

4. Consolidated Financial Information

Quarterly Consolidated Balance Sheets

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

Item	Note	2nd period-1st quarter Consolidated fiscal period (As of March 31, 2005)		3rd period-1st quarter Consolidated fiscal period (As of March 31, 2006)		Consolidated fiscal year -prior year (As of December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
(Assets)							
Current assets							
Cash and bank balances	4	19,745		119,945		88,118	
		(2,319,451)		(14,089,943)		(10,351,201)	
Trade receivables	4,7	9,828		24,647		19,048	
		(1,154,499)		(2,895,325)		(2,237,518)	
Marketable securities		-		245		145	
		(-)		(28,730)		(17,044)	
Other receivables		973		7,143		1,467	
		(114,254)		(839,144)		(172,373)	
Deferred tax assets		454		745		571	
		(53,357)		(87,495)		(67,131)	
Other current assets	4	4,507		10,755		7,655	
		(529,421)		(1,263,423)		(899,199)	
Total current assets		35,507	19.7	163,481	34.0	117,004	31.7
		(4,170,982)		(19,204,060)		(13,744,465)	
Non-current assets							
Property and equipment							
Buildings and structures		530		1,589		1,546	
		(62,256)		(186,690)		(181,579)	
Less: accumulated depreciation		287	243	617	972	639	907
		(33,764)	(28,492)	(72,519)	(114,171)	(75,061)	(106,518)
Equipment	4	5,156		9,616		9,323	
		(605,685)		(1,129,588)		(1,095,150)	
Less: accumulated depreciation	4	1,670	3,487	2,949	6,667	3,960	5,363
		(196,121)	(409,564)	(346,425)	(783,163)	(465,145)	(630,005)
Total property and equipment		3,729	2.1	7,639	1.6	6,270	1.7
		(438,056)		(897,334)		(736,523)	
Intangible assets							
Goodwill		9,677		2,590		2,784	
		(1,136,745)		(304,305)		(327,067)	
Goodwill on consolidation	8	115,019		267,621		185,934	
		(13,511,304)		(31,437,472)		(21,841,709)	
Trade mark and distribution rights	3	3,735		675		700	
		(438,762)		(79,292)		(82,229)	
Total intangible assets		128,431	71.2	270,887	56.4	189,419	51.3
		(15,086,811)		(31,821,070)		(22,251,006)	
Investments and other assets							
Securities assets	4	11,824		35,163		23,367	
		(1,389,009)		(4,130,596)		(2,744,958)	
Investment in securities	4	95		-		-	
		(11,112)		(-)		(-)	
Investment in associates		-		200		223	
		(-)		(23,440)		(26,187)	
Investment in progress	2	121		-		29,000	
		(14,208)		(-)		(3,406,630)	
Deferred tax assets		-		247		204	
		(-)		(29,053)		(23,967)	
Other		523		2,806		3,330	
		(61,473)		(329,677)		(391,151)	
Total investments and other assets		12,563	7.0	38,416	8.0	56,124	15.2
		(1,475,802)		(4,512,766)		(6,592,893)	
Total non-current assets		144,724	80.3	316,942	66.0	251,813	68.3
		(17,000,670)		(37,231,170)		(29,580,422)	
Total assets		180,230	100.0	480,422	100.0	368,817	100.0
		(21,171,652)		(56,435,230)		(43,324,887)	

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

Item	Note	2nd period-1st quarter Consolidated fiscal period (As of March 31, 2005)		3rd period-1st quarter Consolidated fiscal period (As of March 31, 2006)		Consolidated fiscal year -prior year (As of December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
(Liabilities)							
Current liabilities							
Trade payables		1,766		4,603		2,969	
		(207,482)		(540,676)		(348,817)	
Short-term loans	4, 9	149		6,559		7,608	
		(17,455)		(770,430)		(893,671)	
Current portion of long-term debt	4, 9	33		34		21,341	
		(3,870)		(4,006)		(2,506,941)	
Taxation payables		251		3,467		2,802	
		(29,521)		(407,291)		(329,101)	
Other payables	5	7,049		34,223		17,355	
		(828,014)		(4,020,129)		(2,038,749)	
Accrued expenses		4,574		8,025		6,779	
		(537,276)		(942,641)		(796,325)	
Deferred revenue		14,934		15,700		15,576	
		(1,754,304)		(1,844,329)		(1,829,737)	
Promissory notes (non-operating)	4, 6	500		-		1,250	
		(58,735)		(-)		(146,838)	
Lease obligations	4	28		78		29	
		(3,319)		(9,112)		(3,376)	
Total current liabilities		29,284	16.2	72,688	15.2	75,709	20.5
		(3,439,976)		(8,538,613)		(8,893,553)	
Non-current liabilities							
Long-term debt	9	41		10,091		16	
		(4,837)		(1,185,414)		(1,932)	
Long-term lease obligations	4	20		135		25	
		(2,355)		(15,909)		(2,961)	
Long-term other payables	5	1,880		21,598		10,998	
		(220,822)		(2,537,131)		(1,291,941)	
Long-term promissory notes (non-operating)	4, 6	750		-		-	
		(88,103)		(-)		(-)	
Deferred tax liabilities		47		-		-	
		(5,545)		(-)		(-)	
Total non-current liabilities		2,738	1.5	31,825	6.6	11,040	3.0
		(321,661)		(3,738,454)		(1,296,834)	
Total liabilities		32,022	17.8	104,512	21.8	86,749	23.5
		(3,761,637)		(12,277,067)		(10,190,387)	
(Minority interests)							
Minority interests	1	103	0.1	63,984	13.3	2,626	0.7
		(12,074)		(7,516,151)		(308,481)	
(Capital and reserves)							
Share capital		530	0.3	2,209	0.4	2,091	0.6
		(62,241)		(259,494)		(245,626)	
Share premium		181,543	100.7	344,541	71.7	312,966	84.9
		(21,325,913)		(40,473,207)		(36,764,145)	
Accumulated deficit		33,450	18.6	34,625	7.2	35,485	9.6
		(3,929,355)		(4,067,365)		(4,168,376)	
Unrealized loss on available-for-sale securities		151	0.1	-	-	-	-
		(17,710)		(-)		(-)	
Foreign currency translation adjustment		162	0.1	199	0.0	131	0.1
		(18,999)		(23,324)		(15,376)	
Total shareholders' equity		148,311	82.3	311,927	64.9	279,442	75.8
		(17,422,089)		(36,642,012)		(32,826,019)	
Total liabilities, minority interests and shareholders' equity		180,230	100.0	480,422	100.0	368,817	100.0
		(21,171,652)		(56,435,230)		(43,324,887)	

Quarterly Consolidated Income Statements

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

Item	Note	2nd period-1st quarter Consolidated fiscal period (From January 1, 2005 to March 31, 2005)		3rd period-1st quarter Consolidated fiscal period (From January 1, 2006 to March 31, 2006)		Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
Turnover		22,230	100.0	37,355	100.0	110,010	100.0
		(2,611,360)		(4,388,133)		(12,922,879)	
Cost of sales		10,352	46.6	16,110	43.1	45,455	41.3
		(1,216,084)		(1,892,452)		(5,339,587)	
Gross profit		11,878	53.4	21,245	56.9	64,555	58.7
		(1,395,276)		(2,495,681)		(7,583,292)	
Selling, general and administrative expenses							
Directors' emoluments		284		945		900	
		(33,420)		(110,953)		(105,723)	
Salaries		3,380		7,401		19,544	
		(397,043)		(869,349)		(2,295,810)	
Marketing and promotional expenses		801		1,175		4,190	
		(94,093)		(138,004)		(492,144)	
Depreciation		393		575		1,937	
		(46,116)		(67,510)		(227,568)	
Amortization		1,683		219		5,467	
		(197,703)		(25,699)		(642,200)	
Amortization of goodwill on consolidation		1,500		3,688		7,912	
		(176,209)		(433,238)		(929,376)	
Other		4,314	55.6	6,085	53.8	21,134	55.5
		(506,767)		(714,797)		(2,482,660)	
Operating income / loss ()		477	2.1	1,159	3.1	3,472	3.2
		(56,075)		(136,132)		(407,810)	
Non-operating income							
Interest and dividend income		137		592		893	
		(16,093)		(69,516)		(104,877)	
Unrealized gain on marketable securities		-		99		-	
		(-)		(11,686)		(-)	
Foreign exchange gains		-		-		1,061	
		(-)		(-)		(124,646)	
Subsidy income		-		120		-	
		(-)		(14,123)		(-)	
Other		1	0.6	246	2.8	297	2.0
		(84)		(28,908)		(34,854)	
Non-operating expenses							
Interest expense		33		178		742	
		(3,829)		(20,889)		(87,168)	
Share issuance related expenses	1	-		103		4,443	
		(-)		(12,127)		(521,896)	
Foreign exchange losses		59		2		-	
		(6,984)		(183)		(-)	
Other		1	0.4	11	0.8	14	4.7
		(137)		(1,294)		(1,635)	
Ordinary income / loss ()		433	1.9	1,923	5.1	523	0.5
		(50,847)		(225,872)		(61,487)	

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

Item	Note	2nd period-1st quarter Consolidated fiscal period (From January 1, 2005 to March 31, 2005)		3rd period-1st quarter Consolidated fiscal period (From January 1, 2006 to March 31, 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	
		(-)		(-)		(53,266)	
Gain on disposal of investment in subsidiaries		-		650	650	-	453
		(-)	(-)	(76,380)	(76,380)	(-)	(53,266)
Extraordinary losses							
Loss on sale and disposal of fixed assets	2	1		-		45	
		(64)		(-)		(5,302)	
Loss on sale of securities assets		-		-		44	
		(-)		(-)		(5,197)	
Loss on impairment	3	-	1	-	-	83	172
		(-)	(64)	(-)	(-)	(9,714)	(20,214)
Income / loss () before income tax, minority interests and distribution of profits (allocation of losses) from joint alliances			433		2,573		805
			(50,912)	1.9	(302,252)	6.9	(94,539)
Distribution of profits (allocation of losses) from joint alliance			77	0.3	2		287
			(9,073)		(247)	0.0	(33,691)
Income / loss () before income taxes and minority interests			(511)	2.3	2,571	6.9	518
			(59,984)		(302,005)		(60,848)
Income taxes (current)		344		1,087		3,210	
		(40,476)		(127,712)		(377,059)	
Reversal of over-accrued tax for the past year		-		-		7	
		(-)		(-)		(874)	
Income taxes (deferred)		152	192	217	871	260	2,942
		(17,913)	(22,563)	(25,450)	(102,262)	(30,539)	(345,647)
Minority interests			77	0.3	840	2.3	390
			(9,042)		(98,731)		(45,812)
Net income / loss () for the period / year			780	3.5	860	2.3	2,814
			(91,590)		(101,011)		(330,611)

Quarterly Consolidated Surplus Statements

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

		2nd period-1st quarter Consolidated First Quarter -prior year (From January 1, 2005 to March 31, 2005)	3rd period-1st quarter Consolidated First Quarter -current year (From January 1, 2006 to March 31, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
Item	Note	Amount	Amount	Amount
(Share premium)				
Share premium – Beginning balance		181,543 (21,325,913)	312,966 (36,764,145)	181,543 (21,325,913)
Increases of share premium				
Stock issuance		-	26	99,739
Share premium increased upon share exchange	2	(-)	(3,006)	(11,716,376)
Suspense account of share exchange	1	(-)	8,337	-
Exercise of warrants		(-)	(979,359)	(-)
		-	25,204	27,828
		(-)	(2,960,717)	(3,268,927)
		-	1,028	4,982
		(-)	(120,777)	(585,258)
		(-)	34,595	132,549
		(-)	(4,063,858)	(15,570,562)
Decrease of share premium				
Suspense account of share exchange	2	-	2,950	-
Capitalized share premium		(-)	(346,537)	(-)
		-	70	1,126
		(-)	(8,260)	(132,329)
Share premium - Ending balance		181,543 (21,325,913)	344,541 (40,473,207)	312,966 (36,764,145)
(Accumulated deficit)				
Accumulated deficit - Beginning balance		32,670 (3,837,766)	35,485 (4,168,376)	32,670 (3,837,766)
Decreases in accumulated deficit				
Net income for the period/year		-	860	-
		(-)	(101,011)	(-)
Increases in accumulated deficit				
Net loss for the period/year		780	-	2,814
		(91,590)	(-)	(330,611)
Accumulated deficit - Ending balance		33,450 (3,929,355)	34,625 (4,067,365)	35,485 (4,168,376)

Quarterly Consolidated Cashflow Statements

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

		2nd period-1st quarter Consolidated fiscal period (From January 1, 2005 to March 31, 2005)	3rd period-1st quarter Consolidated fiscal period (From January 1, 2006 to March 31, 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		511	2,571	518
		(59,984)	(302,005)	(60,848)
Depreciation		393	575	1,937
		(46,116)	(67,510)	(227,568)
Amortization		1,683	219	5,467
		(197,702)	(25,699)	(642,200)
Amortization of goodwill		1,500	3,688	7,912
		(176,209)	(433,238)	(929,376)
Interest and dividend income		137	592	893
		(16,093)	(69,516)	(104,877)
Interest expense		33	178	742
		(3,829)	(20,889)	(87,168)
Unrealised gain on marketable securities		-	99	-
		(-)	(11,686)	(-)
Share issuance related expenses		-	103	4,443
		(-)	(12,127)	(521,896)
Foreign exchange gain / loss (: gain)		5	-	100
		(551)	(-)	(11,690)
Gain on sale of fixed assets		-	-	453
		(-)	(-)	(53,266)
Loss on sale and disposal of fixed assets		1	-	45
		(64)	(-)	(5,302)
Loss on impairment		-	-	83
		(-)	(-)	(9,714)
Gain on disposal of investment in subsidiaries		-	650	-
		(-)	(76,380)	(-)
Loss on sale of securities assets		-	-	44
		(-)	(-)	(5,197)
Distribution of profits (allocation of losses) from joint alliances		77	2	287
		(9,073)	(247)	(33,691)
Assets received for services		1,674	4,839	11,531
		(196,614)	(568,467)	(1,354,504)
Increase (decrease) in accounts receivable (: increase)		255	5,187	6,235
		(29,960)	(609,262)	(732,470)
Increase (decrease) in accounts payable (: decrease)		1,309	1,614	44
		(153,814)	(189,581)	(5,213)
Increase (decrease) in other current assets (: increase)		229	2,672	251
		(26,883)	(313,904)	(29,478)
Increase (decrease) in other current liabilities (: decrease)		683	64	7,529
		(80,193)	(7,561)	(884,404)
Other		-	317	-
		(-)	(37,210)	(-)
Subtotal		606	8,699	5,359
		(71,179)	(1,021,852)	(629,559)
Income taxes paid		483	773	1,794
		(56,689)	(90,812)	(210,774)
Net cash provided by (used in) operating activities		1,089	9,472	7,154
		(127,869)	(1,112,665)	(840,333)

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

		2nd period-1st quarter Consolidated fiscal period (From January 1, 2005 to March 31, 2005)	3rd period-1st quarter Consolidated fiscal period (From January 1, 2006 to March 31, 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		137	592	893
		(16,093)	(69,516)	(104,877)
Deposit for security released		-	148	360
		(-)	(17,427)	(42,289)
Purchase of marketable securities		-	-	4
		(-)	(-)	(471)
Purchase of property and equipment		404	978	3,566
		(47,454)	(114,838)	(418,850)
Proceeds form sale of property and equipment		10	6	37
		(1,230)	(708)	(4,393)
Proceeds from sale of intangible assets		-	-	6,514
		(-)	(-)	(765,252)
Purchase of securities assets		27	7,570	-
		(3,136)	(889,284)	(-)
Deposits paid for purchase of securities assets		-	-	29,000
		(-)	(-)	(3,406,630)
Proceeds from sale of securities assets		-	614	25
		(-)	(72,113)	(2,901)
Proceeds from sale of shares of subsidiaries		-	1,000	-
		(-)	(117,470)	(-)
Payment to acquire shares of subsidiaries resulting in a change in scope of consolidation		-	640	11,030
		(-)	(75,222)	(1,295,703)
Subsequent consideration paid		19,266	1,537	19,528
		(2,263,170)	(180,495)	(2,293,988)
Other		-	-	133
		(-)	(-)	(15,598)
Net cash provided by (used in) investing activities		19,549	7,084	55,431
		(2,296,437)	(832,161)	(6,511,527)
Financing activities				
Interest paid		33	178	742
		(3,829)	(20,889)	(87,168)
Increase in deposit pledged		-	-	7,448
		(-)	(-)	(874,958)
Increase (decrease) in short-term loans -net (: decrease)		-	1,049	6,405
		(-)	(123,240)	(752,433)
Proceeds from long-term debt		-	10,113	22,300
		(-)	(1,187,925)	(2,619,581)
Repayments of long-term debt		16	21,352	133
		(1,935)	(2,508,168)	(15,611)
Proceeds from issuance of shares		8	26	78,749
		(926)	(3,006)	(9,250,703)
Proceeds from exercise of warrants		-	972	5,000
		(-)	(114,218)	(587,350)
Proceeds from issuance of shares to minority shareholders		-	60,000	-
		(-)	(7,048,200)	(-)
Repayments of lease obligations		15	7	41
		(1,747)	(806)	(4,806)
Increase(decrease) in long term other payables (: decrease)		-	3	836
		(-)	(357)	(98,187)
Net cash provided by (used in) financing activities		56	48,528	103,255
		(6,585)	(5,700,603)	(12,129,336)
Foreign currency translation adjustments on cash and cash equivalents		10	3	89
		(1,172)	(393)	(10,457)
Net increase in cash and cash equivalents		20,704	31,976	40,581
		(2,432,063)	(3,756,170)	(4,767,018)
Cash and cash equivalents, beginning of the year		40,089	80,669	40,089
		(4,709,225)	(9,476,242)	(4,709,225)
Cash and cash equivalents, end of the period / year	1	19,385	112,645	80,669
		(2,277,162)	(13,232,412)	(9,476,242)

Basis of Presenting Quarterly Consolidated Financial Statements

Item	2nd period - quarterly consolidated fiscal period -prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period -current year (From January 1, 2006 to March 31, 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: 22</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.) 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.</p>	<p>(1) The number of consolidated subsidiaries: 57</p> <p>The name of major 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.) 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 LLC 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>	<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) Ltd. 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 LLC 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 - quarterly consolidated fiscal period -prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period -current year (From January 1, 2006 to March 31, 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 three months and retained earnings as well as the aggregated amounts of all unconsolidated subsidiaries.</p>	<p>Xinhua Finance Media Limited Shanghai Far East Credit Rating Co., Ltd. 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.</p> <p>Number of other consolidated subsidiaries: 6</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>Xinhua Finance Media Limited Shanghai Far East Credit Rating Co., Ltd.</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 - quarterly consolidated fiscal period -prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period -current year (From January 1, 2006 to March 31, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
2 Adoption of 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 three months and retained earnings as well as the aggregated amounts of all unconsolidated subsidiaries.</p>	<p>(1) Number of associated company adopted 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 adopted 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 quarterly closing date 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 Method of business combination	<p>All of the shareholders of Xinhua Financial Network Ltd (“XFN”) exchanged their shares in XFN for equivalent shares in Xinhua Finance Ltd.(“XFL”) upon which XFL became the 100% parent company of XFN.</p> <p>In terms of the business combination, accounting treatment in accordance with the pooling of interest method is applied based on “Guidance for business combination for formation of an ultimate parent company through share exchange or share transfer” (Research Report #6 announced by Accounting Standard Committee in Japanese Institute of Certified Public Accountants).</p>	<p>_____</p>	<p>All of the shareholders of Xinhua Financial Network Ltd (“XFN”) exchanged their shares in XFN for equivalent shares in Xinhua Finance Ltd.(“XFL”) upon which XFL became the 100% parent company of XFN.</p> <p>In terms of the business combination, accounting treatment in accordance with the pooling of interest method is applied based on “Guidance for business combination for formation of an ultimate parent company through share exchange or share transfer” (Research Report #6 announced by Accounting Standard Committee in Japanese Institute of Certified Public Accountants).</p>

Item	2nd period - quarterly consolidated fiscal period -prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period -current year (From January 1, 2006 to March 31, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
<p>5 Significant accounting policies (1) Valuation basis and method for assets</p> <p>(2) Depreciation or amortization method</p>	<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 quarterly balance sheet date is applied. (Unrealized gain or loss is accounted for as an equity item, and acquisition costs are based on moving-average method.) -With no fair value Cost method based on the moving-average method is applied</p> <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>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 -Amortized cost method (c) Available-for sale securities -With fair value Fair value method based on fair value information, such as market information, at the quarterly 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> <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>	<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 Same as on the left.</p> <p>-With no fair value Same as on the left.</p> <p>(a) Property and equipment Same as on the left.</p> <p>(b) Intangible assets Same as on the left.</p>

Item	2nd period - quarterly consolidated fiscal period -prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period -current year (From January 1, 2006 to March 31, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
(3) Allowance, reserve and provision	<p>Allowance for Doubtful Accounts</p> <p>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</p> <p>Same as on the left.</p>	<p>Allowance for Doubtful Accounts</p> <p>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 quarterly balance sheet date, while all revenue and expense account are translated into U.S. Dollars at average rate of the first quarter period. The foreign exchange gains and losses from translation are recognized in the quarterly income statement.</p> <p>All assets and liabilities of foreign subsidiaries are translated into U.S. Dollars at the exchange rates at the quarterly balance sheet date, while all revenue and expense account are translated into U.S. Dollars at average rate applicable for the quarterly period. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.</p>	<p>Same as on the left.</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.</p> <p>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 - quarterly consolidated fiscal period -prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period -current year (From January 1, 2006 to March 31, 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 quarterly 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 US\$1.00=117.47, from the Tokyo Foreign Exchange Market as of March 31, 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 consumption tax Same as on the left.</p> <p>Conversion of dollars into yen Same as on the left.</p>	<p>Accounting policy of 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 US\$1.00=117.47, from the Tokyo Foreign Exchange Market as of March 31, 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>
6 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.
7 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.
8 Cash and cash equivalents in the (quarter) consolidated cashflow statement	Cash equivalents in the quarterly 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.

Footnote Information

(Quarterly consolidated balance sheets)

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

2nd period-1st quarter Consolidated First Quarter -prior year (As of March 31, 2005)	3rd period-1st quarter Consolidated First Quarter -current year (As of March 31, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)
<p>1 The reason for the negative balance of "minority interests" is that the Company accounts for the subsidiary's deficit on "minority interests" based on a contract with FTSE, a co-investor of FTSE/Xinhua Index Limited which is a subsidiary of the Company in Hong Kong, whereby the Company and FTSE are jointly liable for the deficit of the subsidiary.</p> <p>2 The amount represents the deposit paid for acquisition of an equity shares of a credit rating agency in the People's Republic of China (the "PRC").</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 _____</p> <p>2 _____</p> <p>3 Same as on the left.</p>	<p>1 _____</p> <p>2 The amount represents the deposit paid for acquisition of an equity shares.</p> <p>3 Same as on the left.</p>

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

2nd period-1st quarter Consolidated First Quarter -prior year (As of March 31, 2005)	3rd period-1st quarter Consolidated First Quarter -current year (As of March 31, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)
<p>4 Assets collateralized and corresponding liabilities Assets collateralized</p> <p>Bank deposit</p> <p style="text-align: right;">428 (50,322)</p> <p>Trade receivable</p> <p style="text-align: right;">952 (111,784)</p> <p>Other (current assets)</p> <p style="text-align: right;">618 (72,542)</p> <p>Equipments</p> <p style="text-align: right;">63 (7,353)</p> <p>Investment in securities</p> <p style="text-align: right;">95 (11,112)</p> <p>Correspondent obligation Promissory note (non-operating)</p> <p style="padding-left: 20px;">Short-term</p> <p style="text-align: right;">500 (58,735)</p> <p style="padding-left: 20px;">Long-term</p> <p style="text-align: right;">750 (88,103)</p> <p>Lease obligation (including obligations for operating lease)</p> <p style="padding-left: 20px;">Short-term</p> <p style="text-align: right;">741 (87,045)</p> <p style="padding-left: 20px;">Long-term</p> <p style="text-align: right;">2,009 (235,997)</p>	<p>4 Assets collateralized and corresponding liabilities Assets collateralized</p> <p>Bank deposit</p> <p style="text-align: right;">7,300 (857,531)</p> <p>Correspondent obligation</p> <p style="padding-left: 20px;">Short-term loans</p> <p style="text-align: right;">6,482 (761,474)</p>	<p>4 Assets collateralized and corresponding liabilities Assets collateralized</p> <p>Bank deposit</p> <p style="text-align: right;">7,514 (882,679)</p> <p>Trade receivable</p> <p style="text-align: right;">1,812 (212,828)</p> <p>Other (current assets)</p> <p style="text-align: right;">346 (40,678)</p> <p>Equipments</p> <p style="text-align: right;">169 (19,803)</p> <p>Securities assets</p> <p style="text-align: right;">68 (7,976)</p> <p>In addition, investment in consolidated subsidiaries (the total net assets amount of USD 9,852 thousand (JPY 1,157,272 thousand), which are eliminated on consolidation, have been pledged as collateral for the bank commitment line of USD 24,000 thousand (JPY 2,819,280thousand).</p> <p>Correspondent obligation</p> <p style="padding-left: 20px;">Short-term loans</p> <p style="text-align: right;">7,482 (878,944)</p> <p style="padding-left: 20px;">Current portion of long-term debt</p> <p style="text-align: right;">21,300 (2,502,111)</p> <p style="padding-left: 20px;">Promissory note (non-operating)</p> <p style="padding-left: 40px;">Short-term</p> <p style="text-align: right;">1,250 (146,838)</p>

2nd period-1st quarter Consolidated First Quarter -prior year (As of March 31, 2005)	3rd period-1st quarter Consolidated First Quarter -current year (As of March 31, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)
<p>5 This other payables include part of the consideration for the acquisition of shares of Stone & McCarthy Research Associates, Inc. The consideration for acquisition of shares of Stone & McCarthy Research Associates, Inc. could fluctuate since final payments are based on the future operating results of the respective company.</p> <p>6 This promissory note was issued as part of the consideration for acquisition of shares of Ford Investor Services Inc., which became a consolidated subsidiary of the Company in the prior period. The consideration for acquisition of shares could fluctuate since final payments are based on future operating results and future payments made for additional obligations due under the terminated Ford executive bonus plan.</p> <p>7 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p> <p style="text-align: right;">694 (81,582)</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, LLC Shanghai Pobo Data and Information Network Consulting Co., Ltd. and Ming Shing International 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 _____</p> <p>7 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p> <p style="text-align: right;">720 (84,598)</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, LLC 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 _____</p> <p>7 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p> <p style="text-align: right;">373 (43,875)</p>

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

2nd period-1st quarter Consolidated First Quarter -prior year (As of March 31, 2005)	3rd period-1st quarter Consolidated First Quarter -current year (As of March 31, 2006)	Consolidated fiscal year - prior year (As of December 31, 2005)																												
<p>8 The consideration for acquisition of shares of Stone & McCarthy Research Associates, Inc. could fluctuate since the final payments are based on the operating results of the company in the future. The consideration for acquisition of shares of Ford Investor Services Inc. could fluctuate since the final payments are based on future operating results and future payments made for additional obligations due under the terminated Ford executive bonus plan.</p> <p>9 Xinhua Mergent Holdings Limited and Market News International, Inc. have a line of credit agreement with banks. The amount of the line of credit and the balance outstanding under the agreements at March 31, 2005 are as follows:</p> <table data-bbox="159 806 582 1131"> <tr> <td>Total amount of the line of credit</td> <td>24,500</td> </tr> <tr> <td></td> <td>(2,878,015)</td> </tr> <tr> <td>Outstanding balance</td> <td>-</td> </tr> <tr> <td></td> <td>(-)</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Remaining amount of the line of credit</td> <td>24,500</td> </tr> <tr> <td></td> <td>(2,878,015)</td> </tr> </table> <p>1-9 notes correspond with 1-9 as denoted in the Consolidated Balance Sheets.</p>	Total amount of the line of credit	24,500		(2,878,015)	Outstanding balance	-		(-)	<hr/>		Remaining amount of the line of credit	24,500		(2,878,015)	<p>8 The consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis, LLC, Shanghai Pobo Data and Information Network Consulting Co., Ltd. and Ming Shing International Ltd. could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>9 This includes a loan of USD10 million (JPY 1,174,700 thousand) raised by a consolidated subsidiary with rights to convert into common shares of the subsidiary.</p> <p>1-9 notes correspond with 1-9 as denoted in the Consolidated Balance Sheets.</p>	<p>8 The consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis, LLC 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>9 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 December 31, 2005 are as follows:</p> <table data-bbox="1045 840 1468 1131"> <tr> <td>Total amount of the line of credit</td> <td>30,482</td> </tr> <tr> <td></td> <td>(3,580,754)</td> </tr> <tr> <td>Outstanding balance</td> <td>28,782</td> </tr> <tr> <td></td> <td>(3,381,055)</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Remaining amount of the line of credit</td> <td>1,700</td> </tr> <tr> <td></td> <td>(199,699)</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>1-9 notes correspond with 1-9 as denoted in the Consolidated Balance Sheets.</p>	Total amount of the line of credit	30,482		(3,580,754)	Outstanding balance	28,782		(3,381,055)	<hr/>		Remaining amount of the line of credit	1,700		(199,699)
Total amount of the line of credit	24,500																													
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(Quarterly consolidated income statements)

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

2nd period - quarterly consolidated fiscal period - prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period - current year (From January 1, 2006 to March 31, 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="159 548 582 616"> <tr> <td>Equipment</td> <td style="text-align: right;">1 (64)</td> </tr> </table> <p>3 _____</p> <p>4 _____</p> <p>1-4 notes correspond with 1-4 as denoted in the Consolidated Income Statements.</p>	Equipment	1 (64)	<p>1 Expenses directly relating to share issuance are presented as "share issuance related expenses", which includes "share issuance cost".</p> <p>2 _____</p> <p>3 _____</p> <p>4 _____</p> <p>1-4 notes correspond with 1-4 as denoted in the Consolidated Income Statements.</p>	<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="1077 548 1469 728"> <tr> <td>Buildings and structures</td> <td style="text-align: right;">3 (306)</td> </tr> <tr> <td>Equipment</td> <td style="text-align: right;">43 (4,996)</td> </tr> </table> <p>3 Loss on impairment 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="1050 929 1460 1048"> <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 (9,714)</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> <p>4 Components of gain on sale of fixed assets are as follows:</p> <table border="0" data-bbox="1077 1668 1469 1937"> <tr> <td>Equipment</td> <td style="text-align: right;">0 (13)</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">356 (41,775)</td> </tr> <tr> <td>Trade mark and distribution rights</td> <td style="text-align: right;">98 (11,478)</td> </tr> </table> <p>1-4 notes correspond with 1-4 as denoted in the Consolidated Income Statements.</p>	Buildings and structures	3 (306)	Equipment	43 (4,996)	Area	Object	Type	Recognized losses	Asia	Asset for operation	Trademark	83 (9,714)	Equipment	0 (13)	Goodwill	356 (41,775)	Trade mark and distribution rights	98 (11,478)
Equipment	1 (64)																					
Buildings and structures	3 (306)																					
Equipment	43 (4,996)																					
Area	Object	Type	Recognized losses																			
Asia	Asset for operation	Trademark	83 (9,714)																			
Equipment	0 (13)																					
Goodwill	356 (41,775)																					
Trade mark and distribution rights	98 (11,478)																					

(Quarterly consolidated cashflow statements)

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

2nd period - quarterly consolidated fiscal period - prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period - current year (From January 1, 2006 to March 31, 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 quarterly consolidated cashflow statement and balance in quarterly consolidated balance sheet	1 Reconciliation between ending balances of cash and cash equivalents in quarterly consolidated cashflow statement and balance in quarterly 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 19,745 (2,319,451)	Cash and bank balances 119,945 (14,089,943)	Cash and bank balances 88,118 (10,351,201)
Deposit pledged as collateral 360 (42,289)	Deposit pledged as collateral 7,300 (857,531)	Deposit pledged as collateral 7,448 (874,958)
Cash and cash equivalents 19,385 (2,277,162)	Cash and cash equivalents 112,645 (13,232,412)	Cash and cash equivalents 80,669 (9,476,242)

(Lease Transaction)

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

2nd period - quarterly consolidated fiscal period - prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period - current year (From January 1, 2006 to March 31, 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 2,725 (320,119)	Within one year 4,282 (502,970)	Within one year 3,894 (457,385)
After one year 4,674 (549,100)	After one year 22,292 (2,618,666)	After one year 8,457 (993,395)
Total 7,400 (869,220)	Total 26,574 (3,121,636)	Total 12,350 (1,450,780)

(Securities)

As of March 31, 2005

1 Available-for-sale securities with fair value

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

Category	Acquisition cost	Amounts on the quarterly consolidated balance sheet	Difference
Book value is more than acquisition cost:			
1) Equity securities	-	-	-
	(-)	(-)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	4,329	6,968	2,639
	(508,470)	(818,509)	(310,039)
Subtotal	4,329	6,968	2,639
	(508,470)	(818,509)	(310,039)
Book value is less than acquisition cost:			
1) Equity securities	-	-	-
	(-)	(-)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	7,647	4,857	2,790
	(898,250)	(570,500)	(327,749)
Subtotal	7,647	4,857	2,790
	(898,250)	(570,500)	(327,749)
TOTAL	11,975	11,824	151
	(1,406,720)	(1,389,009)	(17,710)

(Note1) Other investments are the securities assets on the quarterly consolidated balance sheet.

2 Securities not stated at fair value

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

Category	Amounts on the quarterly consolidated balance sheet
Other investments	
(1)Investment in securities	95
	(11,112)
Total	95
	(11,112)

(Note1) Other investments are the investment in securities on the quarterly consolidated balance sheet.

As of March 31, 2006

1. Trading Securities

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

Amount on the quarterly consolidated balance sheets	Gain/loss included in the quarterly consolidated income statements
245 (28,730)	99 (11,686)

2. Available-for-sale securities with fair value

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

Category	Acquisition cost	Amounts on the quarterly consolidated balance sheets	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	-	-	-
	(-)	(-)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	4,839	4,839	-
	(568,467)	(568,467)	(-)
Subtotal	4,839	4,839	-
	(568,467)	(568,467)	(-)
TOTAL	4,839	4,839	-
	(568,467)	(568,467)	(-)

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

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
614 (72,113)	- (-)	- (-)

4. Securities not stated at fair value

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

Category	Amounts on the quarterly consolidated balance sheets
Available-for-sale securities	
(1) Unlisted securities	29,372
	(3,450,357)
(2) Fund trust	266
	(31,275)
(3) Investment in limited liability company	68
	(7,976)
Total	29,706
	(3,489,608)

(Note1) Available-for-sale securities above are categorized into investment in securities on the quarterly Consolidated balance sheets.

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	-	-
	(-)	(72,521)	(-)	(-)
Total	-	617	-	-
	(-)	(72,521)	(-)	(-)

As of December 31, 2005

1. Trading Securities

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

Amount on the consolidated balance sheets	Gain/loss included in the consolidated income statements
145	-
(17,044)	(-)

2. Available-for-sale securities with fair value

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

Category	Acquisition cost	Amounts on the consolidated balance sheets	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	-
	(1,661)	(1,661)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	-	-	-
	(-)	(-)	(-)
Subtotal	14	14	-
	(1,661)	(1,661)	(-)
TOTAL	14	14	-
	(1,661)	(1,661)	(-)

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

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
(2,559,412)	(-)	(5,197)

4. Securities not stated at fair value

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

Category	Amounts on the consolidated balance sheets
Available-for-sale securities	
(1) Unlisted securities	21,788
	(2,559,412)
(2) Fund trust	880
	(103,388)
(3) Investment in limited liability company	68
	(7,976)
Total	22,736
	(2,670,775)

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

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	-	-
	(-)	(72,521)	(-)	(-)
Total	-	617	-	-
	(-)	(72,521)	(-)	(-)

(Derivative Transactions)

For the three months ended March 31, 2005 and 2006 and for the year ended December 31, 2005, the Group does not enter into any derivative contracts.

(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 three months ended March 31, 2005 and 2006 and for the year ended December 31, 2005 are omitted.

【Regional Segmental Information】

2nd period - quarterly consolidated fiscal period (From January 1, 2005 to March 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	1,338 (157,220)	5,331 (626,267)	15,380 (1,806,681)	180 (21,193)	22,230 (2,611,360)	- (-)	22,230 (2,611,360)
(2) Inter segment or transfer	- (-)	321 (37,733)	- (-)	1,988 (233,545)	2,309 (271,278)	2,309 (271,278)	- (-)
Total	1,338 (157,220)	5,653 (664,000)	15,380 (1,806,681)	2,169 (254,738)	24,539 (2,882,638)	2,309 (271,278)	22,230 (2,611,360)
Operating expenses	1,305 (153,250)	5,576 (655,004)	17,326 (2,035,229)	811 (95,230)	25,017 (2,938,713)	2,309 (271,278)	22,707 (2,667,435)
Operating income (loss)	34 (3,970)	77 (8,996)	1,946 (228,548)	1,358 (159,508)	477 (56,075)	- (-)	477 (56,075)

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 – quarterly consolidated fiscal period (From January 1, 2006 to March 31, 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	316 (37,114)	6,899 (810,442)	20,589 (2,418,633)	9,551 (1,121,943)	37,355 (4,388,133)	- (-)	37,355 (4,388,133)
(2) Inter segment or transfer	- (-)	265 (31,071)	- (-)	1,355 (159,136)	1,619 (190,207)	1,619 (190,207)	- (-)
Total	316 (37,114)	7,164 (841,513)	20,589 (2,418,633)	10,906 (1,281,079)	38,975 (4,578,339)	1,619 (190,207)	37,355 (4,388,133)
Operating expenses	425 (49,938)	6,644 (780,503)	20,829 (2,446,820)	9,895 (1,162,390)	37,794 (4,439,651)	1,597 (187,650)	36,196 (4,252,001)
Operating income (loss)	109 (12,824)	519 (61,009)	240 (28,187)	1,010 (118,689)	1,181 (138,688)	22 (2,556)	1,159 (136,132)

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 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 (543,839)	33,653 (3,953,188)	71,451 (8,393,347)	277 (32,505)	110,010 (12,922,879)	- (-)	110,010 (12,922,879)
(2) Inter segment or transfer	- (-)	7,418 (871,406)	1,157 (135,970)	8,855 (1,040,181)	17,430 (2,047,556)	17,430 (2,047,556)	- (-)
Total	4,630 (543,839)	41,071 (4,824,593)	72,608 (8,529,317)	9,132 (1,072,686)	127,441 (14,970,436)	17,430 (2,047,556)	110,010 (12,922,879)
Operating expenses	4,807 (564,634)	30,950 (3,635,734)	78,944 (9,273,570)	8,701 (1,022,107)	123,402 (14,496,045)	16,864 (1,980,975)	106,538 (12,515,070)
Operating income (loss)	177 (20,795)	10,121 (1,188,859)	6,336 (744,252)	431 (50,579)	4,038 (474,391)	567 (66,581)	3,472 (407,810)

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 location U.K. and so on.

【Overseas Sales】

2nd period - quarterly consolidated fiscal period (From January 1, 2005 to March 31, 2005)

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

	Asia	North America	Europe	Other	Total
Overseas sales	2,831 (332,555)	14,369 (1,687,891)	3,218 (377,976)	73 (8,534)	20,490 (2,406,957)
Consolidated sales	- (-)	- (-)	- (-)	- (-)	22,230 (2,611,360)
Ratio of overseas sales which accounts for consolidated sales (%)	12.7%	64.7%	14.5%	0.3%	92.2%

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 – quarterly consolidated fiscal period (From January 1, 2006 to March 31, 2006)

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

	Asia	North America	Europe	Other	Total
Overseas sales	11,123 (1,306,602)	19,454 (2,285,317)	4,891 (574,497)	614 (72,129)	36,082 (4,238,545)
Consolidated sales	- (-)	- (-)	- (-)	- (-)	37,355 (4,388,133)
Ratio of overseas sales which accounts for consolidated sales (%)	29.8%	52.1%	13.1%	1.6%	96.6%

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 (2,041,690)	64,912 (7,625,227)	18,718 (2,198,772)	1,105 (129,840)	102,116 (11,995,530)
Consolidated sale	- (-)	- (-)	- (-)	- (-)	110,010 (12,922,879)
Ratio of overseas sales which accounts for consolidated sale (%)	15.8%	59.0%	17.0%	1.0%	92.8%

Note

- 1 Location segments are based on the 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.

(Per Share Information)

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

Item	2nd period - quarterly consolidated fiscal period -prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period -current year (From January 1, 2006 to March 31, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
Net assets per share	705.13 (82,831.62) Suspense account of share exchange included in retained earnings is excluded from the process of calculation of net asset per share.	300.91 (35,347.90) Suspense account of share exchange included in share premium is excluded from the process of calculation of net asset per share.	305.65 (35,904.32) Suspense account of share exchange included in share premium is excluded from the process of calculation of net asset per share.
Net income / loss () per share	3.78 (444.04)	1.04 (122.17)	4.25 (499.35)
Diluted income / loss () per share	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.	1.03 (120.99)	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 (28,179.66) Net loss per share 34.65 (4,069.75) 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 - quarterly consolidated fiscal period -prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period -current year (From January 1, 2006 to March 31, 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	780 (91,589)	860 (101,011)	2,814 (330,611)
Net Income / loss () NOT attributed to ordinary shares	- (-)	- (-)	- (-)
Net income/ loss () attributed to ordinary shares	780 (91,589)	860 (101,011)	2,814 (330,611)
Average number of ordinary shares during the period / year	206,144.41	835,838.84	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)	-	7,053.99	-
Overview of potential shares without dilutive effect excluded from the formula of diluted earnings per share for the period / year		2 types of share subscription rights (Number of shares to be issued upon exercise : 26,000 shares)	

(Significant Subsequent Events)

2nd period - quarterly consolidated fiscal period -prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period -current year (From January 1, 2006 to March 31, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
<hr/>	<p>On March 31, 2006, the board of directors determined to issue stock options at April 30, 2006 to certain employees under the Company's Amended Share Option Plan.</p> <p>(1) Number of stock options Maximum 34,522, Minimum 17,261 The number of stock options to be issued will be finally determined based on the performance of each employee at the year end of December 2006.</p> <p>(2) Class and number of shares to be issued pursuant to the stock option Ordinary shares (Common stock one share per one stock option)</p> <p>(3) Issue price of the stock option No consideration</p> <p>(4) Strike Price JPY 71,844 per share</p> <p>(5) Amount to be added to the stated capital for each share to be issuable upon exercise of the stock options 20 Hong Kong Dollars</p> <p>(6) Exercisable period Vesting in three tranches: 1/3 of the issued options may be exercised on and from December 31, 2006; 1/3 of the issued options may be exercised on and from December 31, 2007; 1/3 of the issued options may be exercised on and from December 31, 2008. Expiration date of all options is ten years after the date of issue.</p> <p>(7) Conditions of exercise of the stock options Generally, the options may not be exercised 12months after employees leave the Company.</p> <p>(8) Transfer restriction The options are not transferable.</p> <p>(9) Allottees of stock options certain employees of the Company and its subsidiaries.</p>	<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 3,406,630 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 - quarterly consolidated fiscal period -prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period -current year (From January 1, 2006 to March 31, 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 - quarterly consolidated fiscal period -prior year (From January 1, 2005 to March 31, 2005)	3rd period - quarterly consolidated fiscal period -current year (From January 1, 2006 to March 31, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
		<p>3. On March 02, 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 Yuewen 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>