

2007 Year 9 Month Financial Summary (Consolidated)

15 November, 2007

Listed Company Name: Xinhua Finance Limited Code No. : 9399 Representative-Title: Chief Executive Officer; Inquiry-Title: Chief Financial Officer; Title: Senior Manager of Investor Relations;	Listed Section : Mothers URL: http://www.xinhuafinance.com Name : Fredy Bush Name : David Wang ; Tel : Hong Kong (852) 3196-3939 Name : Yoshitaka Yamada ; Tel : Tokyo (81) 3 3221-9500
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(Note: Figures are rounded.)

1. Consolidated Results for the period ended September 30, 2007 (from January 1, 2007 to September 30, 2007) under Japan GAAP

(1) Consolidated Operating Results

(Note: % represents increase or decrease compared to the corresponding period of a year earlier.)

	Turnover		Operating Income		Ordinary Income		Net Income	
	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%
September, 2007	180.665 (20,854)	44.5	△12.933 (△1,493)	-	△16.355 (△1,888)	-	80.269 (9,265)	677.0
September, 2006	125.067 (14,437)		4,237 (489)		4,580 (529)		10,330 (1,192)	
December, 2006	174,963 (20,196)		1,134 (131)		63 (7)		10,760 (1,242)	

	Basic Earnings		Diluted Earnings		Proforma EBITDA		EBITDA	
	per share		per Share					
	US\$ (JPY) 2 decimal places		US\$ (JPY) 2 decimal places		US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%
September, 2007	80.17 (9,253.72)		79.77 (9,208.06)		37,827 (4,366)	52.8	18,829 (2,173)	△6.2
September, 2006	11.96 (1,380.54)		11.85 (1,367.85)		24,753 (2,857)		20,076 (2,317)	
December, 2006	12.23 (1,411.43)		11.57 (1,336.10)		32,604 (3,763)		24,672 (2,848)	

(Notes)

- 1) Average no. of shares during the period: September 2007 : 1,001,264.85 shares; September 2006 : 863,867.52 shares.
- 2) Exchange rate used USD1 = ¥115.43; the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), from the quotations by The Bank of Tokyo-Mitsubishi UFJ, Ltd. for buying and selling spot USD by telegraphic transfer against yen as of September 28, 2007
- 3) We define EBITDA in relation to our Japan GAAP financial statements as operating income or loss plus depreciation, amortization and amortization of goodwill.
- 4) We define Proforma EBITDA in relation to our Japan GAAP financial statements as EBITDA plus non cash share based payments, one time items and recurring non operating income.

(2) Consolidated Financial Status

	Total Assets	Total Net Assets	% of Adjusted Shareholders' Equity / Total Assets	Net Assets per Share
September, 2007	US\$ thousand (JPY million) 1,047,824	US\$ thousand (JPY million) 625,844	% 40.0	US\$ (JPY) 2 decimal places 411.98
September, 2006	(120,950) 578,177 (66,739)	(72,241) 406,116 (46,878)	58.0	(47,554.85) 332.76 (38,410.49)
December, 2006	765,941 (88,413)	382,758 (44,182)	39.8	326.93 (37,737.53)

(Notes)

Adjusted shareholders' equity : September, 2007 : US\$419,588 thousand (JPY48,433 million)
September, 2006 : US\$335,111 thousand (JPY38,682 million)
December, 2006 : US\$304,584 thousand (JPY35,158 million)

(3) Consolidated Cash flow results

	Cash flow from Operating Activities	Cash flow from Investing Activities	Cash flow from Financing Activities	Cash and Cash Equivalent at the end of the period
September, 2007	US\$ thousand (JPY million) 8,632	US\$ thousand (JPY million) △156,405	US\$ thousand (JPY million) 193,604	US\$ thousand (JPY million) 139,887
September, 2006	(996) △14,775 (△1,706)	(△18,054) △66,146 (△7,635)	(22,348) 76,347 (8,813)	(16,147) 76,106 (8,785)
December, 2006	△12,970 (△1,497)	△95,754 (△11,053)	125,122 (14,443)	97,279 (11,229)

2. Condition of Dividends

(Recorded Date)	Dividend per Share		
	For Interim	For End of Fiscal Year	For a year
For a year of 2006	US\$ (JPY, 2 decimal places) -	US\$ (JPY, 2 decimal places) -	US\$ (JPY, 2 decimal places) 0.00 (0.00)
For a year of 2007	-	-	-
For a year of 2007 (Forecast)	-	-	0.00 (0.00)

3. Forecast on Consolidated Results for the period ended December 31, 2007 (from January 1, 2007 to December 31, 2007) under Japan GAAP

(Note: % represents increase or decrease compared to the previous year.)

	Turnover	EBITDA	Operating Income	Ordinary Income	Net Income	Earnings per share
	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ (JPY) 2 decimal places
For a year	260,000 (28,600) 48.6%	32,000 (3,520) 29.7%	^ 10,000 (△1,100) -	^ 13,447 (△1,479) -	31,999 (3,520) 197.4%	29.55 (3,251.04) 141.7%

(Notes)

- 1) Exchange rate used: USD1 = ¥110.00
- 2) We define EBITDA in relation to our Japan GAAP financial statements as operating income or loss plus depreciation, amortization and amortization of goodwill.
- 3) Performance estimates are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates.

4. Miscellaneous

- (1) Changes of significant subsidiary during reporting period (with changes in scope of specified consolidated entities): No
- (2) Accounting standards for the consolidated quarterly financial statements:
Accounting standards for the interim consolidated financial statements
- (3) Changes in accounting treatments since the most recent fiscal year: No .
- (4) Participation of Accounting Auditor: Applicable.

With respect to the quarterly consolidated financial statements, the procedures for issuance of opinion have been carried out in accordance with “Standards for Issuance of Opinion for Quarterly Financial Statements” as attached to the TSE’s “Guideline of Rules on Timely Disclosure of Corporate Information Issuer of Listed Security”.

5. Individual Financial Statement Summary (from January 1, 2007 to September 30, 2007) under Japan GAAP

(1) Individual Operating Results

(Note: % represents increase or decrease compared to the corresponding period of a year earlier.)

	Turnover		EBITDA		Operating Income		Ordinary Income	
	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%	US\$ thousand (JPY million)	%
September, 2007	3,826	△57.2	△8.378	-	△8.378	-	△9.201	-
September, 2006	(442)		(△967)		(△967)		(△1,062)	
	8,945		346		346		△1,265	
	(1,033)		(40)		(40)		(△146)	
December, 2006	9,371		△2.802		△2.802		△6.019	
	(1,082)		(△323)		(△323)		(△695)	

	Net Income		Earnings per share	
	US\$ thousand (JPY million)	%	US\$ (JPY)	2 decimal places
September, 2007	△9.201	-	△9.19	
September, 2006	(△1,062)		(△1,060.80)	
	△1.265		△1.46	
	(△146)		(△168.53)	
December, 2006	△6.019		△6.84	
	(△695)		(△789.54)	

(2) Individual Financial Status

	Total Assets	Total Net Assets	% of Adjusted shareholders' equity / Total Assets	Net Assets per Share
	US\$ thousand (JPY million)	US\$ thousand (JPY million)	%	US\$ (JPY) 2 decimal places
September, 2007	477,943	314,171	65.5	307.60
September, 2006	(55,169)	(36,265)		(35,607.26)
	383,948	324,763	84.6	354.69
	(44,319)	(37,487)		(40,941.87)
December, 2006	464,206	288,053	62.0	309.17
	(53,583)	(33,250)		(35,687.49)

6. Forecast on Individual Results for the period ended December 31, 2007 (from January 1, 2007 to December 31, 2007) under Japan GAAP

(Note: % represents increase or decrease compared to the prior year.)

	Turnover	EBITDA	Operating Income	Ordinary Income	Net Income	Earnings per share
	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ (JPY) 2 decimal places
For a year	4,522	△12,200	△12,200	△23,000	△23,000	△21.24
	(497)	(△1,342)	(△1,342)	(△2,530)	(△2,530)	(△2,336.79)
	△51.7%	-	-	-	-	-

(Notes)

- 1) Exchange rate used: USD1 = ¥110.00
- 2) We define EBITDA in relation to our Japan GAAP financial statements as operating income or loss plus depreciation, amortization and amortization of goodwill.
- 3) Performance estimates are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates.

(For reference only)

Consolidated Results under IFRS (from January 1, 2007 to September 30, 2007)

1. Consolidated Operating Results for the period ended September 30, 2007 (from January 1, 2007 to September 30, 2007) under IFRS

	Turnover	Proforma EBITDA	EBITDA	Net Income	Earnings per share	Diluted earnings per share
	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ (JPY) 2 decimal places	US\$ (JPY) 2 decimal places
September, 2007	180,665	38,347	26,079	85,875	85.77	84.97
September, 2006	(20,854)	(4,426)	(3,010)	(9,913)	(9,900.43)	(9,808.09)
	125,067	24,348	19,716	15,794	18.28	18.11
	(14,436)	(2,810)	(2,276)	(1,823)	(2,110.06)	(2,090.44)
December, 2006	174,963	32,401	23,331	18,731	21.28	20.14
	(20,196)	(3,740)	(2,693)	(2,162)	(2,456.35)	(2,324.76)

(Notes)

- 1) Average no. of shares during the period: September, 2007: 1,001,264.85 shares; September, 2006 : 863,867.52 shares
- 2) Exchange rate used USD1 = ¥115.43. The amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), from the quotations by The Bank of Tokyo – Mitsubishi UFJ, Ltd. For buying and selling spot USD by telegraphic transfer against yen as of September 28, 2007.
- 3) We define EBITDA in relation to our IFRS financial statements as profit (loss) before interest, tax, depreciation and amortization.
- 4) We define Proforma EBITDA in relation to our IFRS financial statements as EBITDA plus non cash share based payments and one time items.

2. Forecast on Consolidated Results for the period ended December 31, 2007 (from January 1, 2007 to December 31, 2007) under IFRS

	Turnover	EBITDA	Net Income
	US\$ thousand (JPY million)	US\$ thousand (JPY million)	US\$ thousand (JPY million)
For a year	260,000	46,579	57,253
	(28,600)	(5,124)	(6,298)

(Notes)

- 1) Exchange rate used: USD1 = ¥110.00
- 2) We define EBITDA in relation to our IFRS financial statements as profit (loss) before interest, tax, depreciation and amortization.
- 3) Performance estimates are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates.

*Cautionary Statement about the use of forecast information and other special information;

The forward-looking statements in this document (including but not limited to performance estimates) are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates. Please see “3. Qualitative information about Forecast on Results” on page 14 for the details of such factors.

1. Qualitative information about Consolidated Operating Results

Operating results analysis

Turnover in the first nine months of 2007 increased by 44% when compared to the same period in 2006, driven mainly by the continued demand for China focused financial information and the successful integration of the Company's content and distribution businesses. The Company's distribution strategy has created incremental value from its proprietary content, diverse client base and brand name and has enabled the Group to capture additional revenue streams.

Due to the rising demand for China focused financial information, the content business lines have progressed steadily in China over the past nine months. In the Indices service line, the amount of global assets tracking and benchmarking against the Company's China indices increased to over \$108 billion due to the rise of China investment sentiment. Total ETFs globally tracking our China and US indices increased to \$17 billion at the end of September 2007. The Company launched the Treasury Ladder 30 Year Index, the 6th ETF launched by Powershares based off our index products, during the third quarter of the year.

The Ratings service line added two China economic indicators during the year enabling investors to understand developments in China's financial markets. These two indicators are the Chinese Banking Strength Indicator, which is a gauge of the financial strength of Chinese banks, and the Chinese Adjusted-Trade and Finance Indicator, which examines the cross-border flow of goods and capital. The Ratings service line continued to invest in its infrastructure in anticipation of the expansion of China's bond markets in 2008. The Company appointed Dr. Chen Chung-Hsing as head of the Ratings service line. Dr. Chen is a veteran of the credit ratings industry and successfully founded Taiwan's first rating agency Taiwan Ratings Corporation in 1997 (TRC), now 51% controlled by Standard and Poor's. He has more than 18 years of experience in ratings services including working as a regulator at Taiwan's Securities and Exchange Commission.

The Financial News service brought China commodities news services to Japan and increased coverage on fixed income and foreign exchange markets. It continues its efforts to develop more comprehensive and timely market news to build on its market leading position.

In the Investor Relations service line, Xinhua PR Newswire ("XPRN") became the first to provide 24 hour corporate announcement distribution services in China. Corporate announcements volume increased 11% in the third quarter versus the second quarter and the number of journalists in XPRN's network increased to 7,500 at the end of September, compared to 6,500 at the end of June. In our investor relations advisory service, Taylor Rafferty was appointed to advise Giant Interactive Group on its upcoming NYSE listing.

In the Distribution service line, a new magazine focused on insurance in China was launched and we partnered with Fermat to deliver software solutions to help Chinese banks on BASEL II compliance efforts before the 2010 implementation deadline.

We will continue to expand our distribution capabilities to further capture opportunities in the market while focusing on integrating and refining the services we already offer. We plan to grow the Distribution service line through our financial solutions strategy, targeting securities firms and retail investors in China that are in need of quality financial analysis and effective analytical tools to evaluate the China markets based on international standards, as well as back office and trading applications to support their operations. We currently provide these analytic products and applications through software applications.

We are focused on developing solutions that cater to the needs of our China-based clients and leverage the unique and proprietary financial content that we already create everyday. Our goal is to bring a comprehensive financial solutions platform that empowers investors throughout China with the right information and analytical tools to enable them to make more well-informed investment decisions.

In January 2007, our subsidiary Mergent Inc, strengthened its indices capabilities by acquiring Kinetic Information System Services Limited, a leading provider of software and systems for real time index calculation services. In July 2007, our subsidiary Xinhua Finance Media Limited expanded its outdoor advertising network by acquiring Convey Advertising Company, a major outdoor advertising operator in Hong Kong and across southern China. We also acquired Glass Lewis & Co, a leading proxy research firm, in January 2007 and subsequently sold the company in October 2007 to Ontario Teachers Pension Plan Board. We made a strategic decision to exit the proxy research business based on the belief that a proxy research business would best thrive under independent ownership outside of the public markets.

Turnover

Turnover was US\$180,665 thousand (¥20,854 million) for the nine months ended September 30, 2007, as compared to US\$125,067 thousand (¥14,437 million) for the nine months ended September 30, 2006.

Higher turnover in 2007 is primarily due to:

- 1) The successful integration of the Company's content and distribution businesses.
- 2) Continued demand for China focused financial information in each of our service lines.
- 3) Consolidation of newly acquired subsidiaries, including Glass Lewis & Co. LLC, Kinetic Information System Services Limited, Shanghai TongXin Information Technology Consulting Co., Ltd, Beijing Orient Agribusiness Consultants Co., Ltd, Singshine (Holdings) Hong Kong Limited, Beijing Mobile Interactive

Co., Ltd, Convey Advertising Company, and Small World Television in the first nine months of 2007 which together accounted for 13.1% of our turnover for the nine months ended September 30, 2007.

- 4) Full period impact from acquired subsidiaries, including Xinhua Finance Advertising Limited (formerly known as Ming Shing International Ltd), Beijing JingGuanXinCheng Advertising Co. Ltd. and Shanghai Hyperlink Market Research Co., Ltd., that joined the group in 2006 which accounted for 35.1% of our turnover for the nine months ended September 30, 2007.

Cost of sales

Cost of sales was US\$86,334 thousand (¥9,966 million) for the nine months ended September 30, 2007, as compared to US\$53,346 thousand (¥6,158 million) for the nine months ended September 30, 2006. The increase in the amount of cost of sales is primarily due to consolidation of newly acquired subsidiaries that accounted for US\$13,940 thousand (¥1,609 million) in the nine months ended September 30, 2007 and full impact from subsidiaries which joined the group in 2006 which accounted for US\$35,579 thousand (¥4,107 million) in the nine months ended September 30, 2007. Cost of sales mainly consists of reporting and editorial staff costs, direct marketing expenses, production fees, distribution charges, data acquisition costs and media buying costs. Due to the larger contribution from our distribution and media business, which has a higher proportion of cost of sales, cost of sales represented 47.8% of turnover for the nine months ended September 30, 2007 versus 42.7% of turnover for the nine months ended September 30, 2006.

Gross profit margin

Given the reasons mentioned above, gross profit margin was 52.2% for the nine months ended September 30, 2007 versus 57.3% for the nine months ended September 30, 2006.

Selling, general and administrative expenses

Selling, general, and administrative expenses were US\$107,265 thousand (¥12,382 million) for the nine months ended September 30, 2007, higher than US\$67,484 thousand (¥7,790 million) for the nine months ended September 30, 2006.

Higher selling, general, and administrative expenses are mainly due to:

- 1) higher non-cash expenses such as depreciation, amortization and amortization of goodwill due to more acquisition activities in 2007 as compared to 2006;
- 2) costs associated with expansion activities, including: a) ratings service line published the China Investment Atlas and investment through staff increases b) news service line expanded its commodities news service to Japan and investment through staff increases c) investor relations service line invested in the expansion of its Greater China services, and d) distribution service line started the publication of two new magazines;
- 3) full period impact of selling, general and administrative expenses from subsidiaries acquired in 2006; and

- 4) consolidation of the selling, general and administrative expenses from subsidiaries acquired in 2007.

Our non-cash expenses for the nine months ended September 30, 2007 include depreciation of US\$4,345 thousand (¥502 million), amortization of US\$11,655 thousand (¥1,345 million), amortization of goodwill of US\$15,761 thousand (¥1,819 million) and non-cash share based payment expense of US\$4,046 thousand (¥467 million). As Japan GAAP instituted a new accounting standard for share based payment, we have recorded the above non-cash share based payment expense for that granted on or after May 1, 2006. Our depreciation, amortization and amortization of goodwill for the nine months ended September 30, 2007 totalled US\$31,761 thousand (¥3,666 million) compared to depreciation and amortization expenses for the nine months ended September 30, 2006 which totalled US\$15,839 thousand (¥1,829 million).

Selling, general, and administrative expenses, inclusive of depreciation, amortization, amortization of goodwill and non-cash share based payment expense, as a percentage of turnover was 59.4% for the nine months ended September 30, 2007 versus 53.9% for the nine months ended September 30, 2006. Excluding depreciation, amortization, amortization of goodwill and non-cash share based payment expense, selling, general, and administrative expenses as a percentage of turnover was 39.6% for the nine months ended September 30, 2007 versus 40.3% for the nine months ended September 30, 2006.

Operating income

As a result of the above, operating loss was US\$12,933 thousand (¥1,493 million) for the nine months ended September 30, 2007, versus operating profit of US\$4,237 thousand (¥489 million) for the nine months ended September 30, 2006. Excluding depreciation and amortization, operating income would have been US\$18,829 thousand (¥2,173 million) for the nine months ended September 30, 2007 and US\$20,076 thousand (¥2,317 million) for the nine months ended September 30, 2006.

Ordinary income

Ordinary loss was US\$16,355 thousand (¥1,888 million) for the nine months ended September 30, 2007, versus ordinary profit of US\$4,580 thousand (¥529 million) for the nine months ended September 30, 2006. Ordinary loss was arrived at after accounting for:

1. share issuance expenses of US\$9,522 thousand (¥1,099 million), from the listing of our subsidiary Xinhua Finance Media Limited (“XFMedia”);
2. non-operating income (including interest income and gain on foreign exchange) of US\$14,364 thousand (¥1,658 million) offset mainly by US\$8,176 thousand (¥944 million) in interest expense and finance-related costs.

Net income for the period

Net profit was US\$80,269 thousand (¥9,265 million) for the nine months ended September 30, 2007, versus net profit of US\$10,330 thousand (¥1,192 million) for the nine months ended September 30, 2006.

Net profit for the nine months ended September 30, 2007 was arrived at after including:

- 1) taxation charge of US\$2,007 thousand (¥232 million);
- 2) gain from changes in equity interest of US\$98,472 thousand (¥11,367 million) which mainly related to the listing of our subsidiary XFMedia; and
- 3) minority interest credit of US\$131 thousand (¥15 million).

EBITDA

EBITDA was US\$18,829 thousand (¥2,173 million) for the nine months ended September 30, 2007, versus US\$20,076 thousand (¥2,317 million) for the nine months ended September 30, 2006. EBITDA is calculated by taking operating income (or loss) and adding back the following non-cash items: (1) depreciation; (2) amortization; and (3) amortization of goodwill.

Proforma EBITDA for the nine months ended September 30, 2007, was US\$37,827 thousand (¥4,366 million) versus US\$24,753 thousand (¥2,857 million) for the nine months ended September 30, 2006. Proforma EBITDA for the nine months ended September 30, 2007 includes recurring non operating income of US\$14,364 thousand (¥1,658 million) which is mainly interest income of US\$7,618 thousand (¥879 million) and foreign exchange gain of US\$3,729 thousand (¥430 million), excludes non cash share based payments of US\$4,046 thousand (¥467 million) and excludes one time professional fees of US\$588 thousand (¥68 million).

Difference in net results under IFRS and Japan GAAP

Net results achieved under IFRS for the nine months ended September 30, 2007 was net income of US\$85,875 thousand (¥9,913 million) versus a net income of US\$80,269 thousand (¥9,265 million) under Japan GAAP.

The material differences between IFRS and JGAAP when applied to us include:

- 1) Amortization of goodwill on consolidation arising from strategic acquisitions (a consolidation adjustment which is a non-cash expense)
Japan GAAP requires goodwill arising from consolidation to be amortized within 20 years. The goodwill on consolidation of the Company has been and is projected to be amortized by the straight-line method over a period of 20 years. Under IAS 36, our goodwill on consolidation in connection with subsidiaries acquired on or after March 31, 2004 is not amortized but is assessed for impairment at least annually.
- 2) Compensation expense related to Employee Stock Option Plan
Under IFRS and JGAAP, fair value of shares or options granted for compensation is amortized over the vesting period of the shares or options. Under Japan GAAP there is no requirement for this amortization for

shares or options granted for compensation prior to May 1, 2006. However, shares and options granted after May 1, 2006 start to attract compensation expense under Japan GAAP.

3) Share issuance expenses

Under IFRS, share issuance expenses are capitalized in the balance sheet. Under JGAAP, share issuance expenses are expensed through the income statement.

4) Fair value gain on the redemption option of the US\$100,000 thousand (¥11,543 million) 10% Senior Guaranteed Notes (the “Notes”)

Under IFRS, at each balance sheet date subsequent to initial recognition, the redemption option in the Notes is measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. This is not required under JGAAP.

5) Fair value loss on the conversion of XFMedia convertible loan into equity shares of XFMedia upon its IPO

Under IFRS, the change in fair value arising from the conversion of XFMedia convertible loan into XFMedia equity shares upon IPO is recognized directly in the income statement. This is not required under JGAAP.

2. Qualitative information about Consolidated Financial Status

Total Assets, Net Assets and Liabilities Analysis

Total Assets

Total Assets at September 30, 2007, was US\$1,047,824 thousand (¥120,950 million) compared to US\$578,177 thousand (¥66,739 million) at September 30, 2006. Higher Total Assets at September 30, 2007 are mainly due to:

- higher cash and bank balances due to cash generated from operating activities of US\$8,632 thousand (¥996 million) and the Group’s financing activities over the past twelve months, which include funds raised from the Notes issued in November 2006 and funds raised from the IPO of the Company’s subsidiary XFMedia on NASDAQ in March 2007; and
- higher goodwill and intangible assets due to the acquisitions made over the past twelve months from the above funding.

Total Net Assets

Total Net Assets at September 30, 2007, was US\$625,844 thousand (¥72,241 million) compared to US\$406,116 thousand (¥46,878 million) at September 30, 2006. Higher Total Net Assets at September 30, 2007 are mainly due to Higher Total Assets due to the reasons mentioned above.

Total Liabilities

Total Liabilities at September 30, 2007, was US\$421,980 thousand (¥48,709 million) compared to US\$172,061 thousand (¥19,861 million) at September 30, 2006. Higher Total Liabilities are mainly due to:

- The Notes issued in November 2006; and
- Higher long term payables due mainly to the operating and license agreements in our distribution service line.

Cashflow analysis

Operating activities

Net cash provided by operating activities amounted to US\$8,632 thousand (¥996 million) for the nine months ended September 30, 2007.

Investing activities

Net cash used in investing activities amounted to US\$156,405 thousand (¥18,054 million) for the nine months ended September 30, 2007, mainly consisted of cash used for strategic acquisitions of US\$78,203 thousand (¥9,027 million), subsequent consideration payments for subsidiaries including Xinhua Finance Advertising Limited and Washington Analysis of US\$17,214 thousand (¥1,987 million), currency linked note investment of US\$40,000 thousand (¥4,617 million), deposit for purchase of intangible assets of US\$6,087 thousand (¥703 million), and capital expenditures of US\$9,189 thousand (¥1,061 million).

Financing Activities

Cashflow from financing activities amounted to US\$193,604 thousand (¥22,348 million) for the nine months ended September 30, 2007. This amount mainly consisted of cash proceeds of US\$199,390 thousand (¥23,016 million) from the issuance of shares in XFMedia due to its listing on the Nasdaq market in the US and interest payments related to the Notes and bank borrowings totalled to US\$7,067 thousand (¥816 million).

Cash Balance

The ending cash and bank balance was US\$194,762 thousand (¥22,481 million) as at September 30, 2007 as a result of the activities described in the “Operating Activities”, “Investing Activities” and “Financing Activities” above. The net cash and cash equivalents was US\$139,887 thousand (¥16,147 million) as at September 30, 2007 and resulted from marketable securities of US\$291 thousand (¥34 million) added to and a bank overdraft and deposits pledged as collateral in the amounts of US\$1,525 thousand (¥176 million) and US\$53,640 thousand (¥6,192 million) deducted from the ending cash and bank balance.

3. Qualitative information about Forecast on Results

Financial Projection

Forecast for the fiscal year 2007 is as follows:

Turnover	US\$ 260,000 thousand (JPY 28,600 million)
EBITDA	US\$ 32,000 thousand (JPY 3,520 million)
Operating Income	US\$ △ 10,000 thousand (JPY △1,100 million)
Ordinary Income	US\$ △13,447 thousand (JPY △1,479 million)
Net Income	US\$ 31,999 thousand (JPY 3,520 million)

The forecasts are based on the exchange rate of US\$1 = 110 JPY.

Reason why forecast turnover is USD 260,000 thousand (¥28,600 million) while our turnover for the nine months ended September 30, 2007 is USD 180,665 thousand (¥20,854 million)

For the nine months ended September 30, 2007, turnover was USD 180,665 thousand (¥20,854 million) which is 69.5% of the full year forecast. Our business is seasonal in nature and a larger portion of our turnover occurs in the second half of the year. Our business is seasonal, meaning that turnover does not accrue evenly over the year. We have a larger portion of our turnover in the second half of the year especially in our distribution business as we obtain more business in the run up to Chinese New Year being early February in 2008. So, with the expected additional business in the fourth quarter, we are confident of meeting the full year turnover forecast.

Reason why forecast operating loss is USD 10,000 thousand (¥1,100 million) while our operating loss for the nine months ended September 30, 2007 was USD 12,933 thousand (¥1,493 million)

For the nine months ended September 30, 2007, operating loss was USD12,933 thousand (¥1,493 million) compared to the full year forecast of operating loss of USD 10,000 thousand (¥1,100 million). Due to the seasonality of our business, mentioned above, we expect our business in the second half of the year to be better than in the first half of the year. With the expected increase in turnover for fourth quarter, we expect to achieve at least USD 3,000 thousand (¥330 million) in operating income in the fourth quarter to meet the forecast.

Reason why forecast ordinary loss is USD 13,447 thousand (¥1,479 million) while our ordinary loss for the nine months ended September 30, 2007 was USD 16,355 thousand (¥1,888 million)

For the nine months ended September 30, 2007, ordinary loss was USD 16,355 thousand (¥1,888 million) compared to the full year forecast of operating loss of USD 13,447 thousand (¥1,479 million). As mentioned above,

we expect business in the second half of the year to be better than in the first half of the year. As a result, we expect that the increase in turnover in the fourth quarter will generate at least USD 3,000 thousand (¥330 million) in ordinary income in the fourth quarter to meet the forecast.

Reason why forecast net income for the year of USD31,999 thousand(¥3,520 million) is lower than net income for the nine months ended September 30, 2007 of USD80,269 thousand. (¥9,265 million)

In the consolidated financial forecasts, which were made public on August 14, 2007, the Company included a non cash provision for possible impairment of intangible assets for the year ended December 31, 2007. The Company will continue to review its intangible assets and business outlook to determine if impairments are necessary. The Company continues to include a provision for possible impairment of intangible assets in the forecast for the full year.

4. Miscellaneous

Not Applicable