total 12,350 (1,456,090)

(Securities)

As of September 30, 2005

1 Available-for-sale securities with fair value

Thousands of U.S. Dollars (Thousands of Japanese Yen)

Category	Acquisition cost	Amount on the 3rd quarter consolidated balance sheet	Difference
Book value is more than acquisition cost:			
1) Equity securities	-	-	-
	(-)	(-)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	2,614	6,628	4,014
	(308,145)	(781,392)	(473,247)
Subtotal	2,614	6,628	4,014
	(308,145)	(781,392)	(473,247)
Book value is less than acquisition cost:			
1) Equity securities	-	-	-
	(-)	(-)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	15,321	11,136	4,185
	(1,806,381)	(1,312,963)	(493,419)
Subtotal	15,321	11,136	4,185
	(1,806,381)	(1,312,963)	(493,419)
TOTAL	17,935	17,764	171
	(2,114,526)	(2,094,355)	(20,172)

(Note1) Other investments are the securities assets on the 3rd quarter consolidated balance sheet.

2 Securities not stated at fair value

Thousands of U.S. Dollars (Thousands of Japanese Yen)

Category	Amount on the 3rd quarter consolidated balance sheet
(1) Investments in subsidiaries and affiliates	
Non-listed equity securities	25
	(2,911)
(2) Other investments	
Investment in securities	68
	(8,005)
Total	93
	(10,916)

(Note1) Other investments are the investment in securities on the 3rd quarter consolidated balance sheet.

As of September 30, 2006

1. Trading securities

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

Amount on the 3rd quarter consolidated balance sheet	Gain/loss included in the 3rd quarter consolidated income statement
266	188
(31,414)	(22,210)

2. Available-for-sale securities with fair value

Thousands of U.S. Dollars (Thousands of Japanese Yen)

Category	Acquisition cost	Amount on the 3rd quarter consolidated balance sheet	Difference
Book value is more than acquisition cost:			
1) Equity securities	-	-	-
	(-)	(-)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	-	-	-
	(-)	(-)	(-)
Subtotal	-	-	-
	(-)	(-)	(-)
Book value is less than acquisition cost:			
1) Equity securities	-	-	-
	(-)	(-)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	10,565	10,565	-
	(1,245,561)	(1,245,561)	(-)
Subtotal	10,565	10,565	-
	(1,245,561)	(1,245,561)	(-)
TOTAL	10,565	10,565	-
	(1,245,561)	(1,245,561)	(-)

(Note1) Other investments are the securities assets on the 3rd quarter consolidated balance sheet.

3. Securities not stated at fair value

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

Category	Amount on the 3rd quarter consolidated balance sheet
Available-for-sale securities	
(1) Unlisted securities	32,352
	(3,814,328)
(2) Fund trust	270
	(31,871)
(3) Investment in limited liability company	186
	(21,984)
Total	32,809
	(3,868,183)

(Note1) Available-for-sale securities above are categorized into investment in securities on the 3rd quarter consolidated balance sheet.

4. Redemption schedule for held-to-maturity securities

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Debt securities				
Corporate bond	- (-)	617 (72,787)	- (-)	- (-)
Total	- (-)	617 (72,787)	- (-)	- (-)

As of December 31, 2005

1. Trading securities

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

Amount on the consolidated balance sheet	Gain/loss included in the consolidated income statement
145	-
(17,107)	(-)

2. Available-for-sale securities with fair value

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

Category	Acquisition cost	Amount on the consolidated balance sheet	Difference
Book value more than acquisition cost:			
1) Equity securities	-	-	-
	(-)	(-)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	-	-	-
	(-)	(-)	(-)
Subtotal	-	-	-
	(-)	(-)	(-)
Book value is less than acquisition cost:			
1) Equity securities	14	14	-
	(1,668)	(1,668)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	-	-	-
	(-)	(-)	(-)
Subtotal	14	14	-
	(1,668)	(1,668)	(-)
TOTAL	14	14	-
	(1,668)	(1,668)	(-)

(Note1) "Other" above is categorized into securities assets on the consolidated balance sheet.

3. Available-for-sale securities sold in the current fiscal period

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

Amount on sale	Gain on sale	Loss on sale
21,788	-	44
(2,568,780)	(-)	(5,216)

4. Securities not stated at fair value

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

Category	Amount on the consolidated balance sheets
Available-for-sale securities	
(1) Unlisted securities	21,788
	(2,568,780)
(2) Fund trust	880
	(103,767)
(3) Investment in limited liability company	68
	(8,005)
Total	22,736
	(2,680,552)

(Note1) Available-for-sale securities above are categorized into investment in securities on the consolidated balance sheet.

5. Redemption schedule for held-to-maturity securities

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Debt securities				
Corporate bond	-	617	-	-
	(-)	(72,787)	(-)	(-)
Total	-	617	-	-
	(-)	(72,787)	(-)	(-)

(Derivative transactions)

For the 3rd quarter periods ended September 30, 2005 and 2006 and for the year ended December 31, 2005, the Group has not entered into any derivative contracts.

(Share option and share-based payment)

Consolidated 3rd quarter - current year (From January 1, 2006 to September 30, 2006)

1. Outline of share option and share-based payment (*1)

Outline of share option granted in the 3rd quarter for the period ended September 30, 2006

Company	The Company			
Type	Share option (1)	Share option (2)	Share option (3)	Share option (4)
Category and number of person designated	2 directors	5 directors	209 employees	1 employee
Class and number of objective shares (*3)	5,000 ordinary shares	6,000 ordinary shares	26,656 ordinary shares	114 ordinary shares
Grant date (*2)	January 31, 2006	January 31, 2006	April 30, 2006	July 1, 2006
Terms and condition for vesting	834 shares vested on each of Jan 31, Apr 30, Jul 30, Oct 31, 2006 & Jan 31, 2007 and 830 shares vested on Apr 30, 2007	1/4 grant vested on Apr 30, 2006, Jul 31, 2006, Oct 31, 2006 & Jan 31, 2007 (*4)	1/3 grant vested on Dec 31, 2006; 1/3 vested on Dec 31, 2007; 1/3 vested on Dec 31, 2008 (*4)	1/3 grant vested on Dec 31, 2006; 1/3 vested on Dec 31, 2007; 1/3 vested on Dec 31, 2008 (*4)
Service period required to be vested	-	From Jan 31, 06 to Jan 31, 2007	From Apr 30, 2006 to Dec 31, 2008	From July 1, 2006 to Dec 31, 2008
Exercisable period	From Jan 31, 2006 to Feb 1, 2009	From Apr 30, 2006 to Feb 1, 2016	From Jan 1, 2007 to Apr 30, 2016	From Jan 1, 2007 to Apr 30, 2016
Exercise price	JPY 74,247	JPY 71,844	JPY 71,844	JPY 71,844
Fair value of option at grant date	-	-	-	-

Company	The Company			
Type	Warrant	Share-based payment	Share-based payment	Share-based payment
Category and number of person designated	1 third party	1 third party	2 directors and 4 employees	1 director
Class and number of objective shares (*3)	20,000 ordinary shares	2,000 ordinary shares	18,107 ordinary shares	800 ordinary shares
Grant date (*2)	February 14, 2006	February 14, 2006	September 6, 2006	September 22, 2006
Terms and condition for vesting	-	-	-	-
Service period required to be vested	-	-	-	-
Exercisable period	From February 15, 2007 to February 15, 2016	-	-	-
Exercise price	JPY 82,500	-	-	-
Fair value of option at grant date	-	-	-	-

Company	Xinhua Finance Media Limited		
Type	Share option	Share option	Warrant
Category and number of person designated	1 director	190 employees	1 shareholder
Class and number of objective shares	11,050,000 Class A Common Share	11,498,180 Class A Common Shares	4,099,968 Class A Common Shares
Grant date (*2)	June 13, 2006	July 11, 2006	Sept 22, 2006
Terms and condition for vesting	equally vested in 5 years commencing June 13, 2007 (*4)	1/2 to be vested by Dec 31, 2007 or upon certain corporate event, whichever is earlier; 1/4 vested on Dec 31, 2008, 1/4 vested on Dec 31, 2009 (*4)	-
Service period required to be vested	From June 13, 2006 to June 13, 2011	From July 11, 2006 to Dec 31, 2009	-
Exercisable period	From June 13, 2007 to June 13, 2011	From December 31, 2007 or upon certain corporate event, whichever is the earlier to July 11, 2011	From September 22, 2006 to September 22, 2011
Exercise price	USD 0.001	USD 0.78	US\$3.659
Fair value of option at grant date	USD 0.60/option	USD 0.60/option	USD 0.04/warrant

(*1)Share-based payment is the consideration paid by the Company's own shares for any goods or services.

(*2)Contract date as for the share-based payment

(*3)The number of shares to be applied.

All shares and options granted prior to 2006 have all been adjusted for the 2,000 to 1 share reverse share split in August 24, 2004 and 3 for 1 share split in September 22, 2005.

(*4)-If employment is terminated for cause, vesting will cease and any un-exercised portion of the option will be forfeited immediately on the last employment date.

-If employment is terminated voluntarily by the employee:

1)Unvested options (if any) which are scheduled to vest in the same calendar year of the termination will vest on the last day of that calendar year, and expire 12 months after the date of vesting

2)All unvested options (if any) scheduled to vest in subsequent years will be forfeited

3)All vested options can be exercised until expiration which will be the later of 12 months from the date of termination and 12 months after the date of vesting of any options in the year of termination (if any).

2. Effect to consolidated financial statements

Share-based compensation USD 1,218 thousand (JPY 143,646 thousand)

(Segment information)

【Business segment】

The Group is engaged solely in financial information business which includes distribution of market indices, financial news, credit ratings, investor relations services and other relevant services. Thus, information of business segmentation for the 3rd quarter periods ended September 30, 2005 and 2006 and for the year ended December 31, 2005 are omitted.

【Regional segmental information】

2nd period - 3rd quarter consolidated fiscal period (From January 1, 2005 to September 30, 2005)

(Unit: Thousands of U.S. Dollars (Thousands of Japanese yen))

	Japan	Asia	North America	Other location	Total	Eliminated or unallocated	Consolidated
Sales and operating income / loss							
Sales							
(1) Outside customer	4,036 (475,838)	20,765 (2,448,177)	51,408 (6,060,965)	268 (31,572)	76,476 (9,016,553)	- (-)	76,476 (9,016,553)
(2) Inter segment or transfer	- (-)	3,456 (407,438)	217 (25,628)	5,377 (633,981)	9,050 (1,067,047)	9,050 (1,067,047)	- (-)
Total	4,036 (475,838)	24,221 (2,855,616)	51,625 (6,086,593)	5,645 (665,553)	85,527 (10,083,600)	9,050 (1,067,047)	76,476 (9,016,553)
Operating expenses	4,116 (485,271)	18,685 (2,202,952)	57,400 (6,767,471)	4,833 (569,768)	85,034 (10,025,462)	8,608 (1,014,901)	76,425 (9,010,561)
Operating income (loss)	80 (9,433)	5,536 (652,664)	5,775 (680,878)	812 (95,785)	493 (58,138)	442 (52,146)	51 (5,992)

Note

- 1 Location segments are based on geographical closeness.
- 2 Main countries or locations which do not belong to Japan:
 - (1) Asia Hong Kong, China, Singapore and so on.
 - (2) North America.....U.S.A.
 - (3) Other area U.K. and so on.

3rd period – 3rd quarter consolidated fiscal period (From January 1, 2006 to September 30, 2006)

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

	Japan	Asia	North America	Other location	Total	Eliminated or unallocated	Consolidated
Sales and operating income / loss							
Sales							
(1) Outside customer	1,201 (141,573)	34,820 (4,105,239)	63,171 (7,447,883)	25,876 (3,050,760)	125,067 (14,745,456)	- (-)	125,067 (14,745,456)
(2) Inter segment or transfer	- (-)	5,658 (667,027)	38 (4,421)	1,401 (165,130)	7,096 (836,578)	7,096 (836,578)	- (-)
Total	1,201 (141,573)	40,477 (4,772,266)	63,209 (7,452,304)	27,276 (3,215,891)	132,163 (15,582,034)	7,096 (836,578)	125,067 (14,745,456)
Operating expenses	1,505 (177,405)	29,871 (3,521,739)	62,754 (7,398,696)	32,908 (3,879,834)	127,037 (14,977,673)	6,206 (731,731)	120,831 (14,245,943)
Operating income (loss)	304 (35,832)	10,607 (1,250,527)	455 (53,608)	5,631 (663,943)	5,126 (604,360)	889 (104,848)	4,237 (499,513)

Note

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 - (1) Asia Hong Kong, China, Singapore and so on.
 - (2) North America.....U.S.A.
 - (3) Other location U.K. and so on

Consolidated fiscal year – prior year (From January 1, 2005 to December 31, 2005)

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

	Japan	Asia	North America	Other location	Total	Eliminated or unallocated	Consolidated
Sales and operating income / loss							
Sales							
(1) Outside customer	4,630 (545,830)	33,653 (3,967,658)	71,451 (8,424,071)	277 (32,624)	110,010 (12,970,184)	- (-)	110,010 (12,970,184)
(2) Inter segment or transfer	- (-)	7,418 (874,595)	1,157 (136,468)	8,855 (1,043,988)	17,430 (2,055,051)	17,430 (2,055,051)	- (-)
Total	4,630 (545,830)	41,071 (4,842,254)	72,608 (8,560,539)	9,132 (1,076,612)	127,441 (15,025,235)	17,430 (2,055,051)	110,010 (12, 970,184)
Operating expenses	4,807 (566,701)	30,950 (3,649,043)	78,944 (9,307,516)	8,701 (1,025,848)	123,402 (14,549,108)	16,864 (1,988,226)	106,538 (12,560,881)
Operating income (loss)	177 (20,871)	10,121 (1,193,211)	6,336 (746,977)	431 (50,764)	4,038 (476,127)	567 (66,825)	3,472 (409,302)

Note

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 - (1) Asia Hong Kong, China, Singapore and so on.
 - (2) North America.....U.S.A.
 - (3) Other location U.K. and so on.

【Overseas sales】

2nd period - 3rd quarter consolidated fiscal period (From January 1, 2005 to September 30, 2005)

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

	Asia	North America	Europe	Other	Total
Overseas sales	10,506	46,076	13,033	496	70,112
	(1,238,692)	(5,432,397)	(1,536,598)	(58,528)	(8,266,215)
Consolidated sales	-	-	-	-	76,476
	(-)	(-)	(-)	(-)	(9,016,553)
Ratio of overseas sales which accounts for consolidated sales (%)	13.7%	60.3%	17.1%	0.6%	91.7%

Note

- 1 Location segments are based on geographical closeness.
- 2 Main countries or locations which do not belong to Japan:
 - (1) Asia Hong Kong, China, Singapore and so on
 - (2) North AmericaU.S.A. and Canada
 - (3) Europe.....U.K., Germany and France and so on
 - (4) Other.....Australia, South America and so on
- 3 Overseas sales are sales of the Company and consolidated subsidiaries in other than domestic undomesticated countries or locations.

3rd period – 3rd quarter consolidated fiscal period (From January 1, 2006 to September 30, 2006)

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

	Asia	North America	Europe	Other	Total
Overseas sales	48,103 (5,671,309)	56,352 (6,643,948)	14,979 (1,766,053)	1,597 (188,342)	121,032 (14,269,652)
Consolidated sales	- (-)	- (-)	- (-)	- (-)	125,067 (14,745,456)
Ratio of overseas sales which accounts for consolidated sales (%)	38.5%	45.1%	12.0%	1.3%	96.8%

Note

- 1 Location segments are based on geographical closeness.
- 2 Main countries or locations which do not belong to Japan
 - (1) Asia Hong Kong, China, Singapore and so on
 - (2) North AmericaU.S.A. and Canada
 - (3) Europe.....U.K., Germany and France and so on
 - (4) Other.....Australia, South America and so on
- 3 Overseas sales are sales of the Company and consolidated subsidiaries in other than domestic undomesticated countries or locations.

Consolidated fiscal year – prior year (From January 1, 2005 to December 31, 2005)

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

	Asia	North America	Europe	Other	Total
Overseas sale	17,381 (2,049,164)	64,912 (7,653,140)	18,718 (2,206,821)	1,105 (130,315)	102,116 (12,039,439)
Consolidated sale	- (-)	- (-)	- (-)	- (-)	110,010 (12,970,184)
Ratio of overseas sales which accounts for consolidated sale (%)	15.8%	59.0%	17.0%	1.0%	92.8%

Note

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 - (1)Asia Hong Kong, China, Singapore and so on
 - (2)North AmericaU.S.A. and Canada
 - (3)Europe.....U.K., Germany and France and so on
 - (4)Other.....Australia, South America and so on
- 3 Overseas sales are sales of the Company and consolidated subsidiaries in other than domestic undomesticated countries or locations.

(Per share information)

(Unit: U.S. Dollars (Japanese Yen))

Item	2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)								
Net assets per share	246.86 (29,104.79)	332.76 (39,232.40)	305.65 (36,036.14)								
	Suspense account of share exchange included in share premium is excluded from the process of calculation of net assets per share.	Suspense account of share exchange included in share premium is excluded from the process of calculation of net assets per share.	Suspense account of share exchange included in share premium is excluded from the process of calculation of net assets per share.								
Net income / loss () per share	1.61 (189.50)	11.96 (1,410.08)	4.25 (501.08)								
Diluted income	For diluted net profits per share, even if the Company has shares with dilution effect, the Company is in a loss position, thus, such information is not stated. On September 22, 2005, the Company made a share split by way of a free share distribution at the rate of 2 shares for each outstanding 1 share. If the share split had been effective from the beginning of the prior year, the per share information would have been as follows;	11.85 (1,397.12)	For diluted net income per share, even if the Company has shares with dilution effect, the Company is in a loss position, thus, such information is not stated. On September 22, 2005, the Company made a share split by way of a free share distribution at the rate of 2 shares for each outstanding 1 share. If the share split had been effective from the beginning of the prior year, the per share information would have been as follows; Net assets per share 239.89 (28,283.03) Net loss per share 34.65 (4,085.24) The diluted net loss per share is not stated because of the net loss position.								
	<table border="1"> <thead> <tr> <th>Consolidated 3rd Quarter -prior year (As of September 30, 2004)</th> <th>Consolidated fiscal year - prior year (As of December 31, 2004)</th> </tr> </thead> <tbody> <tr> <td>Net assets per share 261.50 (30,830.85)</td> <td>Net assets per share 239.89 (28,283.03)</td> </tr> <tr> <td>Net loss per share 38.17 (4,500.24)</td> <td>Net loss per share 34.65 (4,085.23)</td> </tr> <tr> <td>The diluted net loss per share is not stated because of the net loss position.</td> <td>The diluted net loss per share is not stated because of the net loss position.</td> </tr> </tbody> </table>	Consolidated 3rd Quarter -prior year (As of September 30, 2004)	Consolidated fiscal year - prior year (As of December 31, 2004)	Net assets per share 261.50 (30,830.85)	Net assets per share 239.89 (28,283.03)	Net loss per share 38.17 (4,500.24)	Net loss per share 34.65 (4,085.23)	The diluted net loss per share is not stated because of the net loss position.	The diluted net loss per share is not stated because of the net loss position.		
Consolidated 3rd Quarter -prior year (As of September 30, 2004)	Consolidated fiscal year - prior year (As of December 31, 2004)										
Net assets per share 261.50 (30,830.85)	Net assets per share 239.89 (28,283.03)										
Net loss per share 38.17 (4,500.24)	Net loss per share 34.65 (4,085.23)										
The diluted net loss per share is not stated because of the net loss position.	The diluted net loss per share is not stated because of the net loss position.										

(Note) Basis of calculation for the net income / loss () and diluted net income / loss per share

(Unit: Thousands of U.S. Dollars (Thousands of Japanese Yen))

Item	2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
Net income / loss () per share			
Net income/ loss () for the period / year	1,049 (123,721)	10,330 (1,217,929)	2,814 (331,821)
Net Income / loss () NOT attributed to ordinary shareholders	- (-)	- (-)	- (-)
Net income/ loss () attributed to ordinary shares	1,049 (123,721)	10,330 (1,217,929)	2,814 (331,821)
Average number of ordinary shares during the period / year (shares)	655,151.48	863,867.52	662,085.34
Diluted net income per share			
Adjustment on net income / loss () for the period / year	- (-)	- (-)	- (-)
Number of ordinary shares to be increased (shares)	-	8,224.35	-
(increased by share subscription rights)	(-)	8,224.35	(-)
Overview of potential shares without dilutive effect excluded from the formula of diluted earnings per share for the period / year		1 type of share subscription rights (Number of shares to be issued upon exercise : 114 shares)	3 types of share subscription rights (Number of shares to be issued upon exercise : 20,043 shares)

(Significant subsequent events)

2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
<p>The Company entered into a credit facility agreement on October 20, 2005.</p> <p>(1) Lender: NIS Securities Co., Ltd.</p> <p>(2) Facility Amount: USD 42,409 thousand (JPY 5,000,000 thousand)</p> <p>(3) Amount actually drawn: USD 4,241 thousand (JPY 500,000 thousand)</p> <p>(4) Interest rate: 2.3% per annum (fixed)</p> <p>(5) Use of proceeds: for working capital and acquisition activities</p> <p>(6) Borrowing date: October 21, 2005</p> <p>(7) Maturity date: March 31, 2006</p> <p>(8) Pledged assets : unsecured</p>	<hr/>	<p>1. On January 12, 2006, the Company has completed acquisition of Ming Shing International Ltd.</p> <p>(1) Purpose of the acquisition The acquisition advances the Company's strategy of leveraging the value of existing content offerings and enhancing distribution and financial markets communications capabilities across China.</p> <p>(2) Outline of Ming Shing International Ltd. Address : Hong Kong, Beijing, Shanghai. Business : Advertising</p> <p>(3) Outline of the acquisition Method of acquisition Acquired ordinary shares (1,000 shares, 100%) of Ming Shing International Ltd.</p> <p>Acquisition cost and payment term Initial consideration of USD29,000 thousand (JPY 3,419,100 thousand) was settled by cash. The subsequent consideration to be determined based on the performance of Ming Shing International Ltd. in 2005, 2006 and 2007 will be settled by cash and the Company's ordinary shares.</p> <p>Name of Sellers Lu Chin Chien</p> <p>Date of acquisition January 12, 2006</p>

2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
		<p>2. On January 23, 2006, the Board of Directors resolved that the Company would grant stock option as follows:</p> <p>(1) Grant to independent directors</p> <p>Grantees of the option 2 independent directors</p> <p>Number of stock options to be granted 2</p> <p>Class and number of shares to be issued pursuant to the stock option 5,000 ordinary shares</p> <p>Issue price of the stock option No consideration</p> <p>Strike price JPY 74,247 per share (Based upon the average closing price of the Company's share for the 15 trading days ending January 20, 2006 at Tokyo Stock Exchange)</p> <p>Exercisable period From January 31, 2006 to January 31, 2009</p> <p>(2) Grant to directors</p> <p>Grantees of the options 5 directors/non-executive directors</p> <p>Number of stock options to be granted 5</p> <p>Class and number of shares to be issued pursuant to the stock option 6,000 ordinary shares</p> <p>Issue price of the stock option No consideration</p> <p>Strike price JPY 71,844 per share (Based upon the average closing price of the Company's share for the 90 days ending December 31, 2005 at Tokyo Stock Exchange)</p> <p>Exercisable period From January 31, 2006 to January 31, 2016</p>

2nd period-3rd quarter Consolidated Third Quarter -prior year (From January 1, 2005 to September 30, 2005)	3rd period - 3rd quarter consolidated fiscal period -current year (From January 1, 2006 to September 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
		<p>3. On March 2, 2006, the Company entered into contract to acquire Beijing Alpha Financial Engineering Limited</p> <p>(1) Purpose of the acquisition The purpose of the acquisition is to deepen and broaden Xinhua Finance's offering by providing comprehensive index services and better investment solutions and tools.</p> <p>(2) Outline of Beijing Alpha Financial Engineering Limited Address: Beijing, China Revenue: USD 259 thousand (For the year ended December 31, 2005) Share capital: RMB 2,500 thousand Business: Development and transfer of software technology, technical training and service; sale of computers and auxiliary equipments</p> <p>(3) Outline of the acquisition Method of acquisition Xinhua Finance will directly acquire 100% of the shares of Beijing Alpha Financial Engineering Limited from its shareholders. Acquisition cost and payment term The purchase price will be paid over a period of three years, in an amount linked to the performance of Beijing Alpha in 2005, 2006, 2007 and 2008. The total consideration is estimated at USD 2,000,000. Name of Sellers Chen Bing Ma Yewen Schedule of the acquisition The acquisition is subject to the approval from the Chinese regulatory authorities. It is expected that the approval process will take approximately 90 days.</p>