2006 Year 12 Month Financial Summary (Consolidated) 2007 Year 02 Month 15 Date

Listed Company Name : Xinhua Finance Limited Listed Section : Mothers
Code No. : 9399 Head Office Location : Cayman Islands
(URL http://www.xinhuafinance.com)
Representative- Title : Chief Executive Officer ; Name : Fredy Bush
Inquiry- Title : Chief Financial Officer ; Name : Gordon Lau ; Tel : Hong Kong (852) 3196-3939
Title : Managing Director of Investor Relations ; Name : Sun Jiong ; Tel : Tokyo (81) 3 3221-9500
Directors' meeting on Financial results : Year 2007 Month 02 Date 14
Applied the US GAAP? No

1. Consolidated Results for the period ending December 2006 (1 January 2006 to 31 December 2006) under Japan GAAP

(1) Consolidated Operating Results **Note: The figures are rounded.**

	Turnover		EBITDA		Operating Income		Ordinary Income	
	US$ Thousand (JPY Thousand)	%	US$ Thousand (JPY Thousand)	%	US$ Thousand (JPY Thousand)	%	US$ Thousand (JPY Thousand)	%
Dec, 2006	174,963 (20,839,820)	59.0	24,672 (2,938,682)	31.3	1,134 (135,099)	△67.3	63 (7,448)	△88.1
Dec, 2005	110,010 (13,103,296)	84.3	18,787 (2,237,765)	344.2	3,472 (413,503)	-	523 (62,345)	-

	Net Income /△ Loss		Earnings per share	Diluted Earnings per Share	% of Net income/ Adjusted shareholders' equity	% of Ordinary income / total assets	% of Ordinary income / Turnover
	US$ Thousand (JPY Thousand)	%	US$ (JPY) 2 decimal places	US$ (JPY) 2 decimal places	%	%	%
Dec, 2006	10,760 (1,281,662)	-	12.23 (1,456.43)	11.57 (1,378.69)	3.7	0.0	0.0
Dec, 2005	△2,814 (△335,226)	-	△4.25 (△506.32)	- -	△1.3	0.2	0.5

(Note) 1. P/L from applying Equity Method : December, 2006 : US$ 196 thousand (JPY 23,350 thousand) ; December, 2005: Nil
2. Average no. of shares during the period : December, 2006 : 880,001.21 shares ; December, 2005 : 662,085.34 shares.
3. Change in Accounting Method: No
4. % of Turnover, EBITDA, Operating Income, Ordinary Income and Net Income represent increase or decrease in comparison to the prior year.
5. Exchange rate used USD1 = ¥119.11; The amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), from the Tokyo Foreign Exchange Market as of December 29, 2006.
6. EBITDA is defined as operating income or loss plus depreciation, amortization and amortization of goodwill on consolidation.
7. Total Net Assets as of December 31, 2005 was reported as total shareholder's equity in the previous announcement at the balance sheet date.
8. Adjusted shareholders' equity for 2006 is defined as total net assets minus minority interests minus share subscription rights. Adjusted shareholders' equity for 2005 is defined as shareholders' equity.

(2)Consolidated Financial Status

	Total Assets	Total Net Assets	% of Adjusted Shareholders' Equity / Total Assets	Net Assets per Share
	US$ Thousand (JPY Thousand)	US$ Thousand (JPY Thousand)	%	US$ (JPY) 2 decimal places
Dec, 2006	765,941 (91,231,267)	382,758 (45,590,300)	39.8	326.93 (38,940.63)
Dec, 2005	368,817 (43,929,746)	279,442 (33,284,304)	75.8	305.65 (36,405.58)

(Note)
1. Total issued shares at end of period (consolidated) : Dec, 2006 : 931,637.79 shares ; Dec, 2005 : 815,477.29 shares
2. Total Net Assets as of December 31, 2005 was reported as total shareholder's equity in the previous announcement at the balance sheet date.
3. Adjusted shareholders' equity for 2006 is defined as total net assets minus minority interests minus share subscription rights. Adjusted shareholders' equity for 2005 is defined as shareholders' equity.

(3)Consolidated Cashflow result

	Cash flow from Operating Activities	Cash flow from Investing Activities	Cash flow from Financing Activities	Cash and Cash Equivalent at the year end
	US$ Thousand (JPY Thousand)	US$ Thousand (JPY Thousand)	US$ Thousand (JPY Thousand)	US$ Thousand (JPY Thousand)
Dec, 2006	△12,970 (△1,544,830)	△95,754 (△11,405,279)	125,122 (14,903,295)	97,279 (11,586,914)
Dec, 2005	△7,154 (△852,065)	△55,431 (△6,602,435)	103,255 (12,298,674)	80,669 (9,608,540)

(4) Details regarding the application of consolidated scope and Equity Method

Number of consolidated entities: 82; Number of non-consolidated entities using the Equity Method : 4; Number of related entities using the Equity Method: 2

(5) Changes in conditions on the applicability of the consolidated scope and Equity Method

Consolidated: (New) 40, (Excluded) N/A; Equity Method : (New) 1, (Excluded) N/A

2. Forecast on Consolidated Results for the period ending December 2007 (1 January 2007 to 31 December 2007) under Japan GAAP

	Turnover	EBITDA	Operating Income / △ Loss	Ordinary Income	Net Income
	US$ Thousand (JPY Thousand)	US$ Thousand (JPY Thousand)	US$ Thousand (JPY Thousand)	US$ Thousand (JPY Thousand)	US$ Thousand (JPY Thousand)
For 6 months	99,502 (10,945,216)	9,589 (1,054,785)	△5,905 (△649,562)	4,199 (461,847)	799 (87,943)
For a year	228,680 (25,154,804)	32,281 (3,550,892)	964 (106,011)	16,527 (1,817,973)	1,999 (219,874)

(Reference) Forecasted net income per share (for the period) : JPY 203.08 (2 decimal places)
1. Exchange rate used USD1 = ¥110 (estimate).

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

<For Reference Only (IFRS)>

1. Consolidated Results for the period ending December 2006 (1 January 2006 to 31 December 2006) under IFRS

(1) Consolidated Operating Results

	Turnover	EBITDA	Net Income	Earnings per share	Diluted Earnings per Share
	US$ Thousand (JPY Thousand)	US$ Thousand (JPY Thousand)	US$ Thousand (JPY Thousand)	US$ (JPY) 2 decimal places	US$ (JPY) 2 decimal places
Dec, 2006	174,963 (20,839,820)	23,331 (2,780,792)	18,731 (2,232,502)	21.28 (2,535.23)	20.14 (2,398.63)
Dec, 2005	110,010 (13,103,296)	21,234 (2,506,937)	10,270 (1,212,576)	15.51 (1,831.27)	15.23 (1,798.21)

(Note) 1. P/L from applying Equity Method : Dec, 2006 : US$ 196 thousand (JPY 23,350 thousand); Dec, 2005: Nil
2. Average no. of shares during the period : Dec, 2006 : 880,001.21 shares ; Dec, 2005 : 662,085.34 shares
3. Change in Accounting Method : No
4. Exchange rate used USD1 = ¥119.11.

(2) Details regarding the application of consolidated scope and Equity Method

Number of consolidated entities : 82; Number of non-consolidated entities using the Equity Method : 4; Number of related entities using the Equity Method: 2

(3) Changes in conditions on the applicability of the consolidated scope and Equity Method

Consolidated : (New) 40, (Excluded) N/A; Equity Method : (New) 1, (Excluded) N/A

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

	Turnover	EBITDA	Net Income
	US$ Thousand (JPY Thousand)	US$ Thousand (JPY Thousand)	US$ Thousand (JPY Thousand)
For 6 months	99,502 (10,945,216)	13,152 (1,446,734)	15,738 (1,731,154)
For a year	228,680 (25,154,804)	37,422 (4,116,446)	27,253 (2,997,806)

(Reference) Forecasted net income per share (for the period) : JPY2,768.87 (2 decimal places)
1. Exchange rate used USD1 = ¥110 (estimate)

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

Management Policy

(a) Basic policy of company management

We are an integrated provider of market indices, ratings, financial news and analysis, investor relations ("IR") and distribution services for our proprietary content. In particular, we are a leader in China-related financial information and media services. Combining our China focus and global presence, we, led by our international management team, introduce internationally proven standards and essential products and services that facilitate investments into and out of China.

We believe that we are uniquely positioned in the financial information and services market because our business embodies five complementary services covering indices, ratings, financial news, IR and distribution, under one umbrella on one platform described below:

- *Market Indices.* Our market indices service line offers a broad series of benchmark and tradable indices, tracking the China and US equity and bond markets. Through partnerships with FTSE and Lehman Brothers, we apply proven methodologies used in mature markets to China in our construction of the Xinhua FTSE Index and Xinhua Lehman China Bond Index. Our index families serve as a basis for index funds, ETFs, derivatives and other structured products. In addition, our US subsidiary, Mergent Inc., constructs the Dividend Achievers Indices, an index that is constituted by global companies that consistently pass on strong earnings in the form of increasing dividend payouts to shareholders.

- *Ratings.* Our ratings service line offers independent ratings assessments and opinions on PRC companies and sectors. We also provide a comprehensive portfolio of corporate and financial databases, together with research and analysis tools. Our ratings, research, data and analysis provide essential support for asset allocation and credit risk management across China and the global markets.

- *Financial News and Analysis.* Our financial news and analysis service line delivers independent, up-to-the-minute news affecting the Chinese and global economies. Our content includes actionable market intelligence, market commentary and analysis, and is delivered via multiple channels. We cover global equity and fixed income, foreign exchange, commodities and derivatives markets with special insights into government and central bank policy and the Chinese economy.

- *IR Services.* Our IR service line offers a full range of investor and public relations services. Through our alliance with industry leader PR Newswire, our corporate announcement service allows companies inside and outside of China to communicate their news and events through our global network. By providing advisory and execution support, we help enterprises formulate and implement strategic capital market and media campaigns through our advisory firms. We assist Chinese companies in reaching out to an international investor base and, conversely, foreign companies in executing their press and investor relations objectives across China.

- *Distribution.* Leveraging our proprietary financial information products, client base and brand name, we are developing a China distribution capability with a view to expanding our reach to individuals in China who need our information to make investment decisions. In addition, we intend to further develop our desktop terminal business, another key medium for financial information. We are focusing on commodities and futures data and intend to expand into other key asset classes such as equities, fixed income and foreign exchange.

We are a global organization with our headquarters in Shanghai and offices across Asia, Australia, North America and Europe. Our 19 office locations include Hong Kong, Beijing, Guangzhou, Shanghai, Shenzhen, Taipei, Tokyo, Seoul, Singapore, Kuala Lumpur, Melbourne, New York, Washington, D.C., Charlotte, Dallas, San Diego, Sunnyvale, Toronto, London. Our 20 news bureaus are located in Hong Kong, Beijing, Shanghai, Taipei, Tokyo, Seoul, Singapore, Kuala Lumpur, Jakarta, Manila, Sydney, New York, Washington, D.C., Chicago, Princeton, London, Frankfurt, Brussels, Paris and Berlin. As at December 31, 2006 we had 1,581 employees worldwide.

In 2006, we made a number of strategic acquisitions to further expand our product offerings and widen our distribution network in China. Major subsidiaries and affiliates we acquired during the year are as follows:-

- in January 2006, we completed the acquisition of Ming Shing International Ltd. (since renamed "Xinhua Finance Advertising Limited"), which is the holding company of our China advertising business;
- in July 2006, we completed the acquisition of all the equity interests in Beijing Alpha Financial Engineering Limited, a company engaged in the development of financial engineering and risk management systems in China;
- in June 2006, we purchased 50% of the equity interests of Beijing Jing Guang Xin Cheng Advertising Company Ltd, an advertising company. We acquired the remaining 50% in September 2006;
- in August 2006, we purchased 51% equity interests of Shanghai Hyperlink Market Research Co., Ltd, a market research company. We acquired the remaining 49% in September 2006;
- in July 2006, our subsidiary Mergent, purchased all the equity interests of Praedea Solutions, Inc., a company which develops enterprise software for automated data extraction. After the acquisition, Praedea Solutions, Inc. was renamed as Mergent Data Technology, Inc;
- in August 2006, we purchased a 19.9% equity interest in Glass, Lewis & Co., LLC., a leading provider of investment research and global proxy advisory and voting services. We completed the acquisition by purchasing the remaining 80.1% equity interest in January 2007.

(b) Basic policy about profit distribution

Since we have a relatively short operating history, dividends have not yet been declared and paid.

In order to maintain our leadership in our business sectors and maximize the value of our company, we have thus far considered funding the expansion of our business paramount to the distribution of dividends. Currently, we are making efforts to strengthen our profit profile while expanding the business.

(c) Idea or policy regarding reduction of an investment unit

Not applicable to us.

(d) Management index to aim for

The Group places great importance on results and the rates of change in the following operating metrics: turnover, operating income, ordinary income, net income, cash flows, and EBITDA*.

*EBITDA is defined as operating income or loss plus depreciation, amortization and amortization of goodwill

(e) Corporate strategy of a long-medium term

We intend to seek growth opportunities and enhance profitability by pursuing the following strategies:

Positioning our global operations to profit from China's internationalization

We are confident that our China focus and global approach will enable us to increase our business and capture the rising demand for our core products as China's financial market continues to liberalize and mature. We believe that we can grow our market share and increase our profitability by focusing our resources and marketing efforts on our core products and leveraging our strength in our core products to establish competitive advantages in our major markets worldwide.

Acquiring and growing complementary financial information and media service lines

As competition in the China financial information and services industry increases, we believe that to compete effectively we need to continue to grow both organically and through strategic acquisitions. We will continue to review such opportunities which we consider to be complementary to our business and which we believe will allow us to achieve synergies. In making acquisitions we seek to adhere to the following criteria:

- the target company should be a strategic fit, adding breadth and depth to our existing service lines and advancing our growth strategy;
- the target company should bring along special expertise that is suitable for the China markets;
- the target company should be profitable with existing operations which generate positive cashflow;
- the target company should have an established management team with a proven track record and the desire to continue to manage the company post-acquisition;
- the target company's management team should share our China-focused strategy and have a desire to tailor its products and services to the China market after the acquisition; and
- the target company should offer complementary distribution capabilities and expand our international selling network, enabling us to capture full revenue streams.

In order to align the interests of the existing shareholders and management of the acquired entity with ours, we aim to fund our acquisitions by way of both cash and equity with earn-out arrangements based on the financial performance of the acquired entity. The consideration payment structure is usually staggered over a two to three year period with a view to reducing our financial risks and minimizing upfront payments.

Integrating businesses and achieving economies of scale

Through years of active strategic alliances and acquisitions, we have established five complementary business lines. We intend to establish an efficient business organization and operational structure which will enable us to effectively integrate the operations of the individual business units and realize the synergies arising from our significantly enlarged product and service portfolio and operation platform. We wish to create an environment where all our service lines can be integrated and to leverage the unique resources and expertise of the individual business units to the benefit of the group as a whole. We intend to achieve these objectives by enhanced sales and marketing efforts and ensuring consistent communication through periodic meetings among the business heads. Our sales force is continuously trained to identify potential client needs for products offered by other business units and to actively promote their usage. On the operational side, we have continued to convert all our business units to a common financial reporting system and infrastructure, and move towards common operations to eliminate duplicate functions and achieve economies of scale.

Building China distribution capabilities to leverage the value of our products

As part of our growth and development strategy, a fifth service line, distribution, was created. Through this service line, we intend to develop our China distribution capabilities, by leveraging our proprietary financial information products, solid client base, and increasingly visible brand name. We are moving our existing content onto various new financial and media platforms to extend product distribution and drive new revenue from distribution and advertising. We expect our strategic China acquisitions and partnerships to add new distribution capabilities to our existing financial information content and simultaneously provide new content to enhance our current products, which in turn will be distributed throughout our growing network. This approach is expected to allow us to penetrate deeper the financial media market through content and distribution while leveraging the capabilities of our existing service lines.

We expect to leverage the value of our existing business lines, market indices, ratings, financial news and analysis and investor relations by distributing our content through a range of financial media channels. We expect this strategy, if successfully executed, will allow us to maintain our focus on financial, business, and personal finance related content, while enabling us to generate a new source of revenue.

(f) Problems that should be dealt with

We continue to take steps to resolve the following issues relating to our business:

Growing competition. As China's financial industry continues to be deregulated, more players are likely to participate in the China markets and competition is expected to intensify.

Mitigating factors:

- *Continue to launch services that bring new standards to the China market.* In order to maintain and increase our competitive edge, we will continue to bring new standards (such as standards of index calculation methodology, ratings calculation methodology, disclosure, and corporate governance) to China's financial markets by adding depth and breadth to our service lines and applying proven technologies and methodologies for the China market.
- *Continue to pursue strategic acquisitions to expand and broaden our service offerings and acquire proven expertise.* We intend to continue pursuing strategic acquisitions that provide us with additional products to bring into China, extend our global distribution capabilities, and gain additional revenue streams from acquired service lines.

Acquisition selection and integration. With acquisitions being a key part of our growth strategy, proper selection of appropriate acquisition targets and effective post-acquisition integration of acquired companies are critical to our success.

Mitigating factors:

- *Careful selection of targets.* We screen potential acquisition targets that fit into our business strategy and conduct due diligence on short-listed candidates to assess the quality of their management.

- *Structure transactions to minimize commercial risks.* In our purchase agreement negotiations, when and where appropriate, we structure transactions in ways that protect the interests of the Company, such as including "earn out" provisions linking the purchase price of the acquired company to its financial performance after the acquisition has occurred.
- *Retain key management members of acquired companies.* In addition to selecting well-managed operations, we further ensure that our acquired companies continue to operate efficiently and effectively by retaining key management members. This allows us to increase staff stability and client retention, minimize integration risks and ensure management and administrative control.
- *Maintain and develop in-house acquisition and integration efficiency.* Prior to joining the Company, members of our management team have worked with organizations that have conducted acquisitions and have gained relevant experience that is applied to our acquisition strategy.

A strong and stable management team. We require a strong and stable management team for our operations due to the rapidly developing business environment in China and our aggressive growth strategy in China and overseas.

Mitigating factors:

- *Retain and attract a solid management team with international experience*. Our international senior management team includes experienced managers with extensive experience in building businesses in China, Asia and overseas. It is a high priority within the Company to continue to employ skilled and proficient managers.
- *Align interests of our management team and shareholders through a share compensation program.* Under this program, our management team has equity ownership, incentivizing them to perform for the long-term success of the Company.
- *Sign executive contracts with key managers to protect the Company.* Existing key managers and managers from acquired companies are required to sign employment contracts with non-compete, non-disclosure and confidentiality provisions. We will continue to sign such contracts with key managers in the future.

Financing our operations and growth. As we are a fast growing company, we need adequate financing to fund our expanding operations and growth.

Mitigating factors:

- *Constantly monitor cash flow from all our operations.* We constantly monitor the cash positions and cash projections of all companies within the Group so that we can forecast future cash needs.
- *Seek sources of financing in line with our growth strategy*. In view of our expansion needs, we will from time to time review our funding sources and strategy to enhance our capital and funding efficiency and manage our risks.

- *Reduce expenses and control costs*. We are always seeking to reduce expenses and to control costs so that cash is used effectively and efficiently.

(g) Information of parent company

Not applicable to us.

(h) Other material items

None.

Financial Information

a. Financial operating results and forecasts

We believe that our China focus and global approach will enable us to increase our business and capture the rising demand for our core products as China's financial market continues to liberalize and mature. China's economy and its financial markets are growing rapidly while its financial information infrastructure is still in its early stages of development. There is significant demand for financial information developed according to internationally recognized standards and methodologies. We believe that significant business opportunities and demand will be generated for our core products due to reasons including:

- the rapid development of China's financial markets, including the evolution of the regulatory framework and market standards in line with international protocols;
- the increasing availability and variety of financial instruments;
- the fast growing demand for financial products such as hedge funds, index funds, futures, corporate bonds, derivatives and structured products;
- the entry of foreign institutional investors into the domestic market;
- the expansion of financing activities and operations of Chinese companies to overseas markets and the relaxation of capital controls and regulatory restraints on cross-border investment and trading and the foreign exchange control regulations.

We will continue to bring international standards to China's financial markets and to focus on our core business lines of market indices, ratings, financial news and analysis, investor relations and distribution.

Forecast for the fiscal year 2007 is as follows:

Turnover	US$ 228,680 thousand (JPY 25,154,804 thousand)
EBITDA	US$ 32,281 thousand (JPY 3,550,892 thousand)
Operating Income	US$ 964 thousand (JPY 106,011 thousand)
Ordinary Income	US$ 16,527 thousand (JPY 1,817,973 thousand)
Net Income	US$ 1,999 thousand (JPY 219,874 thousand)

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

b. Financial condition

Operating results

Turnover

Turnover was US$174,963 thousand (￥20,839,820 thousand) for the year ended December 31, 2006, compared to US$110,010 thousand (￥13,103,296 thousand) for the year ended December 31, 2005. Turnover for the year ended December 31, 2006 increased by US$ 64,953 thousand (￥7,736,524 thousand), or 59.0% over the same period in 2005 and was mainly due to:

- Increased demand for China-focused financial information and product line extensions such as G7's China Service, MNI's China Bullet Points and China MainWire, as well as translated China news services for the Japan markets;
- Realized synergies among the group, including cross-selling group services and products, through a more streamlined sales and marketing approach of our global operations;
- Consolidation of newly acquired subsidiaries in 2006, including Xinhua Finance Advertising Limited (formerly known as Ming Shing International Ltd), Beijing JingGuanXinCheng Advertising Co. Ltd. and Shanghai Hyperlink Market Research Co., Ltd, which accounted for 25.4% of our consolidated turnover in 2006; and
- Full period impact from subsidiaries, including Taylor Rafferty Associates Inc., EconWorld Media Ltd., Washington Analysis Corporation, Beijing Century Media Culture Co. Ltd., and Shanghai Far East Credit Rating Co., Ltd. which joined the group at various times in 2005, as they accounted for 21.1% of our consolidated turnover in 2006.

Cost of sales

Cost of sales was US$75,823 thousand (￥9,031,221 thousand) for the year ended December 31, 2006, compared to US$45,455 thousand (￥5,414,134 thousand) for the year ended December 31, 2005. Cost of sales mainly consists of reporting and editorial staff costs, direct marketing expenses, production fees, distribution charges and data acquisition costs. Cost of sales represented 43.3% of turnover for the year ended December 31, 2006 and 41.3% of turnover for the year ended December 31, 2005. The increase of cost of sales as a percentage of turnover is primarily due to consolidation of newly acquired subsidiaries.

Gross Margin

Gross profit to turnover was 56.7% for the year ended December 31, 2006 versus 58.7% for the year ended December 31, 2005.

Selling, general and administrative expenses

Selling, general, and administrative expenses were US$98,006 thousand (￥11,673,500 thousand) for the year ended December 31, 2006, which is higher than the US$61,084 thousand (￥7,275,659 thousand) for the year ended December 31, 2005. Higher selling, general, and administrative expenses in 2006 are mainly due to:

1) costs associated with expansion activities;
2) the full year impact of selling, general and administrative expenses from subsidiaries acquired in 2005;
3) selling, general and administrative expenses from subsidiaries acquired in 2006; and
4) higher non-cash expenses.

Our non-cash expenses for the year ended December 31, 2006 include depreciation of US$3,046 thousand (￥362,796 thousand), amortization of US$4,811 thousand (￥573,038 thousand), amortization of goodwill on consolidation of US$15,681 thousand (￥1,867,749 thousand) and amortization of non-cash ESOP (Employee Stock Option Plan) expense of US$2,308 thousand (￥274,904 thousand). Since May 2006 when Japan GAAP instituted a new accounting standard for share based payment, we have recorded the above non-cash ESOP expense.

The increased amortization of goodwill on consolidation resulted from new acquisitions in 2006 and higher than expected earn-out payments resulting from the performance of certain companies acquired in 2005, all of which increased goodwill on consolidation.

Selling, general, and administrative expenses, inclusive of depreciation, amortization and non-cash ESOP expense, as a percentage of turnover was 56.0% for the year ended December 31, 2006 versus 55.5% for the year ended December 31, 2005. Excluding depreciation, amortization and non-cash ESOP expense, selling, general, and administrative expenses as a percentage of turnover was 41.2% for the year ended December 31, 2006 and 41.6% for the year ended December 31, 2005.

Operating Income

As a result of the above, operating income was US$1,134 thousand (￥135,099 thousand) for the year ended December 31, 2006, as compared to operating income of US$3,472 thousand (￥413,503 thousand) for the year ended December 31, 2005.

Ordinary Income

Ordinary income was US$63 thousand (￥7,448 thousand) for the year ended December 31, 2006, as compared to ordinary income of US$523 thousand (￥62,345 thousand) for the year ended December 31, 2005.

Ordinary income was arrived at after deducting interest expense and finance cost related to debt financings completed by the Group during the year. The debt financings completed during the year include:

1) a syndicated loan facility of US$70,000 thousand (￥8,337,700 thousand) which was subsequently refinanced through US$100,000 thousand (￥11,911,000 thousand) 10% Senior Guaranteed Notes due

2011 (the “Notes”) issued in November 2006;

2) US$10,000 thousand (￥1,191,100 thousand) of debt financing raised by a subsidiary.

The proceeds from the Notes were raised to fund strategic acquisitions, refinance the existing syndicated loan facility, and provide general working capital. Although we have incurred interest and finance cost from the financings mentioned above, not all the proceeds from these financings have been fully utilized as at December 31, 2006.

Net income for the period

Net income was US$10,760 thousand (￥1,281,662 thousand) for the year ended December 31, 2006, versus net loss of US$2,814 thousand (￥335,226 thousand) for the year ended December 31, 2005.

Net income for the year ended December 31, 2006 was arrived at after including:

1) taxation charge of US$3,756 thousand (￥447,346 thousand) of which US$901 thousand (￥107,270 thousand) relates to a one-time adjustment pertaining to a prior period;

2) a combined one-time gain of US$16,677 thousand (￥1,986,406 thousand) from the partial and deemed disposal of subsidiaries to strategic investors and partners;

3) a one-time gain of US$3,000 thousand (￥357,330 thousand) from the redemption of minority interests;

4) minority interests of US$5,211 thousand (￥620,691 thousand) of which US$1,650 thousand (￥196,532 thousand) was a one-time charge related to the previously mentioned one-time gain of US$3,000 thousand (￥357,330 thousand)

EBITDA

EBITDA was US$24,672 thousand (￥2,938,682 thousand) for the year ended December 31, 2006, a 31.3% increase over EBITDA of US$18,787 thousand (￥2,237,765 thousand) for the year ended December 31, 2005. 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. EBITDA as a percentage of turnover was 14.1% for the year ended December 31, 2006 compared to 17.1% for the year ended December 31, 2005.

EBITDA also includes US$2,308 thousand (￥274,904 thousand) of non-cash ESOP expense. Excluding non-cash ESOP expense from EBITDA, EBITDA as a percentage of turnover was 15.4% for the year ended December 31, 2006 compared to 17.1% for the year ended December 31, 2005.

Difference in net results under IFRS and Japan GAAP

Net results achieved under IFRS for the year ended December 31, 2006 was net income of US$18,731 thousand (￥2,232,502 thousand) rather than a net income of US$10,760 thousand (￥1,281,662 thousand) under Japan GAAP. This material difference of US$7,971 thousand (￥950,840 thousand) is mainly due to different treatment of the following items:

- Amortization of goodwill on consolidation (a consolidation adjustment which is a non-cash expense) arising from strategic acquisitions

  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 impariment at least annually.

- Compensation expense related to Employee Stock Option Plan ("ESOP")

  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.

Cashflow analysis

Operating activities

Net cash used in operating activities amounted to US$12,970 thousand (￥1,544,830 thousand) for the year ended December 31, 2006. Cash generated from our operating activities was deployed for working capital consisting mainly of trade receivables and other assets.

Investing activities

Net cash used in investing activities amounted to US$95,754 thousand (￥11,405,279 thousand) for the year ended December 31, 2006, mainly consisted of cash used for strategic acquisitions and investments such as Xinhua Finance Advertising Limited, Beijing JingGuanXinCheng Advertising Co. Ltd, Shanghai Hyperlink Market Research Co., Ltd, Mergent Data Technology Inc (formerly known as Praedea Solutions Inc), Glass, Lewis & Co., LLC and subsequent consideration payment for Washington Analysis Corporation, Taylor Rafferty Associates Inc and Stone & McCarthy Research Associates Inc, that totalled to US$71,868 thousand (￥8,560,175 thousand), purchase of intangible assets relating to strategic acquisitions of US$15,478 thousand (￥1,843,644 thousand), and capital expenditures US$6,095 thousand (￥726,010 thousand).

Financing Activities

Cashflow from financing activities amounted to US$125,122 thousand (￥14,903,295 thousand) for the year ended December 31, 2006. This amount mainly consisted of cash inflows generated by the net proceeds from the issuance of US$100,000 thousand (￥11,911,000 thousand) 10% Senior Guaranteed Notes, and US$70,000 thousand (￥8,337,700 thousand) of funds raised by a subsidiary, and cash outflows including repayments of certain debts, interest paid of US$ 6,558 thousand (￥781,103 thousand) and increases in deposits pledged of US$24,937 (￥2,970,235 thousand) being deposits made to secure financing for making certain investments.

Cash Balance

Ending cash and cash equivalents balance was US$97,279 thousand (￥11,586,914 thousand) as at December 31, 2006, due to the activities as described in "Operating Activities", "Investing Activities" and "Financing Activities", above.

c. Risk Factors

Risks Related to the Business

Our limited operating history and successive acquisitions make evaluating our business and prospects difficult.

Xinhua Financial Network Limited, our predecessor company, commenced operations in 1999. As a result, we have a limited operating history for you to evaluate our business. It is also difficult to evaluate our prospective business, because we may not have sufficient experience to address the risks frequently encountered by fast growing companies. These risks include our potential failure to:

- develop new and enhance existing product and services, obtain new clients, and retain existing clients;
- adequately and efficiently operate, upgrade and develop the systems that we use to produce and distribute our products;
- maintain adequate control of our expenses;
- attract and retain qualified personnel; and
- respond to competitive market conditions.

If we do not successfully address any of these risks, our business could be materially adversely affected. Furthermore, the financial statements included in this document may not be representative of our results and may not be a reliable indicator of our future results because of our limited history, rapid expansion and successive acquisitions.

We have only recently become profitable and may not sustain profitability in the future.

We have sustained net losses in the past and we only became profitable in 2006. We cannot assure you that we can avoid net losses or continue to achieve profitability in the future. We expect that our operating expenses will increase and the degree of increase in these expenses will be largely based on anticipated organizational growth, strategic acquisitions and revenue trends. We have accounted for a significant amount of goodwill from acquisitions which we amortize over a period not exceeding 20 years in accordance with Japanese GAAP. In addition, share issuance and related costs incurred in connection with our initial public offering and private placements of our shares made after December 31, 2003 are accounted for as an expense under Japanese GAAP.

Furthermore, any additional acquisitions giving rise to increased goodwill or any decrease or delay in generating additional sales volume and revenue or in successful integration of acquired companies could result in substantial operating and net losses in future periods.

If we are unable to maintain and properly manage existing partnerships and joint ventures, our business may suffer.

Some of our products, knowledge and brand names depend on our strategic partnerships and joint ventures. If relationships with such partners, the operations of such partners or the operations of such joint ventures suffer serious setbacks, our ability to offer key products and to keep and attract clients may be adversely affected. We cannot assure you that our joint venture partners will always be committed to our business.

Recent and future acquisitions may have an adverse effect on our ability to manage our business.

Selective acquisitions form part of our strategy to further expand our business. We have completed a number of acquisitions and if we are presented with appropriate opportunities, we may acquire additional complementary companies, products or technologies. Future acquisitions and the subsequent integration of new companies into ours would require significant attention from our management. The diversion of our management's attention and any difficulties encountered in any integration process could have an adverse effect on our ability to manage our business. Future acquisitions would expose us to potential risks, including risks associated with the assimilation of new operations, technologies and personnel, unforeseen or hidden liabilities, the diversion of resources from our existing businesses and technologies, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions, and potential loss of, or harm to, relationships with employees, customers and suppliers as a result of integration of new businesses.

We may not be able to achieve the benefits we expect from recent and future acquisitions.

Strategic acquisitions are a key part of our overall growth strategy. Historically we have made acquisitions that were critical in providing us with product suites, customer base, market access, and our talent pool. The integration of such acquired companies requires a great deal of management attention, dedicated staff efforts and skillful leadership. A successful integration process is key to realizing the benefits of an acquisition. Although we have established an integration committee to oversee the integration process, if we encounter difficulty integrating our recent and future acquisitions, our business will be adversely affected. In addition, we cannot assure you that the revenue and cost synergies that we expect to achieve from our acquisitions will materialize. There is no assurance that the acquisitions will result in the expected growth or development and the Company may have significant loss caused in relation to the acquisitions due to the risk factors described above or others.

We rely on our competitors to provide redistribution for certain of our products and services.

We rely on a number of on-line third party networks to redistribute certain of our products and services to end users. Many of the owners and operators of those third party networks also compete with us in one or more of our principal business areas. If one or more of those firms refuses to continue to redistribute those products and services in the future, or makes the terms of doing so more onerous, we may not be able to distribute our services effectively, which could harm our business.

We rely on services from third parties to carry out our business and to deliver our products and services to customers, and if there is any interruption or deterioration in the quality of these products services, our customers may not continue using our products.

We rely on certain third-party computer systems to deliver our products and services. If our third party providers fail to perform their required services in a timely manner to our clients, our products and services will not be delivered to the requirements of our clients and our reputation and brand will be damaged. Furthermore, if our arrangements with any of these third parties are terminated, we may not find an alternate source of support on a timely basis or on terms as advantageous to us.

If we fail to maintain and further develop our ability to provide and innovate products and services, we may not be able to maintain our growth in revenue.

The financial services and media industry is highly dynamic and a company like ours needs to provide timely and relevant content and analysis to serve a highly demanding customer base that relies on products and services like ours to make investment decisions. If we fail to maintain such ability or fail to continue to innovate and keep up with the changing needs of our customers, we may suffer a decline in our revenue and profitability.

If we do not compete successfully against new and existing competitors, we may lose our market share, and our profitability may be adversely affected.

We compete primarily with other global financial information and analysis providers. Although we believe that we have a stronger market position and better expertise in the China market, many of our competitors have a longer operating history, larger product suites, greater capital resources and broader international recognition. Given the recent growth in the China market, we expect most of these companies to increase their focus in this region and that competition in our business areas is likely to intensify. We cannot assure you that we will be able to successfully compete against new or existing competitors.

We may not be able to prevent others from using our intellectual property, which may harm our business and expose us to litigation.

We regard our content, domain names, trade names, trademarks and similar intellectual property as critical to our success. We try to protect our intellectual property rights by relying on trademark protection, copyright and confidentiality laws and contracts. The trademark and confidentiality protection in China may not be as effective as in other countries, such as Japan, the United States or elsewhere. Policing unauthorized use of proprietary technology and information is difficult and expensive.

The steps we have taken may be inadequate to prevent the misappropriation of our proprietary technology and information. Any misappropriation could have a negative effect on our business and operating results. Furthermore, we may need to resort to litigation to enforce our intellectual property rights. Litigation relating to our intellectual property might result in substantial costs and diversion of resources and management attention.

Our business depends substantially on the continuing efforts of our key executives, and our business may be severely disrupted if we lose their services.

Our future success heavily depends upon the continued services of our key executives, particularly Fredy Bush, Daniel Connell, Jae Lie and Gordon Lau, who are the Chief Executive Officer, Chief Operating Officer, President and the Chief Financial Officer, respectively, of our company. We rely on their expertise in business operations, finance and financial information and the media industry and on their relationships with our shareholders, strategic partners, and regulators. If one or more of our key executives are unable or unwilling to continue in their present positions, we may not be able to easily replace them or at all. Therefore, our business may be severely disrupted, our financial conditions and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit and train personnel.

In addition, if any of these key executives joins a competitor or forms a competing company, we may lose clients and strategic partners. Each of our executive officers has entered into an employment agreement with us which contains confidentiality and non-competition provisions. If any disputes arise between our executive officers and us, we cannot assure you that these agreements would be enforced effectively.

If we are unable to attract, train and retain key individuals and highly skilled employees, our business may be adversely affected.

We expect to need to hire additional employees, including editorial personnel to maintain and expand our news production effort, analysts to provide more in-depth analysis, information technology and engineering personnel to maintain and expand our delivery platform, marketing personnel to sell our products, and administrative staff to support our operations. If we are unable to identify, attract, hire, train and retain sufficient employees in these areas or retain our existing employees due to our failure to provide them with adequate incentives or otherwise users of our products and services may have negative experiences and turn to our competitors, which could adversely affect our business and results of operations.

Our business could suffer if we do not successfully manage current growth and potential future growth.

Our business has grown very quickly in its few years of operation. We have rapidly expanded our operations and anticipate further expansion of our operations and workforce. Our growth to date has placed, and our anticipated future operations will continue to place, significant demands on our management, systems and resources. In addition to training and managing our workforce, we will need to continue to improve and develop our financial and managerial controls and our reporting systems and procedures. We cannot assure you that we will be able to efficiently or effectively manage the growth of our operations, and any failure to do so may limit our future growth and hamper our business strategy.

We may need additional capital and we may not be able to obtain it.

We believe that our current cash and cash equivalents, cash flow from operations and the proceeds from capital raising activities are sufficient to meet our anticipated cash needs in the near future. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of additional debt would result in increased debt service obligations and the operating and financing covenants of the debt could restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

We may be subject to litigation for information provided in our products and services, which may be time-consuming and costly to defend.

Our products and services contain information such as news of events, quotes of securities prices and analytical reports and ratings on companies. It is possible that if any information contains errors or false or misleading information, third parties could take action against us for losses incurred in connection with the use of such information. Any claims, with or without merit, could be time-consuming and costly to defend, result in litigation and divert management's attention and resources.

The values of certain of our assets may be impaired to amounts less than we have accounted for in our financial statements.

Certain of our assets such as goodwill, intangibles and securities assets on our financial statements are subject to periodic impairment and valuation tests. Should they be determined to be worth less than their carrying value during such tests, their value would be written down and our financial results could be adversely affected.

Restrictions or limitations on the ability of our subsidiaries to pay dividends to us would reduce the funds available to pay dividends to our shareholders.

We are a holding company with no significant assets other than our equity interests in our wholly-owned operating companies and affiliated entities. As a result, we rely on payments of dividends and consulting and other fees from our subsidiaries to make dividend payments to our shareholders. If our subsidiaries were to incur debt in the future, the agreements governing the debt may contain provisions restricting their ability to make dividend or other payments to us. Regulatory requirements in the jurisdiction of incorporation of our subsidiaries may also restrict or limit their ability to make payments to us.

We have not declared or paid dividends before and we are not likely to declare or pay dividends in the near future.

Currently, in order to maintain and increase the Company's leadership in its business sector and maximize the value of the Company, the Company considers funding the expansion of its business through reinvestment of profits to be paramount to the distribution of dividends and accordingly is not likely to declare or pay dividends in the near future.

Our business and operating results may be adversely affected by the conditions of the global financial markets.

We derive our revenues primarily from the provision of financial information and other related services, and our customer base primarily comprises financial institutions and other global market participants. Our customer's demand for our products and services is affected by the conditions of the global economy and in particular the global financial markets. Unfavourable financial or economic conditions that either reduce investor demand for securities or reduce issuers' willingness or ability to issue securities could reduce the level of activity in the global financial markets, the business performance of our clients and the demand for our products and services.

We are exposed to increased risk from multinational operations.

We maintain offices in the US, Asia and Europe and derive the majority of our revenue from sources outside Asia. Operations in different countries expose us to a number of legal, economic and regulatory risks, such as changes in legal and regulatory requirements which affect either our operations or our customers' use of our products and services, restrictions on the movement of currencies, export and import restrictions and political and economic instability. Any of these factors could have a material adverse effect on our business and operations.

Hardware and software failures, delays in the operation of our computer and communications systems or the failure to implement system enhancements may harm our business.

Our success depends on the efficient and uninterrupted operation of our computer and communications systems. A failure of our network or data gathering procedures could impede the processing of data, delivery of databases and services, client orders and day-to-day management of our business and could result in corruption and loss of data. Any failure by our computer environment to provide our required data communications capacity could result in interruptions to our service. Significant delays in the planned delivery of system enhancements and improvements, or inadequate performance of the systems once they are completed , could damage our reputation and harm our business.

Restrictions imposed on the Company by the US$ 100,000 thousand (￥11,911,000 thousand) 10% Senior Guaranteed Notes issued in November 2006 may adversely affect our business operations.

In November 2006, we issued US$ 100,000 thousand (￥11,911,000 thousand) 10% Senior Guaranteed Notes due 2011. The Notes are governed by the Indenture, which includes a number of significant restrictive covenants that could limit our ability to plan for or to react to market conditions or meet our capital needs. These covenants restrict among other things, our ability, to: incur additional debt; make restricted payments, pay dividends or distributions on our capital stock, repurchase our capital stock, pay existing indebtedness, make or repay intercompany loans or advances or sell or transfer property or assets; issue or sell capital stock; guarantee indebtedness, enter into transactions with affiliates, create liens on assets to secure debt; enter into sale and leaseback transactions; sell assets; make investments; merge or consolidate with another company; and engage in a different business activity. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance with the covenants.

We may be unable to comply with the restrictions and covenants under the Notes, the Indenture and other financing agreements, which could lead to a default under the terms of the Notes, the Indenture or those agreements resulting in an acceleration of our debt repayment

If we are unable to comply with the restrictions and covenants in the Notes, the Indenture or our current or future financing and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. If these events occur, there is no assurance that our assets and cash flow would be sufficient to repay in full all indebtedness, or that alternative financing could be found. Even if alternative financing could be obtained, there is no assurance that it would be on terms that are favourable or acceptable to us.

Risks Related to Doing Business in China

We are an international company with offices around the world. We have focused a significant part of our business in China and, as such, are subject to certain risks which are particular to China. The more significant of these risks are described below.

Restrictions on the development and growth of Chinese financial markets may hamper our growth.

A sizeable part of our business is conducted in China. China has liberalized its laws on foreign and domestic investments including promulgating regulations permitting qualified foreign institutional investors to invest in Chinese listed companies. We expect that demand for our products would generally increase as the markets are liberalized. Restrictions imposed on the Chinese markets which have the effect of restricting its growth and development may have an adverse effect on the continued growth of our business in China.

As we operate in highly regulated industries, being financial markets and media, we are subject to changes in government policies and regulations. While China has deregulated these industries in the past few years, this trend may change and we could operate in a more restricted environment. This may also have a negative impact on our business in China.

More generally, if the business environment in China deteriorates from the perspective of domestic or international investors, our business in China may also be adversely affected. Such deterioration may be caused by numerous factors including natural disasters, terrorism, domestic and international political issues, market downturns, or changes in government policies.

Uncertainties exist with respect to Chinese laws and regulations and their interpretation and administration.

Chinese laws relating to foreign investments, media and financial markets are relatively new compared with those in more mature markets. New laws and regulations continue to be promulgated. We believe our current ownership structure, the ownership structure of our wholly-owned subsidiaries and our affiliated Chinese entities, the contractual arrangements among us, our wholly owned subsidiaries, our affiliated Chinese entities and their shareholders, our business operations and the approvals and licenses to carry them out are in compliance with all existing Chinese laws, rules and regulations. However, there are substantial uncertainties regarding the interpretation, application and administration of current Chinese laws and regulations and the impact of any new laws and regulations is unknown. Accordingly, we cannot assure you that Chinese government authorities will not ultimately take a view contrary to our belief.

Payments from China are subject to restrictions and controls.

We are a holding company incorporated in the Cayman Islands with operations in China. Dividends and other payments from our subsidiaries and other entities in China need to be remitted outside of China to fund operations and expenses outside China as well as dividend payments to our shareholders. Current Chinese regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, our subsidiaries in China are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends. Failure to receive the full amount of dividends from our subsidiaries in China and affiliated Chinese entities may adversely affect the financial condition of our overall operations and our ability to pay dividends to our shareholders.

The remittance of funds out of China as well as the exchange rate of the RMB to other currencies is highly regulated. Changes to the exchange rate regime as well as the regulations affecting the remittance of funds out of China may have an adverse impact on our ability to fund our expenses outside of China or to issue dividends to our shareholders. Furthermore, any change in the exchange rates between the RMB and other currencies may also have an impact on the amount of proceeds in other currencies we receive from China. The value of your investment in our shares will also be affected by the foreign exchange rate between the Japanese yen and other currencies.

We have limited business insurance coverage in China.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products. As a result, we do not have any business liability or disruption insurance coverage for our operations in China. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources.

Risks Related to the Shares

You may face difficulties in protecting your interests under the legal systems, and your ability to protect your rights through the Japanese courts may be limited, because we are incorporated under Cayman Islands law.

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law and the Cayman Islands law. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in Japan. In particular, Cayman Islands law provides significantly less protection to investors than Japanese law. Therefore, under the legal systems, our public shareholders may have more difficulties in protecting their interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in Japan, the United States or elsewhere. In addition, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action before Japanese courts.

Your ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, will be limited because we are incorporated in the Cayman Islands, because we conduct a portion of our operations in China and because the majority of our directors and officers reside outside of Japan.

We are incorporated in the Cayman Islands, and we conduct a portion of our operations in China through our wholly-owned subsidiaries and an affiliate in China. Most of our directors and officers reside outside of Japan and substantially all of the assets of those persons are located outside of Japan. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the relevant jurisdiction may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information, please refer to the relevant laws of the

Cayman Islands and China.

Future issuances of our shares at below-market prices may adversely affect the market price of our shares.

Neither the laws of the Cayman Islands nor our articles of incorporation require shareholders' approval for issues of new shares at below-market prices. The market price of our shares may be adversely affected due to dilution if our management decides to issue large number of shares at below-market prices for the purpose of corporate acquisition or other business purposes.

We and our shareholders may not be able to obtain compensation for damages caused by the acts done, concurred in or omitted in or about the execution of the duties of directors, officers, auditors, etc.

In accordance with our Memorandum and Articles of Association, our directors, officers, auditors, etc. are indemnified and secured harmless out of our assets and profits against all actions, costs, damages, etc. sustained or incurred by reason of any act done, concurred in or omitted in or from the execution of their duty, or supposed duty, unless such actions, costs, damages, etc. are a result of any fraud, gross negligence or criminal offence under Cayman Islands law by such persons. Further, also in accordance with our Memorandum and Articles of Association, our shareholders may not claim or take action against our directors on account of any action taken by such director or the failure of such director to take any action in the performance of his duties unless such claim or action is made or taken in respect of any fraud, gross negligence or criminal offence under Cayman Islands law by such persons. As a result, we and our shareholders may not be able to obtain adequate compensation for damages caused by the acts done, concurred in or omitted in or from the execution of the duties of directors, officers, auditors, etc.