

[For Immediate Release]

Xinhua Finance/MNI China Business Survey: Sentiment Bullish

Shanghai, December 29, 2006 – Xinhua Finance (TSE Mothers: 9399) and Market News International (MNI), a part of the news service line of Xinhua Finance, today announced the December Xinhua Finance/MNI China business sentiment survey. The results of the survey suggest operating conditions for Chinese companies are good and getting better, with firms able to raise their sales prices even in the face of climbing raw materials costs.

That has resulted in companies reporting that they are in their best financial shape in the survey's near-two year history, while indices covering factors such as new orders continued to show solid improvements after dipping earlier in the year on the back of government efforts to cool lending and investment activity.

Sentiment is looking even better in the future, with the index measuring where respondents see overall business conditions in three months hitting its highest level since the start of 2006.

The survey was conducted December 11-26 with 121 listed companies responding. A result greater than 50 implies growth or improving conditions (See accompanying story for more on the survey methodology). The full survey results can be found at <http://www.xinhuafinance.com/en/main/chinabizsurvey.html>

"The changes in companies' expectations are fairly remarkable," said Logan Wright, a Beijing-based analyst with Stone & McCarthy, a sister company of Market News International.

"In previous months, companies expected lower sentiment levels in 2007; however, the December survey data indicate that companies appear to have shaken off those fears, and expect constant or even improving conditions in the new year."

The index measuring current overall conditions stood at 75.21 in December, down only marginally on the previous month's 75.67 which remains the second highest reading since the survey began in the first quarter of 2005.

Sentiment began to turn around in October, following six months of government tightening

measures aimed at reining in credit and investment levels. Beijing has so far avoided taking tougher action, choosing instead to target the liquidity sitting on bank balance sheets. But concerns that borrowing costs are headed higher have not dissipated.

The markets were roiled earlier in December by rumors that the People's Bank of China had been cleared by the central government to raise benchmark lending rates for what would have been the third time this year. That hasn't affected the ability of companies to borrow. The credit availability index hit 64.08 in December, the highest in the survey's history.

The index measuring the interest rates that companies are paying rose to 61.32 in December from 57.14 in November, while interest rate expectations three months out jumped to 65.09, its highest level since the first quarter of 2005.

That said, concerns about higher rates aren't affecting the flow of business, with the improvement in conditions reflected in indices such as that measuring the prices that companies are receiving for their goods, which showed steady improvement for the fourth survey in a row. The index hit 61.61 in December, the highest reading since the first quarter of 2005, while the index measuring future expectations for prices received was also positive, rising to 58.48 from November's 55.14.

The new orders index rose to 74.04, returning to levels last seen in the second quarter.

Improved price traction has come even as companies report rising raw materials prices.

Although falling prices for raw materials such as oil saw the index measuring input prices falling for four surveys in a row, it bounced back in December, leaping to 67.11 from November's 57.19.

"Lead prices are at a high level, and we don't see them falling in the short-term. This means high costs," said one respondent.

But rising costs and interest rate concerns don't appear to be enough to have impacted corporate balance sheets, with the index measuring the financial position of companies hitting 73.31, the highest reading in the survey's history, and up from 71.72 in October. Worries about



higher interest payments also haven't affected how companies see the future, with the index measuring financial positions three months out hitting 78.39, its highest reading since the first quarter of this year.

"Despite rising input prices, Chinese companies are still confident that they will maintain pricing power in the marketplace," said SMRA's Wright.

"This is likely a factor behind the high level of the financial position indicator in December and the expectations of stronger overall business conditions moving forward."

Seasonality also played its part in the survey results. While the fourth quarter tends to be the busiest year in the calendar -- particularly for Chinese exporters working to meet the Christmas rush -- the Chinese New Year, which comes in January or February, invariably guarantees that the first three months of the year are the slowest. "Conditions are affected by the seasons. The first quarter is usually our low season," said one respondent.

The index measuring inventories of finished goods rose back to 50.00 this month, up nearly ten points over November's reading, suggesting that warehouses are filling up again after the Christmas season drawdown. The index measuring production rose to 73.85 in December, the highest reading since the first quarter of this year.

#

Xinhua Finance/MNI China Business Survey Methodology

The Xinhua Finance/MNI China Business Sentiment Survey was conducted December 11-26 with 121 listed companies taking part.

Survey questions were modeled on Japan's Tankan survey and the U.S. Institute for Supply Management's Report on Business.

Results were compiled for both current conditions compared with a month ago and for expectations of conditions one month ahead.



Indexes were compiled using the Institute for Supply Management's example: adding half of the percentage saying conditions were unchanged to the percentage of those saying conditions had improved generated the index. Therefore, a result higher than 50 indicates a net positive response.

Companies agreed to participate in the survey, and to provide comments about business conditions, under the assurance that individual survey responses would not be divulged except as part of the overall results.

Companies surveyed were all listed on domestic stock markets or in Hong Kong, although some also have foreign listings. The companies chosen were a mix of manufacturers and non-manufacturers with about 75% of the companies responding to the survey in manufacturing.

ends

More Information:

Xinhua Finance

Hong Kong/Shanghai

Ms. Joy Tsang, +852 3196 3983, +852 9486 4364, +86-21-6113-5999,
joy.tsang@xinhuafinance.com

Japan

Mr. Sun Jiong, +81 3 3221 9500, jsun@xinhuafinance.com

Taylor Rafferty (Media/IR Contact)

Japan

Mr. James Hawrylak, +81 3 5733 2621, James.hawrylak@taylor-rafferty.com

United States

Ms. Ishviene Arora, +1 212 889 4350, ishviene.arora@taylor-rafferty.com

Europe

Mr. John Dudzinsky, +44 20 7614 2900, John.Dudzinsky@taylor-rafferty.co.uk



Notes to Editors:

About Xinhua Finance Limited

Xinhua Finance Limited is China's unchallenged leader in financial information and media, and is listed on the Mothers board of the Tokyo Stock Exchange (symbol: 9399) (OTC ADRs: XHFNY). Bridging China's financial markets and the world, Xinhua Finance serves financial institutions, corporations and re-distributors through four focused and complementary service lines: Indices, Ratings, Financial News and Investor Relations. Founded in November 1999, the Company is headquartered in Shanghai with 20 news bureaus and offices in 19 locations across Asia, Australia, North America and Europe.

For more information, please visit www.xinhuafinance.com.

About Market News International

Market News International (MNI), a Xinhua Finance company (www.xinhuafinance.com), is a financial news and information company dedicated to the global fixed income and foreign exchange markets. MNI joined the Xinhua Finance family in March 2004, bringing its niche expertise and extensive distribution network. Headquartered in New York, MNI has news bureaus and offices throughout the US, Europe and Asia.

With more than twenty years of history, MNI is a fully accredited news agency providing focused, timely, relevant and critical intelligence for market professionals. Its press credentials are accepted by all operations of the U.S. Government, including the White House, the Federal Reserve, both houses of Congress, all major agencies and cabinet departments, all similar government operations in the G-7 countries, as well as by supranational organizations such as the World Bank and the International Monetary Fund.