

4. Consolidated Financial Information

① 1st half Consolidated Balance Sheets

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

Item	Note	2nd period-1st half Consolidated fiscal period (As of June 30, 2005)		3rd period-1st half Consolidated fiscal period (As of June 30, 2006)		Consolidated fiscal year -prior year (As of December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
(Assets)							
I Current assets							
Cash and bank balances	※3	11,250		99,505		88,118	
		(1,296,404)		(11,466,933)		(10,154,698)	
Trade receivables	※3, 6	13,157		24,883		19,048	
		(1,516,196)		(2,867,486)		(2,195,042)	
Marketable securities		-		284		145	
		(-)		(32,701)		(16,721)	
Other receivables		1,224		6,153		1,467	
		(141,091)		(709,091)		(169,100)	
Deferred tax assets		200		-		571	
		(23,048)		(-)		(65,857)	
Other current assets	※3	8,457		20,637		7,655	
		(974,626)		(2,378,167)		(882,129)	
Total current assets		34,288	15.5	151,461	30.8	117,004	31.7
		(3,951,366)		(17,454,378)		(13,483,546)	
II Non-current assets							
Property and equipment							
Buildings and structures	※3	1,080		4,340		1,546	
		(124,461)		(500,111)		(178,132)	
Less: accumulated depreciation	※3	△ 459	621	△ 701	3,639	△ 639	907
		(△ 52,947)	(71,514)	(△ 80,796)	(419,315)	(△ 73,636)	(104,496)
Equipments	※3	7,380		11,137		9,323	
		(850,519)		(1,283,463)		(1,074,360)	
Less: accumulated depreciation	※3	△ 3,154	4,226	△ 3,377	7,760	△ 3,960	5,363
		(△ 363,520)	(486,999)	(△ 389,175)	(894,288)	(△ 456,315)	(618,045)
Total property and equipment		4,847	2.2	11,399	2.3	6,270	1.7
		(558,513)		(1,313,603)		(722,541)	
Intangible assets							
Goodwill		8,488		2,397		2,784	
		(978,195)		(276,199)		(320,858)	
Goodwill on consolidation	※7	153,562		279,928		185,934	
		(17,696,454)		(32,258,944)		(21,427,076)	
Trade mark and distribution rights	※2	3,407		650		700	
		(392,580)		(74,906)		(80,668)	
Total intangible assets		165,457	74.6	282,975	57.5	189,419	51.3
		(19,067,229)		(32,610,049)		(21,828,602)	
Investments and other assets							
Securities assets	※3	14,828		36,444		23,367	
		(1,708,787)		(4,199,830)		(2,692,849)	
Investment in securities	※3	68		-		-	
		(7,824)		(-)		(-)	
Investment in associates		-		244		223	
		(-)		(28,175)		(25,690)	
Investment in progress	※1	121		8,035		29,000	
		(13,938)		(925,920)		(3,341,960)	
Deferred tax assets		1,022		1,071		204	
		(117,718)		(123,416)		(23,512)	
Others		1,058		166		3,330	
		(121,878)		(19,143)		(383,726)	
Total investments and other assets		17,096	7.7	45,960	9.4	56,124	15.2
		(1,970,145)		(5,296,485)		(6,467,737)	
Total non-current assets		187,399	84.5	340,334	69.2	251,813	68.3
		(21,595,887)		(39,220,137)		(29,018,880)	
Total assets		221,687	100.0	491,796	100.0	368,817	100.0
		(25,547,252)		(56,674,515)		(42,502,426)	

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

Item	Note	2nd period-1st half Consolidated fiscal period (As of June 30, 2005)		3rd period-1st half Consolidated fiscal period (As of June 30, 2006)		Consolidated fiscal year -prior year (As of December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
(Liabilities)							
I Current liabilities							
Trade payables		2,576		5,268		2,969	
		(296,824)		(607,049)		(342,195)	
Short-term loans	※3, 8	624		28,157		7,608	
		(71,907)		(3,244,796)		(876,706)	
Current portion of long-term debt	※3, 8	41		35		21,341	
		(4,685)		(4,029)		(2,459,350)	
Taxation payables		676		4,492		2,802	
		(77,951)		(517,611)		(322,853)	
Other payables	※4	9,625		19,802		17,355	
		(1,109,189)		(2,282,019)		(2,000,046)	
Accrued expenses		5,343		6,764		6,779	
		(615,694)		(779,515)		(781,208)	
Deferred revenue		14,504		12,098		15,576	
		(1,671,389)		(1,394,146)		(1,795,002)	
Promissory notes (non-operating)	※3, 5	1,250		-		1,250	
		(144,050)		(-)		(144,050)	
Lease obligations	※3	18		73		29	
		(2,025)		(8,422)		(3,312)	
Others		-		1,827		-	
		(-)		(210,565)		(-)	
Total current liabilities		34,656	15.6	78,516	15.9	75,709	20.5
		(3,993,715)		(9,048,152)		(8,724,722)	
II Non-current liabilities							
Long-term debt	※8, 9	2,033		10,082		16	
		(234,228)		(1,161,848)		(1,895)	
Long-term lease obligations	※3	19		121		25	
		(2,201)		(13,939)		(2,905)	
Long-term accrued expenses		-		273		-	
		(-)		(31,429)		(-)	
Long-term other payables	※4	9,960		18,951		10,998	
		(1,147,844)		(2,183,951)		(1,267,415)	
Others		-		1		-	
		(-)		(147)		(-)	
Total non-current liabilities		12,012	5.4	29,428	6.0	11,040	3.0
		(1,384,274)		(3,391,314)		(1,272,215)	
Total liabilities		46,668	21.1	107,944	21.9	86,749	23.5
		(5,377,989)		(12,439,466)		(9,996,937)	
(Minority interests)							
Minority interests		284	0.1			2,626	0.7
		(32,671)				(302,625)	
(Capital and reserves)							
I Share capital		559	0.3			2,091	0.6
		(64,441)				(240,963)	
II Share premium		208,508	94.1			312,966	84.9
		(24,028,491)				(36,066,230)	
III Accumulated deficit		△ 34,056	△ 15.4			△ 35,485	△ 9.6
		(△ 3,924,560)				(△ 4,089,245)	
IV Unrealized loss on available-for-sale securities		△ 171	△ 0.1			-	-
		(△ 19,717)				(-)	
V Foreign currency translation adjustment		△ 105	△ 0.0			△ 131	△ 0.1
		(△ 12,064)				(△ 15,084)	
Total shareholders' equity		174,736	78.9			279,442	75.8
		(20,136,592)				(32,202,864)	
Total liabilities, minority interests and shareholders' equity		221,687	100.0			368,817	100.0
		(25,547,252)				(42,502,426)	
(Net Assets)							
I Shareholders' equity							
Share capital				2,284	0.4		
				(263,199)			
Share premium				351,924	71.6		
				(40,555,772)			
Accumulated deficit				△ 33,473	△ 6.8		
				(△ 3,857,416)			
Total shareholders' equity				320,735	65.2		
				(36,961,555)			
II Valuation and translation adjustments							
Foreign currency translation adjustment				△ 233			
				(△ 26,854)			
Total valuation and translation adjustments				△ 233	△ 0.0		
				(△ 26,854)			
III Share subscription rights				141	0.0		
				(16,242)			
IV Minority interests				63,208	12.9		
				(7,284,106)			
Total net assets				383,852	78.1		
				(44,235,049)			
Total liabilities and net assets				491,796	100.0		
				(56,674,515)			

② 1st half Consolidated Income Statements

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

Item	Note	2nd period-1st half Consolidated fiscal period (From January 1, 2005 to June 30, 2005)		3rd period-1st half Consolidated fiscal period (From January 1, 2006 to June 30, 2006)		Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
I Turnover		46,500	100.0	75,026	100.0	110,010	100.0
		(5,358,685)		(8,646,017)		(12,677,557)	
II Cost of sales		22,082	47.5	31,466	41.9	45,455	41.3
		(2,544,772)		(3,626,134)		(5,238,223)	
Gross profit		24,418	52.5	43,560	58.1	64,555	58.7
		(2,813,912)		(5,019,883)		(7,439,334)	
III Selling, general and administrative expenses							
Directors' emoluments		521		1,289		900	
		(59,987)		(148,533)		(103,716)	
Salaries		7,175		15,100		19,544	
		(826,839)		(1,740,132)		(2,252,227)	
Marketing and promotional expenses		1,846		2,677		4,190	
		(212,761)		(308,516)		(482,802)	
Depreciation		827		1,158		1,937	
		(95,354)		(133,466)		(223,248)	
Amortization		3,200		438		5,467	
		(368,773)		(50,422)		(630,009)	
Amortization of goodwill on consolidation		3,160		7,232		7,912	
		(364,151)		(833,443)		(911,733)	
Other		8,654	54.6	13,405	55.1	21,134	55.5
		(997,239)		(1,544,849)		(2,435,531)	
Operating income / loss (△)		△ 965	△ 2.1	2,261	3.0	3,472	3.2
		(△ 111,192)		(260,523)		(400,068)	
IV Non-operating income							
Interest and dividend income		375		1,663		893	
		(43,239)		(191,654)		(102,886)	
Unrealized gain on marketable securities		-		188		-	
		(-)		(21,709)		(-)	
Foreign exchange gains		-		15		1,061	
		(-)		(1,775)		(122,280)	
Other		8	0.8	283	2.9	297	2.0
		(932)		(32,639)		(34,192)	
(44,171)				(247,778)		(259,357)	
V Non-operating expenses							
Interest expense		82		852		742	
		(9,479)		(98,167)		(85,513)	
Share issuance related expenses	※1	-		103		4,443	
		(-)		(11,897)		(511,989)	
Foreign exchange losses		156		-		-	
		(18,000)		(-)		(-)	
Other		-	0.5	14	1.3	14	4.7
		238		969		5,199	
		(-)		(111,700)		(599,106)	
(27,479)				(1,637)		(1,604)	
Ordinary income / loss (△)		△ 820	△ 1.8	3,442	4.6	523	0.5
		(△ 94,500)		(396,600)		(60,319)	

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

Item	Note	2nd period-1st half Consolidated fiscal period (From January 1, 2005 to June 30, 2005)		3rd period-1st half Consolidated fiscal period (From January 1, 2006 to June 30, 2006)		Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
VI Extraordinary gains							
Gain on sale of fixed assets	※4	-		-		453	
		(-)		(-)		(52,255)	
Gain on disposal of investment in subsidiaries		-		650		-	
		(-)		(74,930)		(-)	
Gain from the redemption of minority interest	※5	-		3,000	3,650	-	453
		(-)	(-)	(345,720)	(420,650)	(-)	(52,255)
VII Extraordinary losses							
Loss on sale and disposal of fixed assets	※2	4		6		45	
		(502)		(748)		(5,202)	
Loss on sale of securities assets		-		-		44	
		(-)		(-)		(5,099)	
Loss on impairment	※3	-	4	-	6	83	172
		(-)	(502)	(-)	(748)	(9,529)	(19,830)
Income / loss (△) before income taxes, minority interests and distribution of profits (allocation of losses) from joint alliances			△ 824		7,085		805
			(△ 95,002)	△ 1.8	(816,502)	9.4	(92,745)
VIII Distribution of profits (allocation of losses) from joint alliance			△ 144	△ 0.3	△ 2	△ 0.0	△ 287
			(△ 16,555)		(△ 243)		(△ 33,052)
Income / loss (△) before income taxes and minority interests			(△ 968)	△ 2.1	7,083	9.4	518
			(△ 111,557)		(816,259)		(59,693)
Income taxes (current)		907		2,017		3,210	
		(104,545)		(232,437)		(369,902)	
Reversal of over-accrued tax for the past year		-		-		△ 7	
		(-)		(-)		(△ 857)	
Income taxes (deferred)		△ 706	201	△ 294	1,723	△ 260	2,942
		(△ 81,356)	(23,189)	(△ 33,900)	(198,537)	(△ 29,959)	(339,085)
Minority interests			216		3,349		390
			(24,903)		(385,893)		(44,942)
Net income / loss (△) for the period / year			△ 1,385	△ 3.0	2,012	2.7	△ 2,814
			(△ 159,649)		(231,830)		(△ 324,334)

③ 1st half Consolidated Surplus Statements and 1st half Consolidated Statement of Changes in Net Assets
1st half Consolidated Surplus Statements

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

Item	Note	2nd period-1st half consolidated fiscal period -prior year (From January 1, 2005 to June30, 2005)		Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)	
		Amount		Amount	
(Share premium)					
I Share premium – Beginning balance			181,543 (20,921,071)		181,543 (20,921,071)
II Increases of share premium					
Share issuance		11,960 (1,378,291)		99,739 (11,493,958)	
Suspense account of share exchange	※1	10,022 (1,154,981)		27,828 (3,206,871)	
Exercise of warrants		4,982 (574,148)	26,965 (3,107,420)	4,982 (574,148)	132,549 (15,274,977)
III Decrease of share premium					
Capitalized share premium		- (-)	- (-)	1,126 (129,817)	1,126 (129,817)
IV Share premium - Ending balance			208,508 (24,028,491)		312,966 (36,066,230)
(Accumulated deficit)					
I Accumulated deficit - Beginning balance			△ 32,670 (△ 3,764,911)		△ 32,670 (△ 3,764,911)
II Increase in accumulated deficit					
Net loss for the period / year		1,385 (159,649)	1,385 (159,649)	2,814 (324,334)	2,814 (324,334)
III Accumulated deficit - Ending balance			△ 34,056 (△ 3,924,560)		△ 35,485 (△ 4,089,245)

1st half Consolidated Statement of Changes in Net Assets

3rd period - 1st half consolidated fiscal period - current year (From January 1, 2006 to June 30, 2006)

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

Note	Shareholders' equity			
	Share capital	Share premium	Retained earnings	Total shareholders' equity
Beginning balance	2,091 (240,963)	312,966 (36,066,230)	△ 35,485 (△ 4,089,245)	279,573 (32,217,948)
Changes of items during the period				
Issuance of new shares	13 (1,472)	1,447 (166,709)	- (-)	1,459 (168,181)
Increased upon share exchange	180 (20,764)	37,512 (4,322,832)	- (-)	37,692 (4,343,596)
Net income / loss (△) for the period	- (-)	- (-)	2,012 (231,830)	2,012 (231,830)
Net changes of items other than shareholders' equity	- (-)	- (-)	- (-)	- (-)
Total changes during the period	193 (22,235)	38,958 (4,489,541)	2,012 (231,830)	41,163 (4,743,606)
Ending balance	2,284 (263,199)	351,924 (40,555,772)	△ 33,473 (△ 3,857,416)	320,735 (36,961,555)

Note	Valuation and translation adjustments		Share subscription rights	Minority interests	Total net assets
	Foreign currency translation adjustment	Total valuation and translation adjustments			
Beginning balance	△ 131 (△ 15,084)	△ 131 (△ 15,084)	- (-)	2,626 (302,625)	282,068 (32,505,489)
Changes of items during the period					
Issuance of new shares	- (-)	- (-)	- (-)	- (-)	1,459 (168,181)
Increased upon share exchange	- (-)	- (-)	- (-)	- (-)	37,692 (4,343,596)
Net income / loss (△) for the period	- (-)	- (-)	- (-)	- (-)	2,012 (231,830)
Net changes of items other than shareholders' equity	△ 102 (△ 11,770)	△ 102 (△ 11,770)	141 (16,242)	60,582 (6,981,481)	60,621 (6,985,953)
Total changes during the period	△ 102 (△ 11,770)	△ 102 (△ 11,770)	141 (16,242)	60,582 (6,981,481)	101,784 (11,729,560)
Ending balance	△ 233 (△ 26,854)	△ 233 (△ 26,854)	141 (16,242)	63,208 (7,284,106)	383,852 (44,235,049)

④ 1st half Consolidated Cashflow Statements

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

Item	Note	2nd period-1st half	3rd period-1st half	Consolidated fiscal year
		Consolidated fiscal period (From January 1, 2005 to June 30, 2005)	Consolidated fiscal period (From January 1, 2006 to June 30, 2006)	-prior year (From January 1, 2005 to December 31, 2005)
		Amount	Amount	Amount
I Operating activities				
Income / loss (△) before income taxes and minority interests		△ 968 (△ 111,557)	7,083 (816,259)	518 (59,693)
Depreciation		827 (95,354)	1,158 (133,466)	1,937 (223,248)
Amortization		3,200 (368,773)	438 (50,422)	5,467 (630,009)
Amortization of goodwill		3,160 (364,151)	7,232 (833,443)	7,912 (911,733)
Share-based compensation		- (-)	141 (16,242)	- (-)
Interest and dividend income		△ 375 (△ 43,239)	△ 1,663 (△ 191,654)	△ 893 (△ 102,886)
Interest expense		82 (9,479)	852 (98,167)	742 (85,513)
Warrant comission expenses	※2	1,409 (162,411)	- (-)	- (-)
Gain from the redemption of minority interest		- (-)	△ 3,000 (△ 345,720)	- (-)
Unrealized gain on marketable securities		- (-)	△ 188 (△ 21,709)	- (-)
Share issuance related expenses		- (-)	103 (11,897)	4,443 (511,989)
Foreign exchange gain / loss (△ : gain)		7 (758)	- (-)	100 (11,468)
Gain on sale of fixed assets		- (-)	- (-)	△ 453 (△ 52,255)
Loss on sale and disposal of fixed assets		4 (502)	6 (748)	45 (5,202)
Loss on impairment		- (-)	- (-)	83 (9,529)
Gain on disposal of investment in subsidiaries		- (-)	△ 650 (△ 74,930)	- (-)
Loss on sale of securities assets		- (-)	- (-)	44 (5,099)
Distribution of profits (allocation of losses) from joint alliances		144 (16,555)	2 (243)	287 (33,052)
Assets received for services		△ 4,698 (△ 541,370)	△ 4,287 (△ 494,060)	△ 11,531 (△ 1,328,790)
Increase (decrease) in accounts receivable (△ : increase)		3,582 (412,758)	△ 16,883 (△ 1,945,570)	△ 6,235 (△ 718,565)
Increase (decrease) in accounts payable (△ : decrease)		438 (50,485)	1,067 (122,964)	△ 44 (△ 5,114)
Increase (decrease) in other current assets (△ : increase)		△ 3,864 (△ 445,340)	531 (61,162)	△ 251 (△ 28,918)
Increase (decrease) in other current liabilities (△ : decrease)		△ 6,583 (△ 758,574)	△ 4,036 (△ 465,066)	△ 7,529 (△ 867,615)
Others		- (-)	△ 362 (△ 41,697)	- (-)
Subtotal		△ 3,635 (△ 418,854)	△ 12,456 (△ 1,435,395)	△ 5,359 (△ 617,608)
Income taxes paid		△ 1,459 (△ 168,087)	△ 724 (△ 83,472)	△ 1,794 (△ 206,773)
Net cash provided by (used in) operating activities		△ 5,093 (△ 586,941)	△ 13,180 (△ 1,518,867)	△ 7,154 (△ 824,381)

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

		2nd period-1st half Consolidated fiscal period (From January 1, 2005 to June 30, 2005)	3rd period-1st half Consolidated fiscal period (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
Item	Note	Amount	Amount	Amount
II Investing activities				
Interest and dividend received		375	1,663	893
		(43,239)	(191,654)	(102,886)
Deposit for security released		-	148	360
		(-)	(17,096)	(41,486)
Purchase of marketable securities		-	-	△ 4
		(-)	(-)	(△ 462)
Purchase of property and equipment		△ 1,390	△ 2,835	△ 3,566
		(△ 160,194)	(△ 326,753)	(△ 410,898)
Proceeds from sale of property and equipment		11	182	37
		(1,237)	(20,935)	(4,310)
Proceeds from sale of intangible assets		-	-	6,514
		(-)	(-)	(750,725)
Purchase of securities assets		-	△ 9,402	-
		(-)	(△ 1,083,506)	(-)
Deposits paid for purchase of securities assets		△ 3,000	△ 8,035	△ 29,000
		(△ 345,720)	(△ 925,920)	(△ 3,341,960)
Proceeds from sale of securities assets		-	662	25
		(-)	(76,314)	(2,846)
Proceeds from sale of shares of subsidiaries		-	1,000	-
		(-)	(115,240)	(-)
Payment to acquire shares of subsidiaries resulting in a change in scope of consolidation		△ 5,378	△ 24,666	△ 11,030
		(△ 619,736)	(△ 2,842,520)	(△ 1,271,105)
Subsequent consideration paid		△ 19,528	△ 2,265	△ 19,528
		(△ 2,250,440)	(△ 261,037)	(△ 2,250,440)
Others		-	-	△ 133
		(-)	(-)	(△ 15,302)
Net cash provided by (used in) investing activities		△ 28,910	△ 43,548	△ 55,431
		(△ 3,331,615)	(△ 5,018,497)	(△ 6,387,915)
III Financing activities				
Interest paid		△ 82	△ 390	△ 742
		(△ 9,479)	(△ 44,947)	(△ 85,513)
Increase in deposit pledged		-	△ 4,750	△ 7,448
		(-)	(△ 547,390)	(△ 858,348)
Increase (decrease) in short-term loans -net (△: decrease)		485	20,549	6,405
		(55,913)	(2,368,091)	(738,149)
Proceeds from long-term debt		2,000	11,241	22,300
		(230,480)	(1,295,389)	(2,569,852)
Repayments of long-term debt		-	△ 22,493	△ 133
		(-)	(△ 2,592,084)	(△ 15,315)
Proceeds from issuance of shares		1,389	126	78,749
		(160,055)	(14,505)	(9,075,091)
Proceeds from exercise of warrants		-	1,230	5,000
		(-)	(141,779)	(576,200)
Proceeds from issuance of shares to minority shareholders		-	60,000	-
		(-)	(6,914,400)	(-)
Dividends paid to minority shareholders		-	△ 1,650	-
		(-)	(△ 190,146)	(-)
Repayments of lease obligations		△ 27	△ 26	△ 41
		(△ 3,054)	(△ 2,976)	(△ 4,715)
Increase (decrease) in long-term other payables (△: decrease)		999	△ 331	△ 836
		(115,158)	(△ 38,180)	(△ 96,323)
Net cash provided by (used in) financing activities		4,765	63,506	103,255
		(549,073)	(7,318,441)	(11,899,078)
IV Foreign currency translation adjustments on cash and cash equivalents		40	8	△ 89
		(4,574)	(865)	(△ 10,259)
V Net increase in cash and cash equivalents		△ 29,199	6,785	40,581
		(△ 3,364,909)	(781,941)	(4,676,523)
VI Cash and cash equivalents, beginning of the year		40,089	80,669	40,089
		(4,619,827)	(9,296,349)	(4,619,827)
VII Cash and cash equivalents, end of the period / year	※1	10,890	87,455	80,669
		(1,254,918)	(10,078,291)	(9,296,349)

Basis of Presenting 1st half Consolidated Financial Statements

Item	2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 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: 32</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.</p>	<p>(1) The number of consolidated subsidiaries: 59</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. Tesseract 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. Tesseract Capital Advisors, LLC</p>

Item	2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 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 1st half of the year 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 Enterprised 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</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 - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 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 1st half of the year 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 closing date for the 1st half 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 1st half balance sheet date is applied. (Unrealized gain or loss is accounted for as an equity item, and costs of sales are based on 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 -Amortized cost method (c) Available-for sale securities -With fair value Same as on the left.</p> <p>-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 - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 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 years Goodwill : 5 years</p>	<p>(a) Property and equipment Same as on the left.</p> <p>(b) Intangible assets Same as on the left.</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 1st half balance sheet date, while all revenue and expense account are translated into U.S. Dollars at average rate of the first half period. The foreign exchange gains and losses from translation are recognized in the 1st half income statement. All assets and liabilities of foreign subsidiaries are translated into U.S. Dollars at the exchange rates at the 1st half balance sheet date, while all revenue and expense account are translated into U.S. Dollars at average rate applicable for the 1st half 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 1st half balance sheet date, while all revenue and expense account are translated into U.S. Dollars at average rate of the first half period. The foreign exchange gains and losses from translation are recognized in the 1st half income statement. All assets and liabilities of foreign subsidiaries are translated into U.S. Dollars at the exchange rates at the 1st half balance sheet date, while all revenue and expense account are translated into U.S. Dollars at average rate applicable for the 1st half 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 - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 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 (1st half) 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=115.24, from the Tokyo Foreign Exchange Market as of June 30, 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 Same as on the left.</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 US\$1.00=115.24, from the Tokyo Foreign Exchange Market as of June 30, 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 (1st half) consolidated cashflow statement	Cash equivalents in the 1st half 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 - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
<hr/>	<p>(Presentation of net assets in the consolidated balance sheets)</p> <p>Effective from 1st half 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 320,502 thousand (JPY 36,934,701 thousand).</p> <p>For the change of Interim Financial Statements Rules, net assets in the 1st half 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 1st half 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 December 27, 2005).</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 141 thousand (JPY 16,242 thousand), for the period ended June 30, 2006, respectively.</p>	<hr/>

Footnote Information

(1st half consolidated balance sheets)

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

2nd period-1st half consolidated fiscal period -prior year (As of June 30, 2005)	3rd period-1st half consolidated fiscal period -current year (As of June 30, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)
※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. ※2 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.	※1 The amount represents the deposit paid for acquisition of an equity shares. ※2 Same as on the left.	※1 Same as on the left. ※2 Same as on the left.

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

2nd period-1st half consolidated fiscal period -prior year (As of June 30, 2005)	3rd period-1st half consolidated fiscal period -current year (As of June 30, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)
※3 Assets collateralized and corresponding liabilities Assets collateralized	※3 Assets collateralized and corresponding liabilities Assets collateralized	※3 Assets collateralized and corresponding liabilities Assets collateralized
Bank deposit 1,260 (145,248)	Bank deposit 12,050 (1,388,642)	Bank deposit 7,514 (865,922)
Trade receivable 2,501 (288,193)		Trade receivable 1,812 (208,787)
Other 1,653 (186,790)		Other (current assets) 346 (39,906)
Building and structures 48 (5,487)		Equipments 169 (19,427)
Equipments 510 (58,782)		Securities assets 68 (7,824)
Investment in securities 68 (7,824)		
		In addition, investment in consolidated subsidiaries (the total net assets amount of USD 9,852 thousand (JPY 1,135,303 thousand), which are eliminated on consolidation, have been pledged as collateral for the bank commitment line of USD 24,000 thousand (JPY 2,765,760 thousand).
Correspondent obligation	Correspondent obligation	Correspondent obligation
Promissory note (non-operating) Short-term 1,250 (144,050)	Short-term loans 10,557 (1,216,572)	Short-term loans 7,482 (862,258)
Lease obligation (including obligations for operating lease) Short-term 804 (92,646)		Current portion of long-term debt 21,300 (2,454,612)
Long-term 2,057 (237,012)		Promissory note (non-operating) Short-term 1,250 (144,050)
Short-term loans 500 (57,620)		

2nd period-1st half consolidated fiscal period -prior year (As of June 30, 2005)	3rd period-1st half consolidated fiscal period -current year (As of June 30, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)
<p>※4 Other payables include part of the consideration for the acquisition of shares of Stone & McCarthy Research Associates, Inc, Taylor Rafferty Associates, Inc and Econ World Media 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>※5 This promissory note was issued as part of the consideration for the 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 the final payment is based on future operating results and future payments made for additional obligations due under the terminated Ford executive bonus plan.</p> <p>※6 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p> <p style="text-align: right;">844 (97,254)</p>	<p>※4 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 and Beijing JingGuan XinCheng Advertising 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>※5 _____</p> <p>※6 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p> <p style="text-align: right;">987 (113,731)</p>	<p>※4 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>※5 _____</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 (43,042)</p>

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

2nd period-1st half consolidated fiscal period -prior year (As of June 30, 2005)	3rd period-1st half consolidated fiscal period -current year (As of June 30, 2006)	Consolidated fiscal year - prior year (As of December 31, 2005)																																										
<p>※7 The consideration for the acquisition of shares of Stone & McCarthy Research Associates, Inc., Taylor Rafferty Associates, Inc. and Econ World Media Ltd. could fluctuate since the final payments are based on the future operating results of the respective company. The consideration for the acquisition of shares of Ford Investor Services Inc. could fluctuate since the final payment is based on the future operating results and future payments made for additional obligations due under the terminated Ford executive bonus plan.</p> <p>※8 Xinhua Mergent Holdings Limited and Market News International, Inc. have line of credit agreements with banks. The amount of the line of credit and the balance outstanding under the agreements at June 30, 2005 are as follows:</p> <table data-bbox="159 936 579 1227"> <tr> <td>Total amount of the line of credit</td> <td>24,500</td> </tr> <tr> <td></td> <td>(2,823,380)</td> </tr> <tr> <td>Outstanding balance</td> <td>2,500</td> </tr> <tr> <td></td> <td>(288,100)</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Remaining amount of the line of credit</td> <td>22,000</td> </tr> <tr> <td></td> <td>(2,535,280)</td> </tr> </table> <p>※9 _____</p> <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		(2,823,380)	Outstanding balance	2,500		(288,100)	<hr/>		Remaining amount of the line of credit	22,000		(2,535,280)	<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 and Beijing JingGuan XinCheng Advertising Co., Ltd. could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>※8 The Company, Xinhua Financial Network (Shanghai) Ltd. 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 June 30, 2006 are as follows:</p> <table data-bbox="604 936 1024 1227"> <tr> <td>Total amount of the line of credit</td> <td>46,360</td> </tr> <tr> <td></td> <td>(5,342,532)</td> </tr> <tr> <td>Outstanding balance</td> <td>28,157</td> </tr> <tr> <td></td> <td>(3,244,796)</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Remaining amount of the line of credit</td> <td>18,203</td> </tr> <tr> <td></td> <td>(2,097,735)</td> </tr> </table> <p>※9 This includes a loan of USD10 million (JPY 1,152,400 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>	Total amount of the line of credit	46,360		(5,342,532)	Outstanding balance	28,157		(3,244,796)	<hr/>		Remaining amount of the line of credit	18,203		(2,097,735)	<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>※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="1053 936 1457 1227"> <tr> <td>Total amount of the line of credit</td> <td>30,482</td> </tr> <tr> <td></td> <td>(3,512,778)</td> </tr> <tr> <td>Outstanding balance</td> <td>28,782</td> </tr> <tr> <td></td> <td>(3,316,870)</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>(195,908)</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>※1-9 notes correspond with ※1-9 as denoted in the Consolidated Balance Sheets.</p>	Total amount of the line of credit	30,482		(3,512,778)	Outstanding balance	28,782		(3,316,870)	<hr/>		Remaining amount of the line of credit	1,700		(195,908)
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(1st half consolidated income statements)

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

2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 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 data-bbox="193 524 580 607"> <tr> <td>Equipments</td> <td style="text-align: right;">4</td> </tr> <tr> <td></td> <td style="text-align: right;">(502)</td> </tr> </table> <p>※3 _____</p> <p>※4 _____</p> <p>※5 _____</p> <p>※1-5 notes correspond with ※1-5 as denoted in the Consolidated Income Statements.</p>	Equipments	4		(502)	<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 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;">(748)</td> </tr> </table> <p>※3 _____</p> <p>※4 _____</p> <p>※5 Minority interests (in the form of preference shares in a consolidated subsidiary) were redeemed and created an extra-ordinary gain.</p> <p>※1-5 notes correspond with ※1-5 as denoted in the Consolidated Income Statements.</p>	Equipments	6		(748)	<p>※1 Same as on the left.</p> <p>※2 Components of loss on disposal of fixed assets are as follows:</p> <table 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;">(300)</td> </tr> <tr> <td>Equipments</td> <td style="text-align: right;">43</td> </tr> <tr> <td></td> <td style="text-align: right;">(4,901)</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="1048 898 1453 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 (9,529)</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 data-bbox="1080 1608 1461 1780"> <tr> <td>Equipment</td> <td style="text-align: right;">0</td> </tr> <tr> <td></td> <td style="text-align: right;">(13)</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">356</td> </tr> <tr> <td></td> <td style="text-align: right;">(40,982)</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;">(11,260)</td> </tr> </table> <p>※5 _____</p> <p>※1-5 notes correspond with ※1-5 as denoted in the Consolidated Income Statements.</p>	Buildings and structures	3		(300)	Equipments	43		(4,901)	Area	Object	Type	Recognized losses	Asia	Asset for operation	Trademark	83 (9,529)	Equipment	0		(13)	Goodwill	356		(40,982)	Trade mark and distribution rights	98		(11,260)
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(1st half consolidated surplus statements)

2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 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. through cash and share exchange contracts which they became the Company's subsidiaries. However, the Company's shares to be exchanged for subsequent consideration have not been issued, whereas the acquisition costs of the subsidiaries are included in share premium.</p> <p>※1 note corresponds with ※1 as denoted in the Consolidated Surplus Statements.</p>	<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 Statements.</p>

(1st half consolidated statement of changes in net assets)

3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)

1. Number and class of issued shares

	Beginning balance	Increase	Decrease	Ending balance
Issued shares				
Ordinary share (shares)	815,477	75,251	-	890,728

(Note 1) In the increase of ordinary shares indicated above, 42,879 shares are issued for acquisition of subsidiaries' share by way of share exchange, 27,390 shares are issued for consideration for goods and services received, 4,654 shares are issued due to execution of share subscription rights and the remaining 328 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 141 thousand (JPY 16,242 thousand).

3. Dividend

Not applicable.

※1 The Company acquired full ownership of Stone & McCarthy Research Associates, Inc., 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)

(Securities)

As of June 30, 2005

1 Available-for-sale securities with fair value

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

Category	Acquisition cost	Amounts on the 1st half 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
	(301,193)	(763,763)	(462,570)
Subtotal	2,614	6,628	4,014
	(301,193)	(763,763)	(462,570)
Book value is less than acquisition cost:			
1) Equity securities	-	-	-
	(-)	(-)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	12,386	8,200	△ 4,185
	(1,427,311)	(945,024)	(△ 482,287)
Subtotal	12,386	8,200	△ 4,185
	(1,427,311)	(945,024)	(△ 482,287)
TOTAL	14,999	14,828	△ 171
	(1,728,504)	(1,708,787)	(△ 19,716)

(Note1) Other investments are the securities assets on the 1st half consolidated balance sheet.

2 Securities not stated at fair value

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

Category	Amounts on the 1st half consolidated balance sheet
Other investments	
(1)Investment in securities	68
	(7,824)
Total	68
	(7,824)

(Note1) Other investments are the investment in securities on the 1st half consolidated balance sheet.

As of June 30, 2006

1. Trading Securities

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

Amount on the 1st half consolidated balance sheets	Gain/loss included in the 1st half consolidated income statements
284	188
(32,701)	(21,709)

2. Available-for-sale securities with fair value

The Company has no available-for-sale securities with fair value.

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	-	-
(70,743)	(-)	(-)

4. Securities not stated at fair value

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

Category	Amounts on the 1st half consolidated balance sheets
Available-for-sale securities	
(1) Unlisted securities	31,098
	(3,583,709)
(2) Fund trust	268
	(30,840)
(3) Investment in limited liability company	174
	(20,076)
(4) Other	4,287
	(494,060)
Total	35,827
	(4,128,685)

(Note1) Available-for-sale securities above are categorized into investment in securities on the 1st half 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	-	-
	(-)	(71,145)	(-)	(-)
Total	-	617	-	-
	(-)	(71,145)	(-)	(-)

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	-
(16,721)	(-)

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	-
	(1,630)	(1,630)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	-	-	-
	(-)	(-)	(-)
Subtotal	14	14	-
	(1,630)	(1,630)	(-)
TOTAL	14	14	-
	(1,630)	(1,630)	(-)

(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
(2,510,825)	(-)	(5,099)

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
	(2,510,825)
(2) Fund trust	880
	(101,425)
(3) Investment in limited liability company	68
	(7,824)
Total	22,736
	(2,620,075)

(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	-	-
	(-)	(71,145)	(-)	(-)
Total	-	617	-	-
	(-)	(71,145)	(-)	(-)

(Derivative Transactions)

For the 1st half of the year ended June 30, 2005 and 2006 and for the year ended December 31, 2005, the Group has not entered 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 1st half of the year ended June 30, 2005 and 2006 and for the year ended December 31, 2005 are omitted.

【Regional Segmental Information】

2nd period - 1st half consolidated fiscal period (From January 1, 2005 to June 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	2,627	13,223	30,386	264	46,500	-	46,500
	(302,790)	(1,523,795)	(3,501,639)	(30,461)	(5,358,685)	(-)	(5,358,685)
(2) Inter segment or transfer	-	47	34	-	81	△ 81	-
	(-)	(5,381)	(3,953)	(-)	(9,334)	(△9,334)	(-)
Total	2,627	13,269	30,420	264	46,581	△ 81	46,500
	(302,790)	(1,529,176)	(3,505,592)	(30,461)	(5,368,019)	(△9,334)	(5,358,685)
Operating expenses	2,643	10,812	34,537	△ 526	47,465	-	47,465
	(304,534)	(1,245,935)	(3,980,032)	(△60,624)	(5,469,876)	(-)	(5,469,876)
Operating income (△ loss)	△ 15	2,458	△ 4,117	790	△ 884	△ 81	△ 965
	(△1,744)	(283,241)	(△474,440)	(91,085)	(△101,858)	(△9,334)	(△111,192)

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 – 1st half consolidated fiscal period (From January 1, 2006 to June 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	807 (93,035)	16,963 (1,954,837)	43,120 (4,969,205)	14,135 (1,628,940)	75,026 (8,646,017)	- (-)	75,026 (8,646,017)
(2) Inter segment or transfer	- (-)	789 (90,978)	13 (1,477)	689 (79,448)	1,492 (171,903)	△ 1,492 (△171,903)	- (-)
Total	807 (93,035)	17,753 (2,045,815)	43,133 (4,970,682)	14,825 (1,708,388)	76,518 (8,817,920)	△ 1,492 (△171,903)	75,026 (8,646,017)
Operating expenses	1,011 (116,496)	11,887 (1,369,864)	41,871 (4,825,241)	17,641 (2,032,907)	72,410 (8,344,508)	356 (40,987)	72,765 (8,385,494)
Operating income (△ loss)	△ 204 (△23,461)	5,866 (675,951)	1,262 (145,441)	△ 2,816 (△324,519)	4,108 (473,412)	△ 1,847 (△212,889)	2,261 (260,523)

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 (533,515)	33,653 (3,878,142)	71,451 (8,234,012)	277 (31,888)	110,010 (12,677,557)	- (-)	110,010 (12,677,557)
(2) Inter segment or transfer	- (-)	7,418 (854,863)	1,157 (133,389)	8,855 (1,020,434)	17,430 (2,008,686)	△ 17,430 (△2,008,686)	- (-)
Total	4,630 (533,515)	41,071 (4,733,005)	72,608 (8,367,400)	9,132 (1,052,322)	127,441 (14,686,243)	△ 17,430 (△2,008,686)	110,010 (12,677,557)
Operating expenses	4,807 (553,915)	30,950 (3,566,715)	78,944 (9,097,524)	8,701 (1,002,703)	123,402 (14,220,858)	△ 16,864 (△1,943,369)	106,538 (12,277,489)
Operating income (△ loss)	△ 177 (△20,400)	10,121 (1,166,290)	△ 6,336 (△730,124)	431 (49,619)	4,038 (465,385)	△ 567 (△65,317)	3,472 (400,068)

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 - 1st half consolidated fiscal period (From January 1, 2005 to June 30, 2005)

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

	Asia	North America	Europe	Other	Total
I Oversea sales	5,725 (659,784)	29,326 (3,379,540)	7,181 (827,498)	800 (92,177)	43,032 (4,958,999)
II Consolidated sales	- (-)	- (-)	- (-)	- (-)	46,500 (5,358,685)
III Ratio of overseas sales which accounts for consolidated sales (%)	12.3%	63.1%	15.4%	1.7%	92.5%

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 – 1st half consolidated fiscal period (From January 1, 2006 to June 30, 2006)

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

	Asia	North America	Europe	Other	Total
I Oversea sales	25,722 (2,964,217)	35,149 (4,050,616)	10,234 (1,179,348)	1,063 (122,540)	72,169 (8,316,720)
II Consolidated sales	- (-)	- (-)	- (-)	- (-)	75,026 (8,646,017)
III Ratio of overseas sales which accounts for consolidated sales (%)	34.3%	46.9%	13.6%	1.4%	96.2%

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.

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
I Oversea sale	17,381 (2,002,932)	64,912 (7,480,473)	18,718 (2,157,032)	1,105 (127,375)	102,116 (11,767,812)
II Consolidated sale	- (-)	- (-)	- (-)	- (-)	110,010 (12,677,557)
III 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.

(Share option and Share-Based Payment)

Consolidated 1st-half - current year (From January 1, 2006 to June 30, 2006)

1. Outline of share option and share-based payment, as well as size and change of share option (*1)

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

Company	The Company			
	Year	2004	2005	
Type	Share-Based Payment	Share Option	Share-Based Payment	Share Option (1)
Category and number of person designated	230 employees	166 employees	2 directors of the group, 1 adviser and 3 employees	2 directors of the group
Class and number of objective shares (*3)	79,129.26 Ordinary shares	14,910 Ordinary shares	28,168 ordinary shares	5,000 Ordinary Shares
Grant date (*2)	6 April; 17, 21, 22, 30 Jun; 11 & 19 Jul; 16 & 20 Aug, 28 & 30 Dec (*5)	9-Feb-05	15 Jul; 15 Sept & Dec 05	23-Jan-06
Terms and condition for vesting	-	1/3 grant vested on 31 Dec 05; 1/3 vested on 31 Dec 06; 1/3 vested on 31 Dec 07. (*4)	-	834 shares vested on each of 31 Jan, 30 Apr, 30 Jul, 31 Oct 06 & 31 Jan 07 and 830 shares vested on 30 Apr 07
Service period required to be vested	-	From 9-Feb-05 to 31-Dec-07	-	-
Exercisable period	-	From 1-Jan-2006 to 8-Feb-2015	-	From 31-Jan-2006 to 1-Feb-2009

Company	The Company			Xinhua Finance Media Limited
	Year	2006		2006
Type	Share Option (2)	Share Option (3)	Share-Based Payment	Share Option
Category and number of person designated	5 directors of the group	208 employees	3 employees	1 director
Class and number of objective shares (*3)	6,000 Ordinary Shares	26,656 Ordinary Shares	33 ordinary shares	11,050,000 ordinary shares
Grant date (*2)	23-Jan-06	1-Mar-06	20 Jan & 15 Feb 06	13-Jun-06
Terms and condition for vesting	1/4 grant vested on 30 Apr 06, 31 Jul 06, 31 Oct 06 & 31 Jan 07 (*4)	1/3 grant vested on 31 Dec 06; 1/3 vested on 31 Dec 07; 1/3 vested on 31 Dec 08 (*4)	-	equally vested in 5 years commencing 13 Jun 07
Service period required to be vested	From 23-Jan-06 to 31-Jan-07	From 1-Mar-06 to 31-Dec-08	-	From 13-Jun-06 to 13-Jun-11
Exercisable period	From 30-Apr-2006 to 1-Feb-2016	From 1-Jan-2007 to 2-Apr-2016	-	From 13-Jun-07 to 13-Jun-11

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

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

(*3) All shares and options granted prior to 2006 have all been adjusted for the 2,000 to 1 share consolidation 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).

(*5) Detailed terms and conditions are approved by the board in April 2004.

(2) Size and change of the number of share option

(i) Number of objective shares of share option

(Unit: share)

Company	The Company				Xinhua Finance Media Limited
Year	2005	2006 (1)	2006 (2)	2006 (3)	2006
Number of objective shares for unvested option					
Beginning balance of the period	9,940	-	-	-	-
Granted	-	5,000	6,000	26,656	11,050,000
Lapsed	-	-	-	-	-
Vested	-	1,668	1,500	-	-
Unvested balance	9,940	3,332	4,500	26,656	11,050,000
Number of objective shares for vested option					
Beginning balance of the period	4,970	-	-	-	-
Vested	-	1,668	1,500	-	-
Exercised	1,126	-	-	-	-
Lapsed	-	-	-	-	-
Unexercised balance	3,844	1,668	1,500	-	-

(ii) Unit price information

Company	The Company				Xinhua Finance Media Limited
Year	2005	2006 (1)	2006 (2)	2006 (3)	2006
Exercise price	JPY 49,316	JPY 74,247	JPY 71,844	JPY 71,844	US\$0.001
Average price of shares upon exercise	JPY 92,528	-	-	-	-
Fair value of option at grant date	-	-	-	-	USD0.60/option

2. Valuation Method for Share Option and Share-Based Payment

Determination of estimated fair value of share option granted during the current fiscal period is as follows.

(1) Valuation method used

(i) Share option : Black-Scholes Model, Binominal Model and its variants

Company	Xinhua Finance Media Limited
Year	2006
Price volatility (*1)	38%
Estimated remaining exercisable period (*2)	5 years
Estimated dividend (*3)	NIL
Free risk rate (*4)	5.58%

(2) Factors and basis of estimation

- (*1) In determination of volatility, the valuer has considered the volatility of the Company one year prior to the issuance of share option. The volatility is measured based on the weekly price change and we consider the volatility measured on weekly basis provided a reasonable estimation for the expected volatility.
- (*2) It is assumed that the grantee will exercise the option at the time of vesting, therefore, it is calculated in assumption that the estimated remaining period of share options equals to service period required to be vested.
- (*3) With reference to the track record, it is assumed the dividend is zero during the estimated option life attributable to ordinary shares.
- (*4) Yield of Chinese. treasury bond applicable to the estimated remaining period of options.

3. Determination of estimation for number of share option to be vested

Actual lapsed number shall be considered because grantee will exercise the option at the time of vesting.

4. Effect to consolidated financial statements

Share-based compensation USD 141thousand (JPY 16,242thousand)

(Note) Basis of calculation

1. Basis of calculation for the net assets per share

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

Item	2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
Total amount of net assets on the consolidated balance sheet	— (—)	383,852 (44,235,049)	— (—)
Net assets attributable to ordinary shares	— (—)	279,871 (32,252,348)	— (—)
Difference between the amount of net assets on the consolidated balance sheet and net assets used for calculation of net assets per share	— (—)	103,890 (11,982,700)	— (—)
Number of issued shares	—	890,727.79	—
Number of treasury shares	—	—	—
Number of shares used for calculation of net assets per share	—	890,727.79	—

2. Basis of calculation for the net income / loss and diluted net income / loss (Δ) per share

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

Item	2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
Net income / loss (Δ) per share			
Net income/ loss (Δ) for the period / year	Δ 1,385 (Δ 159,649)	2,012 (231,830)	Δ 2,814 (Δ 324,334)
Net Income / loss (Δ) NOT attributed to ordinary shareholders	— (—)	— (—)	— (—)
Net income/ loss (Δ) attributed to ordinary shares	Δ 1,385 (Δ 159,649)	2,012 (231,830)	Δ 2,814 (Δ 324,334)
Average number of ordinary shares during the period / year	210,250.36	846,593.87	662,085.34
Diluted net income per share			
Adjustment on net income / loss (Δ) for the period / year	— (—)	— (—)	— (—)
Number of ordinary shares to be increased (shares)	—	16,332.80	—
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 : 76,964 shares)	3 types of share subscription rights (Number of shares to be issued upon exercise : 20,043 shares)

(Significant Subsequent Events)

2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
<p>On July 13, 2005, the Company entered into contract to acquire Washington Analysis Corporation</p> <p>(1) Purpose of the acquisition The purpose of the acquisition is to expand the Group's financial information service and political analysis services.</p> <p>(2) Outline of Washington Analysis Corporation. Address : Washington D.C., U.S.A. Revenue : US\$ 6,372 thousand (JPY 734,309 thousand) (For the year ended December 31, 2004) Share capital : US\$ 110 thousand (JPY 12,676 thousand) Business : Financial information service and political analysis services</p> <p>(3) Outline of the acquisition</p> <p>① Method of acquisition Acquired par value shares (1 shares, 100%) of Washington Analysis Corporation</p> <p>② Acquisition cost and payment term Cash payment of US\$2,000 thousand (JPY 230,480 thousand) and 798 shares of the Company payable on July 13, 2005. The consideration will be determined based on the performance of Washington Analysis Corporation in 2005 and 2006.</p> <p>③ Name of Sellers Lesley M. Alberstein Ira Ross Allen Jacobson George Dellinger Carl Joseph Lieber</p> <p>④ Date of acquisition July 13, 2005</p>	<p>1. On August 1, 2006, Mergent, wholly-owned subsidiary of the Company, has completed acquisition of Praeдея Solutions Inc.</p> <p>(1) Purpose of the acquisition The acquisition advances the Company's strategy of data collection process and enhancing ability to distribute financial data.</p> <p>(2) Outline of Praeдея Solutions Inc. Address : New York, U.S.A. Amount of sales : USD 2,309 thousand (For the year ended December 31, 2006) Total assets : USD 1,705 thousand (For the year ended December 31, 2006) Business : Development of enterprise software for automated data extraction</p> <p>(3) Outline of the acquisition</p> <p>① Method of acquisition Before the acquisition, all of the shares of Praeдея Solutions Inc. were transferred to Praeдея Acquisition Corporation, a newly established company. After that, Mergent acquired 100% of ordinary shares of Praeдея Acquisition Corporation. Immediately following the acquisition, Praeдея Acquisition Corporation changes its name to Mergent Data Technology, Inc.</p> <p>② Acquisition cost and payment term Initial consideration of USD1,600 thousand was settled by cash and the Company's ordinary shares. The subsequent consideration to be determined based on the performance of Praeдея Acquisition Corporation in 2006 and 2007 will be settled by cash and the Company's ordinary shares.</p> <p>③ Name of Sellers Zhenco Holdings Limited</p> <p>④ Date of acquisition August 1, 2006</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</p> <p>① Method of acquisition Acquired ordinary shares (1,000 shares, 100%) of Ming Shing International Ltd.</p> <p>② Acquisition cost and payment term Initial consideration of USD29,000 thousand (JPY 3,341,960 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>③ Name of Sellers Lu Chin Chien</p> <p>④ Date of acquisition January 12, 2006</p>

2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
	<p>2. On August 1, 2006, Beijing Taide Advertising Company Ltd., a wholly-owned subsidiary of the Company, has acquired a 51% shareholding in Shanghai Hyperlink Market Research Co. Ltd. ("Hyperlink").</p> <p>(1) Purpose of the acquisition The acquisition advances the Company's strategy of leveraging the value of its existing content offerings and enhancing distribution and financial markets communications capabilities across China.</p> <p>(2) Outline of Hyperlink: Address : Unit B-123, No. 1 Hexiang Road, Baihe Town, Qingpu District, Shanghai, PRC Amount of sales:USD 2,500 thousand (for the year ended December 31, 2005) Total assets: USD 1,100 thousand (as of December 31, 2005) Business: Market research</p> <p>(3)Outline of the transaction</p> <p>① Method of acquisition Beijing Taide Advertising Company Ltd., a wholly-owned subsidiary of the Company, acquired a 51% shareholding in Hyperlink.</p> <p>② Acquisition cost and payment method Initial consideration of USD 2,500 thousand was settled by cash in June 2006. The subsequent consideration to be determined based on the performance of Hyperlink in 2006 and 2007 will be settled in cash, up to a maximum amount in USD 3,620 thousand. The Company will also provide capital of USD 300 thousand to Hyperlink.</p> <p>③ Name of Seller Xie Wei Lu Qing Yong Win Jei Ching Yang Jing Shi Hui Pang Lu Yang Wei Dong</p> <p>④ Date of acquisition August 1, 2006</p>	<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>① Grantees of the option 2 independent directors</p> <p>② Number of stock options to be granted 2</p> <p>③ Class and number of shares to be issued pursuant to the stock option 5,000 ordinary shares</p> <p>④ Issue price of the stock option No consideration</p> <p>⑤ 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>⑥ Exercisable period From January 31, 2006 to January 31, 2009</p> <p>(2) Grant to directors</p> <p>① Grantees of the options 5 directors/non-executive directors</p> <p>② Number of stock options to be granted 5</p> <p>③ Class and number of shares to be issued pursuant to the stock option 6,000 ordinary shares</p> <p>④ Issue price of the stock option No consideration</p> <p>⑤ 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>⑥ Exercisable period From January 31, 2006 to January 31, 2016</p>

2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
	<p>3. The Company entered into a credit facility agreement on August 8, 2006.</p> <p>(1) Lender: ABN AMRO Bank N.V., HK branch General Electric Capital Corporation Mizuho Corporate Bank, HK branch</p> <p>(2) Facility amount: USD 70,000 thousand</p> <p>(3) Interest rate: 3-month USD LIBOR plus applicable margin, which shall be fixed at 2.75% for the first 12 months and thereafter ranging from 2.25% to 2.75% depending on different debt to EBITDA level.</p> <p>(4) Use of proceeds: For working capital and acquisition activities</p> <p>(5) Maturity date: 5 years after the borrowing date</p> <p>(6) Pledges: Pledge over all of the shares of and any intercompany loans to certain subsidiaries of the Company as guarantors and any new material subsidiaries arising from acquisitions, together with joint and several cross-guarantees from the guarantors</p>	<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</p> <p>① Method of acquisition Xinhua Finance will directly acquire 100% of the shares of Beijing Alpha Financial Engineering Limited from its shareholders.</p> <p>② 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.</p> <p>③ Name of Sellers Chen Bing Ma Yuewen</p> <p>④ 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>

2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
	<p>4. On August 9, 2006, the Company has acquired a 19.9% shareholding in Glass Lewis & Co., LLC. ("GL").</p> <p>(1) Purpose of the acquisition To expand into the business of providing proxy advisory and voting services for institutional investors.</p> <p>(2) Outline of GL: Main office : San Francisco, U.S.A. Amount of sales : USD 5,600 thousand (for the year ended December 31, 2005) Total assets: USD 6,059 thousand (as of December 31, 2005) Business: Advisory and voting services, and investment research for institutional investors</p> <p>(3) Outline of the transaction</p> <p>① Method of acquisition At the closing, XFL acquired 19.9% interest in GL.</p> <p>② Acquisition cost and payment method Consideration of USD 8,955 thousand was settled by cash on August 9, 2006.</p> <p>③ Name of Seller Gregory P. Taxin Kevin J. Cameron Lawrence M. Howell Rustic Canyon Ventures SBIC, LP Acorn Partners Ojibawa Investment Partners Certain employees of GL</p> <p>④ Date of acquisition August 9, 2006</p>	