

SEMI-ANNUAL REPORT

Xinhua Finance Limited

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To: The Director of Kanto Local Finance Bureau

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(From January 1, 2006 to June 30, 2006)

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Notes:

1. As used in this document, and unless otherwise described or the context otherwise requires, references are as follows:

- **“Beijing Alpha”** refers to Beijing Alpha Financial Engineering Limited
- **“Beijing Century Media Culture”** refers to Beijing Century Media Culture Co., Ltd.
- **“China”** or **“PRC”** refers to the People’s Republic of China
- **“Company”** or **“Xinhua Finance”** refers to Xinhua Finance Limited
- **“Companies Law”** refers to the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
- **“EconWorld”** refers to EconWorld Media Ltd
- **“Exchange”** refers to The Tokyo Stock Exchange, Inc.
- **“FTSE”** refers to FTSE Group, a joint venture between the Financial Times and the London Stock Exchange
- **“Fortune China”** refers to Fortune China Public Relations Limited
- **“G7 Group”** refers to The G-7 Group, Inc.
- **“GAAP”** refers to Generally Accepted Accounting Principles
- **“Hong Kong”** refers to the Hong Kong Special Administrative Region
- **“Hyperlink”** refers to Shanghai Hyperlink Market Research Co., Ltd.
- **“IFRS”** refers to International Financial Reporting Standards issued by the International Financial Reporting Standards Committee
- **“Mergent”** refers to Mergent, Inc.
- **“MNI”** refers to Market News International, Inc.
- **“Perspective”** refers to Beijing Perspective Orient Movie & Television Intermediary Co., Ltd.
- **“RMB”** refers to Renminbi
- **“SMRA”** refers to Stone & McCarthy Research Associates, Inc.
- **“Taide”** refers to Beijing Taide Advertising Co. Ltd
- **“Taylor Rafferty”** refers to Taylor Rafferty Associates, Inc.
- **“Washington Analysis”** refers to Washington Analysis LLC
- **“We”** or the **“Group”** refers to the Company and its consolidated subsidiaries
- **“XFM”** refers to Xinhua Finance Media Limited
- **“XFN”** refers to Xinhua Financial Network Limited
- **“Xin Cheng”** refers to Beijing Jing Guang Xin Cheng Advertising Company Limited

2. For convenience, conversion of U.S. dollars from our financial statements into Japanese yen is calculated by the foreign currency exchange rate (middle rate at US \$1.00 = ¥115.24 as of June 30, 2006) from the Tokyo Foreign Exchange Market, in accordance with Article 130 of the Financial Statements Rules. U.S. dollar amounts are presented in thousands (rounded), and Japanese yen amounts are stated in thousands (rounded). Please note that these Japanese yen amounts are stated only for the purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.
3. Where figures in tables in this document have been rounded, the totals may not necessarily agree to the sum of the figures.
4. At the shareholders' meeting held on June 24, 2005, the shareholders approved a stock split and a general mandate was granted to the Directors to have the authority to undertake a maximum of two share splits by way of capitalization of reserves until June 24, 2006. On August 15, 2005, the Board approved a three-for-one stock split by way of capitalization of reserves. Shareholders of record on September 14, 2005 received two additional shares of common stock for every share held on September 9, 2005. Share certificates representing the additional shares were issued on September 22, 2005.

PART I CORPORATE INFORMATION

I. OUTLINE OF LEGAL AND OTHER SYSTEMS IN THE HOME COUNTRY

There have been no material changes in the Corporate System of the Country and State from what was described in Securities Report filed on June 28, 2006 (“Securities Report”).

II. OUTLINE OF THE GROUP

1. Trends in Key Financial Data

(1) Consolidated key financial data

Term		The 1st semi-annual fiscal year	The 2nd semi-annual fiscal year	The 3rd semi-annual fiscal year	The 1st fiscal year	The 2nd fiscal year
Fiscal year		2004	2005	2006	2004	2005
Turnover	US\$'000 JP¥'000	17,885 (2,061,122)	46,500 (5,358,685)	75,026 (8,646,017)	59,689 (6,878,557)	110,010 (12,677,557)
Ordinary income / loss (△)	US\$'000 JP¥'000	△3,917 (△451,394)	△820 (△94,500)	3,442 (396,600)	△9,100 (△1,048,684)	523 (60,319)
Net income / loss (△)	US\$'000 JP¥'000	△4,296 (△495,018)	△1,385 (△159,649)	2,012 (231,830)	△9,305 (△1,072,350)	△2,814 (△324,334)
Net assets	US\$'000 JP¥'000	120,312 (13,864,811)	174,736 (20,136,592)	383,852 (44,235,049)	149,102 (17,182,545)	279,442 (32,202,864)
Total assets	US\$'000 JP¥'000	177,438 (20,447,952)	221,687 (25,547,252)	491,796 (56,674,515)	201,927 (23,270,118)	368,817 (42,502,426)
Net assets per share	US\$ JP¥	0.19 (21.71)	725.68 (83,627.36)	314.20 (36,208.41)	719.66 (82,934.14)	305.65 (35,222.72)
Net income / loss (△) per share	US\$ JP¥	△0.05 (△5.88)	△6.59 (△759.33)	2.38 (274.27)	△103.94 (△11,977.48)	△4.25 (△489.87)
Diluted EPS	US\$ JP¥	— (—)	— (—)	— (—)	— (—)	— (—)
Capital adequacy ratio	(%)	67.8	78.8	65.2	73.9	75.8
Cashflow provided from (△used in) operating activities	US\$'000 JP¥'000	2,840 (327,319)	△5,093 (△586,941)	△13,180 (△1,518,867)	△1,915 (△220,654)	△7,154 (△824,381)
Cashflow used in investing activities	US\$'000 JP¥'000	△25,893 (△2,983,871)	△28,910 (△3,331,615)	△43,548 (△5,018,497)	△54,595 (△6,291,564)	△55,431 (△6,387,915)
Cashflow from financing activities	US\$'000 JP¥'000	48,076 (5,540,320)	4,765 (549,073)	63,506 (7,318,441)	78,387 (9,033,370)	103,255 (11,899,078)
Cash and cash equivalents, end of the year	US\$'000 JP¥'000	43,159 (4,973,670)	10,890 (1,254,918)	87,455 (10,078,291)	40,089 (4,619,827)	80,669 (9,296,349)
Number of employees		527	707	1,112	588	906
EBITDA	US\$'000 JP¥'000	197 (22,733)	6,223 (717,086)	11,089 (1,277,853)	4,230 (487,454)	18,787 (2,165,058)

(2) Key financial data of the Company

Term		The 1st semi-annual fiscal year	The 2nd semi-annual fiscal year	The 3rd semi-annual fiscal year	The 1st fiscal year	The 2nd fiscal year
Fiscal year		2004	2005	2006	2004	2005
Turnover	US\$'000 JP¥'000	— (—)	3,872 (446,199)	6,067 (699,150)	5,355 (617,085)	8,186 (934,329)
Ordinary profit / loss (△)	US\$'000 JP¥'000	△3,265 (△376,227)	928 (106,942)	△1,012 (△116,587)	△6,285 (△724,289)	△4,238 (△488,333)
Net profit / loss (△)	US\$'000 JP¥'000	△3,265 (△376,227)	928 (106,942)	△1,012 (△116,587)	△6,285 (△724,289)	△4,238 (△488,333)
Share capital	US\$'000 JP¥'000	423 (48,723)	559 (64,441)	2,284 (263,199)	522 (60,151)	2,091 (240,963)
Number of shares outstanding	(shares)	171,733,081	218,083.29	890,727.79	203,565.36	815,477.29
Net assets	US\$'000 JP¥'000	120,800 (13,920,981)	183,646 (21,163,319)	318,744 (36,732,075)	151,865 (17,500,940)	280,619 (32,338,578)
Total assets	US\$'000 JP¥'000	146,132 (16,840,282)	191,667 (22,087,745)	361,380 (41,645,488)	172,059 (19,828,034)	299,204 (34,480,301)
Dividend per share	US\$ JP¥	— (—)	— (—)	— (—)	— (—)	— (—)
(Interim Dividend per share out of the above dividend)	US\$ JP¥	— (—)	— (—)	— (—)	— (—)	— (—)
Capital adequacy ratio	(%)	82.7	95.8	88.2	88.3	93.8
Number of employees		3	4	5	1	5
EBITDA	US\$'000 JP¥'000	△518 (△59,728)	860 (99,094)	△870 (△100,313)	△1,215 (△140,072)	82 (9,504)

Notes :

- Consumption tax is not included in turnover.
- The fiscal year of the 1st year begins on January 5, 2004 and ends on December 31, 2004 because this year is the incorporation year for XFL.
- Regarding net assets per share, the suspense account of share exchange included in retained earnings is excluded from the calculation.
- The consolidated financial statements of the Group and the financial statements of the Company are stated in U.S. dollars. The amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=115.24, from the Tokyo Foreign Exchange Market as of June 30, 2006. U.S. dollar amounts are presented in thousands (rounded), and Japanese yen amounts are stated in thousands (rounded). Please note that these Japanese yen amounts are stated only for the purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the above-mentioned exchange rate.
- We define EBITDA in relation to our Japanese GAAP financial statements as operating income or loss plus depreciation, amortization and amortization of goodwill. EBITDA is presented because we believe that it is an important measure of our financial performance. EBITDA is not a Japanese GAAP measurement and should not be considered in isolation or as a substitute for income or cash flow statement data prepared in accordance with applicable generally accepted accounting principles. It should be understood that items excluded in calculating EBITDA, such as depreciation and amortization, are significant components in understanding and assessing the Company's performance.
- The disclosure documents of the Group included in this document have been prepared in accordance with Disclosure Rules for Financial Statements and in conformity with generally accepted accounting principles in Japan (Japanese GAAP). Additionally, financial statements in accordance with International Financial Reporting Standards (IFRS) have been prepared for global investors in accordance with the Company's past practice. Significant differences between Japanese GAAP and IFRS as applied to us include those relating to share issuance costs, listing related costs, amortization of goodwill and share based payments.

7. On August 24, 2004 XFL's shares were reversely split on a 1-for-2000 basis.
8. On September 22, 2005 XFL's shares were split on 3 for 1 basis.

2. Business Overview

We are a global organization with our headquarters in Shanghai and offices across Asia, Australia, North America and Europe. We have offices in 17 locations include Hong Kong, Beijing, Shanghai, Shenzhen, Taipei, Tokyo, Seoul, Singapore, Kuala Lumpur, Melbourne, New York, Washington, D.C., Charlotte, Dallas, San Diego, Toronto, London. Our 22 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, Sunnyvale, San Diego, London, Frankfurt, Brussels, Paris and Berlin. As at June 30, 2006 we had 1,112 employees worldwide.

To further expand our product offerings and widen our distribution network in China, we have made a number of strategic acquisitions. Major subsidiaries and affiliates we acquired during this semi-annual period are as follows :-

- in January 2006, we completed the acquisition of Ming Shing International Ltd. (since renamed "Xinhua Finance Advertising Limited") and its subsidiaries Upper Will Enterprises Limited, Active Advertising Agency Limited, Active Advertising (Guangzhou) Co., Ltd., Beijing Taide Advertising Co. Ltd., Shenzhen Active Trinity Advertising Co., Ltd., Shangtuo Zhiyang International Advertising (Beijing) Co. Ltd., Beijing Longmei TV & Broadcast Advertising Co. Ltd., Beijing Jinlong Runxin Advertising Co. Ltd., and Shanghai Yuanxin Advertising & Media Co. Ltd;
- in March 2006, we entered into a purchase agreement for all the equity interests in Beijing Alpha Financial Engineering Limited and the acquisition was completed in July 2006
- in April 2006, we entered into an agreement to purchase 50% of the equity interests of Beijing Jing Guang Xin Cheng Advertising Company Ltd and the acquisition was completed in June 2006;
- in June 2006, we entered into an agreement to purchase 51% equity interests of Shanghai Hyperlink Market Research Co., Ltd and the acquisition was completed in August 2006
- in June 2006, we entered into an agreement to purchase 51% equity interests of Beijing Perspective Orient Movie & Television Intermediary Co., Ltd. and the acquisition was completed in July 2006

3. Related Companies (as of June 30, 2006)

(1) Parent Company

The Company has no parent company.

(2) Subsidiaries and Affiliates

In the first half of 2006, the Company made the following additional acquisitions to enhance our product lines :-

Company Name	Address	Principal Activities*	% Voting Rights Held	Total Share Capital	Relationship with Company
Active Advertising (Guangzhou) Co. Ltd.	Room 2202, No.365 Tian He Lu, Tian He District, Guangzhou, PRC	Design, compose, act as an agent, release of advertisement and provide advertising information consulting service	72.20% (72.20%)	US\$300,000	Design, compose, act as an agent, release of advertisement and provide advertising information consulting service
Active Advertising Agency Limited	21/F., On Hong Commercial Building, 145 Hennessy Road, Wanchai, Hong Kong	Investing holding	72.20% (72.20%)	HK\$10,000	Holding company of Active Advertising (Guangzhou) Co. Ltd.; 1 common Director
Beijing Jingguan Xincheng Advertising Co. Ltd.	No.18-C66 Jianshe Road, Kaixuan Avenue, Fangshan District, Beijing, PRC	Act as an agent and release advertisement	36.10% (36.10%)	RMB5,000,000	Act as an agent and release advertisement
Beijing Jinlong Runxin Advertising Co. Ltd.	No.88 Weishan Zhuang Zhen Industrial District, Daxing District, Beijing, PRC	Design, compose, act as an agent, release of advertisement; advertisement information consulting, undertake exhibition, organize culture art communication activities	57.76% (57.76%)	RMB500,000	Design, compose, act as an agent, release of advertisement; advertisement information consulting, undertake exhibition, organize culture art communication activities
Beijing Longmei TV & Broadcast Advertising Co. Ltd.	Huashan Zhen Xinghua Industrial Area, Pinggu District, Beijing, PRC	Design, compose, act as an agent, release of advertisement	57.76% (57.76%)	RMB500,000	Design, compose, act as an agent, release of advertisement

Beijing Taide Advertising Co. Ltd.	Room 103, Unit 2, 16/F., District 5 Beijing Tiyu Daxue, Yuanmingyuan Donglu, Haiding Qu, Beijing, PRC	Release of advertisement and act as an agent	72.20% (72.20%) (through nominees)	RMB10,000,000	Release of advertisement and act as an agent
Guangzhou Jingshi Culture Intermediary Co., Ltd.	Room 340, No.36 Nanshe Street, Chengjie Avenue, Tianhe District, Guangzhou, PRC	Design, compose, act as an agent, release of advertisement enterprise planning, enterprise image planning, computer animation design, photography technology communication planning, exhibition service, investment consulting, brand design, market research and marking planning	51.99% (51.99%)	RMB1,000,000	Design, compose, act as an agent, release of advertisement enterprise planning, enterprise image planning, computer animation design, photography technology communication planning, exhibition service, investment consulting, brand design, market research and marking planning
Shanghai Heyuan Movie and Culture Co., Ltd.	Room 153, Building 2, No.599 Xinye Road, Qingpu District, Shanghai, PRC	Movie and culture planning, culture art communication, enterprise image planning, computer picture and working design and compose	64.98% (64.98%)	RMB500,000	Movie and culture planning, culture art communication, enterprise image planning, computer picture and working design and compose
Shanghai Yuanxin Advertising & Media Co., Ltd.	Room 304, No.1768, Nanlu Road, Nanhui District, Shanghai, PRC	Undertake advertising design, compose, release, act as an agent to undertake advertising business; economics information consulting, art production	57.76% (57.76%)	RMB2,000,000	Undertake advertising design, compose, release, act as an agent to undertake advertising business; economics information consulting, art production

Shangtuo Zhiyang International Advertising (Beijing) Co. Ltd.	No.18-C39 Jianshe Road, Kaixuan Avenue, Fangshan District, Beijing, PRC	Design, compose, act as an agent, release of advertisement; organize culture and art communication activities, undertake exhibition	57.76% (57.76%)	RMB1,000,000	Design, compose, act as an agent, release of advertisement; organize culture and art communication activities, undertake exhibition
Shenzhen Active Trinity Advertising Co. Ltd.	Room 12118 Building 12 West Tower, Xinghua Plaza, Shennan Middle Road, Futian District, Shenzhen, PRC	Advertising	72.20% (72.20%) (through nominees)	RMB300,000	Advertising
Upper Will Enterprises Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investment holding	72.20% (72.20%)	US\$50,000	Holding company of Active Advertising Agency Limited; 1 common director
Xinhua Finance Advertising Limited (formerly known as Ming Shing International Ltd.)	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Advertising	72.20% (72.20%)	US\$50,000	Advertising; 1 common director
Xinhua PR Newswire Limited	Suite 2003-5 Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong	Information provider	50% (50%)	HK\$10,000	Information provider; 2 common directors

Notes:

- (1) Numbers in brackets indicate percentage of equity held indirectly by the Company.
- (2) Interests in companies of less than 20% equity interests held by the Group are not shown in the above table.

4. Employees

(1) The Group:

As of June 30, 2006, the Group employed 1,112 persons. The number of employees by geographical region is shown in the table below:

	Headcount
CHINA	552
EUROPE	37
HONG KONG	91
JAPAN	25
AUSTRALIA	6
REST OF ASIA	31
TAIWAN	13
USA	357
TOTAL	1,112

Note: The increase of the headcount during this fiscal year was due mainly to the acquisitions of Ming Shing International Ltd. and Beijing JingGuanXinCheng Advertising Co. Ltd.

(2) The Company:

As of June 30, 2006, the Company employed 5 persons.

Number of Employees	5
Average Age	44.16
Average Service Years	3.7 years
Average Salary (per person)	US\$ 29,100 per month

(3) Labor Union etc.

There are no union agreements or collective bargaining agreements with employees of the Group, and there are no material disputes, complaints, investigations and proceedings on matters relating to employment.

III. CONDITION OF BUSINESS OF THE GROUP

1. Summary of Results of Operations, etc.

Turnover by Geographical Locations

Certain information regarding the geographic breakdown of our turnover, determined on the basis of the billing company, is set forth below.

	Semi-Annual Period Ended June 30,		
	2005		
	<i>(thousands)</i>		<i>% of total</i>
Asia	US\$13,223	¥1,523,795	28.4
United States	30,386	3,501,639	65.3
Japan	2,627	302,790	5.7
Others	264	30,461	0.6
Total	<u>US\$46,500</u>	<u>¥5,358,685</u>	<u>100.0%</u>

	Semi-Annual Period Ended June 30,		
	2006		
	<i>(thousands)</i>		<i>% of total</i>
Asia	US\$16,963	¥1,954,837	22.6
United States	43,120	4,969,205	57.5
Japan	807	93,035	1.1
Others	14,135	1,628,940	18.8
Total	<u>US\$75,026</u>	<u>¥8,646,017</u>	<u>100.0%</u>

Operating Results for Fiscal Period ended June 30, 2006

Asia

Sales in Asia amounted to US\$16,963 thousand (¥1,954,837 thousand) for the six months year-to-date ended June 30, 2006, amount increased 28.3% as compared with last equivalent period. The increase was in line with our business growth coupled with the full period impact from subsidiaries that joined the group in 2005, such as EconWorld Media Limited, Beijing Century Media Culture Co, Ltd and Shanghai Pobo Data and Information Network Consulting Co. Ltd.

United States

Sales in United States amounted to US\$43,120 thousand (¥4,969,205 thousand) for the six months year-to-date ended June 30, 2006, amount increased 41.9% as compared with last equivalent period. The increase was in line with our business growth coupled with the contribution in turnover by the subsidiaries acquired in 2005 such as Taylor Rafferty Associates Inc, Washington Analysis Corporation.

Japan

Sales in Japan amounted to US\$807 thousand (¥93,035 thousand) for the six months year-to-date ended June 30, 2006, amount decreased 69.3% as compared with last equivalent period. The decrease was due to the discontinuing of certain trading activities.

Others

Sales generated from other regions amounted to US\$14,135 thousand (¥1,628,940 thousand) for the six months year-to-date ended June 30, 2006, amount dramatically increased 5,254.2% as compared with last equivalent period. The increase was mainly contributed by the newly acquired subsidiary in this period being Ming Shing International Ltd.

Cashflow Analysis for Fiscal Period ended June 30, 2006

Operating activities

Net cash used in operating activities amounted to US\$13,180 thousand (¥1,518,867 thousand) for the six months year-to-date ended June 30, 2006, amount increased 158.8% as compared with last equivalent period. In line with our turnover growth, this usage was due to an increase in working capital needs, mainly trade receivables, from the rapid expansion of our business.

Investing activities

Net cash used in investing activities amounted to US\$43,548 thousand (¥5,018,497 thousand) for the six months year-to-date ended June 30, 2006, amount increased 50.6% as compared with last equivalent period. The amount mainly consisted of cash used for strategic acquisitions such as Ming Shing International Ltd and Beijing JingGuanXinCheng Advertising Co. Ltd and subsequent consideration payment for Washington Analysis Corporation that totalled to US\$36,333 thousand (¥4,187,063 thousand), deposits paid for upcoming acquisitions US\$8,035 thousand (¥925,920 thousand) and capital expenditures US\$2,835 thousand (¥326,753 thousand).

Financing Activities

Cashflow from financing activities amounted to US\$63,506 thousand (¥7,318,441 thousand) for the six months year-to-date ended June 30, 2006, amount increased 1,232.9% as compared with last equivalent period. The amount mainly consisted of US\$ 1,230 thousand (¥141,779 thousand) in issuance of shares from the exercise of outstanding warrants, US\$1,944 thousand (¥223,993 thousand) in net repayment of bank borrowing, and US\$70,000 thousand (¥8,066,800 thousand) of funds raised by a subsidiary.

Cash Balance

Ending cash balance was US\$87,455 thousand (¥10,078,291 thousand) as at June 30, 2006, due to the activities as described in “Operating Activities”, “Investing Activities” and “Financing Activities”, above.

2. Condition of Production, Order Acceptance and Sales

Condition of Production and Order Acceptance:

As we are a services company, this is not applicable.

Condition of Sales:

Please refer to “1. Summary of Results of Operations, etc.”

3. Issues To Be Resolved

No material change in our issues to be resolved occurred in this semi-annual period.

4. Material Contracts Relating to Business

MING SHING INTERNATIONAL LTD.

The Company entered into a purchase agreement on December 21, 2005 with Lu Chin Chien, the shareholder of Ming Shing International Ltd. (“Ming Shing”) for the purchase of all of the outstanding shares of Ming Shing. Ming Shing is a company incorporated in the British Virgin Islands which has been established to be the holding company for a number of advertising companies in Hong Kong and in the PRC. The purchase price will be paid in cash and shares of the Company over a period of next three years. There were an initial cash payment of US\$ 29 million and a second payment of US\$14.55 million in cash and 18,105 shares (post-split) of the Company based on Ming Shing’s financial

performance in 2005, which will be followed by further payments based upon Ming Shing's financial performance in 2006 and 2007. The acquisition was completed in January 2006. Ming Shing was renamed to Xinhua Finance Advertising Limited.

BEIJING ALPHA FINANCIAL ENGINEERING COMPANY

The Company entered into a purchase agreement on March 2, 2006 with Chen Bing and Ma Yuewen, the shareholders of Beijing Alpha Financial Engineering Limited ("Beijing Alpha") for the purchase of all the equity interests in Beijing Alpha. Beijing Alpha is a company incorporated in the PRC and is engaged in the development and transfer of software technology, technical training and service, sale of computers and auxiliary equipments. An initial payment of RMB 2.85 million was paid for the acquisition and subsequent consideration is linked to the performance of Beijing Alpha in 2006, 2007 and 2008 and may be payable over the next three years. The total consideration is estimated at US\$1 million. The acquisition was completed in July 2006.

BEIJING JING GUANG XIN CHENG ADVERTISING COMPANY LTD

The Company's subsidiary, Beijing Taide Advertising Co., Ltd. ("Taide") entered into an agreement on April 20, 2006 with the shareholder of Beijing Jing Guang Xin Cheng Advertising Company Limited ("Xin Cheng") for the purchase of 50% equity interests in Xin Cheng. Xin Cheng is a company incorporated in the PRC and is an advertising company. An initial payment of RMB 80,000,000 (approximately US\$10 million) was paid for the acquisition and subsequent consideration may be payable in 2007 depending on Xin Cheng's financial performance in 2006 (up to a maximum of RMB70,000,000 or US\$8.8 million, of which 50% to be paid in cash and 50% to be paid in Xinhua Finance shares). The acquisition was completed in June 2006. In September 2006, Taide has entered into an agreement with the shareholder of Xin Cheng to acquire the remaining 50% equity interests of Xin Cheng and an application for registration of share transfer has been filed with the local company registry. Upon completion of the registration, Taide will be the sole shareholder of Xin Cheng.

SHANGHAI HYPERLINK MARKET RESEARCH CO., LTD.

The Company's subsidiary, Beijing Taide Advertising Co., Ltd. entered into an agreement on June 14, 2006 with the shareholders of Shanghai Hyperlink Market Research Co., Ltd. ("Hyperlink") for the purchase of 51% equity interests in Hyperlink. Hyperlink is a company incorporated in the PRC and is one of China's top market research companies. An initial payment of US\$2.5 million was paid for the acquisition and subsequent consideration may be payable in 2007 or in 2008 depending on Hyperlink's financial performance in 2006 and 2007 (up to a maximum of US\$3.62 million in cash). The acquisition was completed in August 2006. In September 2006, Taide has entered into an agreement with the shareholders of Hyperlink to acquire the remaining 49% equity interests of Hyperlink and an application for registration of share transfer has been filed with the local company registry. Upon completion of the registration, Taide will be the sole shareholder of Hyperlink.

BEIJING PERSPECTIVE ORIENT MOVIE & TELEVISION INTERMEDIARY CO., LTD.

The Company's subsidiary, Beijing Century Media Culture Co., Ltd. entered into an agreement on June 15, 2006 with the shareholder of Beijing Perspective Orient Movie & Television Intermediary Co., Ltd. ("Perspective") for the purchase of 51% equity interests in Perspective. Perspective is a financial television program production company headquartered in Beijing and with studios in Beijing, Shanghai, Shenzhen and Hunan. The purchase price was RMB49 million. The acquisition was completed in July 2006.

PRAEDEA SOLUTIONS, INC.

The Company's subsidiary, Mergent, Inc. entered into an agreement on July 13, 2006 with the shareholders of Praeдея Solutions, Inc. ("Praeдея") for the purchase of all the equity interests in Praeдея. Praeдея is a U.S. company which develops software for automated data extraction. An initial payment of US\$300,000 was paid on closing. Within 60 days from closing, Mergent, Inc. will either pay US\$ 1,300,000, or issue shares with a market value of US\$ 1,300,000, based on the closing price for the last trading day prior to issuance for the acquisition. Subsequent consideration may be payable in 2007 and 2008 depending on Praeдея's financial performance in 2006 and 2007 (up to a maximum of US\$ 8,500,000, of which US\$ 2,400,000 is to be paid in cash and the remainder to be paid in Xinhua Finance shares, the number of which will be calculated based on its market price at the time of any such payment). The acquisition was completed in July 2006.

GLASS, LEWIS & CO., LLC

The Company entered into an agreement on August 9, 2006 with the shareholders of Glass, Lewis & Co., LLC ("Glass Lewis") for the purchase of 19.9% equity interests in Glass Lewis. Glass Lewis is a leading investment

research and global proxy advisory and voting services firm. It is headquartered in San Francisco with offices in New York, London, Tokyo and Denver. An initial payment of US\$8,955,000 was paid for a 19.9% equity interest in Glass Lewis on August 9, 2006.

US\$ LOAN FACILITY

The Company entered into a senior secured bridge facility agreement for US\$30,000,000 with ABN AMRO Bank N.V (the "Bank") on May 26, 2006. Interest on any borrowed amount is payable quarterly at the aggregate of a margin of 2.75% per annum and LIBOR. The obligations under this bridge facility are secured by a security assignment in favour of the Bank over all present and future inter-company loans greater than US\$500,000 granted by the Company to Xinhua Mergent Holdings Limited and Mergent, Inc. and a pledge of all of the shares of Mergent, Inc. to the Bank and are guaranteed by Xinhua Mergent Holdings Limited and Mergent, Inc. The bridge facility was fully repaid in August, 2006.

The Company entered into a senior secured five year US\$70,000,000 facility agreement with the Bank, General Electric Capital Corporation and Mizuho Corporate Bank, Ltd., Hong Kong Branch on August 8, 2006 (the "Loan Agreement"). Interest on any borrowed amount is payable quarterly at the aggregate of a margin (ranging from 2.25% to 2.75% per annum, depending on the Debt Cover Ratio of the Company) and LIBOR. The obligations under this facility are secured by a pledge of all present and future inter-company loans (which, in aggregate, for each company in receipt of inter-company loans is equal to or greater than US\$500,000) granted by the Company to a member of the Group and a pledge of all of the shares of Mergent, Inc, Stone & McCarthy Research Associates, Inc, Market News International, Inc., G7 Group, Inc., Washington Analysis Corporation, Taylor Rafferty Associates, Inc., Xinhua Mergent Holdings Limited and Xinhua Financial Network Limited (together "Guarantors") and are guaranteed by the Guarantors.

The Loan Agreement contains provisions which, among other things, require the Company and the Guarantors to maintain certain financial ratios and restrict their ability to dispose of assets, grant security interests over assets, pay dividends, make investments and enter into mergers.

TERM LOAN FACILITY

The Company's subsidiary, Xinhua Finance Media Limited ("XFM") entered into a secured term loan agreement with Patriarch Media Partners Limited ("PPM") in March, 2006, in the amount of US\$10,000,000 (the "Term Loan"). Interest on any borrowed amount is payable quarterly at 2.75% above three-month LIBOR. The obligations under this facility (the "Loan Obligations") are secured by a pledge of all of the shares of Active Advertising Agency Limited, Econworld, Xinhua Finance Advertising Limited and Upper Will Enterprises Limited. The Loan Obligations are repayable on 31 December, 2008 ("Maturity"), and may, at the option of XFM, be repaid to PPM by the delivery of Xinhua Finance shares issued at a 10% discount to the trailing average closing price for the 30 trading days prior to issuance. The Loan Obligations are also convertible, at the option of PPM, into ordinary shares of XFM at a conversion price of US\$3.66 per share (the "Conversion Price"), and will automatically convert into ordinary shares of XFM at the Conversion Price upon any initial public offering of XFM which values XFM at least US\$400,000,000 (a "QIPO"). The Term Loan was amended on 20 September 2006 to provide for additional interest of \$272,727.27 per quarter to accrue in arrears from 1 April 2006, and be payable upon Maturity.

SHARE PURCHASE AGREEMENT WITH PATRIARCH MEDIA PARTNERS LIMITED

XFM entered into a share purchase agreement with PPM in March 2006 for the purchase of a maximum of 21,873,235 preferred shares of XFM, of which 16,404,926 were issued for a total consideration of \$60,000,000 (the "Preferred Shares"). The Preferred Shares are convertible, at the option of PPM, into 16,404,926 ordinary shares of XFM, and will automatically convert into 16,404,926 ordinary shares of XFM upon any QIPO. The Preferred Shares may be redeemed at the option of XFM for cash plus a 42% premium or by the delivery of Company Shares issued at a 10% discount to the trailing average closing price for the 30 trading days prior to issuance. On 20 September 2006, 819,672 Preferred Shares were redeemed for a total redemption amount of \$1.00.

5. Research and Development

In the financial services and media industry, research and development efforts are focused on new product development, enhancement to existing products and services, and improvement in distribution mechanisms. We have invested in these areas since the inception of XFN. In our on-going business activities, we have spent substantial resources in research and development efforts and costs associated with such efforts are expensed in the income statement.

In new product development, our market indices business continues to develop new indices, such as the Blue Chip Value 100 Index and the H-Share Index, and futures contracts based on Xinhua FTSE's China A50 which are listed on

the Singapore Stock Exchange. Our ratings business continues to develop China sector reports, applying methodologies used in international markets to the local business realities and practices in China, such as the Xinhua Finance/ Milken Institute China Indicators, which gauge risks and returns inherent in China's markets. Our news business to launched China Bullet Points targeting clients in the fixed income and forex sectors. Also, our investor relations business has begun tailoring its worldwide investor relations services for the China market.

For product/service enhancements, our market indices business has continued to refine and improve its existing indices to cater for specific needs of our clients. Our index committee continues to commission many initiatives to continue improving our index calculation methodology. Our ratings business continues to communicate with domestic and international investors about the credit trends and outlooks of Chinese market and selected issuers to gauge new products or product refinements that are suitable, as well as increasing its coverage of China companies based on client demand. Our investor relations business continues to hold training seminars and conferences for existing and potential clients to educate them on the importance of shareholders communication. Our financial terminals business also has continued to develop terminal applications for other areas such as foreign exchange.

IV. CONDITION OF FACILITIES

1. Relocation of major facilities

The following offices were relocated in the first half of 2006.

Fortune China Public Relations Limited Offices
Effective March 1, 2006

Beijing

Room 622, East Wing, Office Tower 1, Beijing Junefield Plaza, No.6 Xuanwumen Waidajie, Beijing Postal code: 100052

中国 北京 宣武区 宣武门外大街6号庄胜广场办公楼 第一座 东翼622室邮编: 100052”

Number of employees : 21

Area: 326.52m²

Monthly Rental: USD 3,164.71

Shanghai

Room 19B, Jianjing Building, 1399 Beijing West Road, Shanghai. Postal code: 200040

中国 上海 北京西路1399号建京大厦19B 邮编: 200040

Number of employees : 4

Area: 170.03m²

Monthly Rental: USD1,531.55

Shanghai Far East Credit Rating Co., Ltd.

Effective April 17, 2006

New Address: Floor 9, 10th Building, 990 Dalian Road, Shanghai. Postal code: 200092

中国 上海 大连路990号10号楼9层 邮编: 200092

Number of employees : 97

Area: 1200m²

Monthly Rental: Company Owned

Book value of the facilities : RMB21,654,000.00

Econworld Media Limited Beijing Office

Effective April 22, 2006

New Address: RM 410 Wangfu Century, No.55 Dong An Men Avenue, Dongcheng District, Beijing China 100006

Number of employees : 17

Area: 208.74m²

Monthly Rental: USD 2,536.04

Xinhua Financial Network Limited Shanghai Office

Effective May 29, 2006

New Address: 2702 2 Grand Gateway, 3 Hongqiao Lu, Shanghai PR China 200030

上海市虹桥路3号港汇中心二座2702 邮编: 200030

Number of employees : 13

Area: 158.12m²

Monthly Rental: USD 4,712.46

2. Plans for new creation and disposal of facilities

There is no change in the plans for new creation and disposal of facilities from previous period. There is no new plan for creation and disposal of facilities.

V. CONDITION OF THE REPORTING COMPANY

1. Condition of Shares, etc. (As of June 30, 2006)

(1) Total number of shares, etc.

Number of Authorized Shares:	2,500,000.00
Total Number of Shares Outstanding:	890,727.79
Number of Shares Unissued:	1,609,272.21
Warrants and Options to Subscribe For the Equivalent Number of Ordinary Shares*:	31,933.00
Balance of number of options to subscribe for equivalent number of ordinary shares committed to be issued pursuant to an Employee Stock Compensation Plan for 2005**:	13,940.00
Maximum number of options to subscribe for equivalent number of ordinary shares committed to be issued pursuant to an Employee Stock Compensation Plan for 2006**:	34,522.00
FULLY DILUTED SHARES:	971,122.79

Notes :

* The following table sets forth certain information regarding grants of options and warrants (save and except share options granted to employees under the Employee Stock Compensation Plan) to acquire our shares:

** The Company has established an employee stock compensation plan, which is administered by the compensation committee. It provides for coverage to include employees, directors, consultants and/or advisors and any others as determined by the board. The share price or option price (as the case may be) is determined by the committee but may not be below par value. The share pool is subject to adjustment but may not exceed 20% of the Enlarged Share Capital of the Company. Enlarged Share Capital is defined as the fully-diluted total outstanding share capital of the Company.

** The number of options granted to subscribe for equivalent number of ordinary shares committed to be issued pursuant to an Employee Stock Compensation Plan for 2005 were 14,910 shares, of which options to subscribe for 970 shares have been exercised during this semi-annual period.

Notes : (a) The options to subscribe for 114 ordinary shares (post-split) granted on 5 January 2004 were lapsed on 31 December 2005 and the options to subscribe for 36 ordinary shares (post-split) were exercised on 31 December 2005.

(b) The warrants to subscribe for 3,900 ordinary shares (post-split) granted on 16 July 2004 were exercised on 23 February 2006.

Date of Grant	# of warrants/options	Class	# of shares	Amount to be paid (\$US)	Amount to Share Capital if exercise (\$US)	Exercise Period	Transferable	Other material terms
12-Aug-04	Warrant to subscribe for 294 ordinary shares	Ordinary	294	\$264 per share	\$77,616	1 October 2004 to 30 September 2008	Subscription rights are not transferable	Must be exercised in whole and not in part. May not sell or otherwise dispose of any securities of the Company without the prior written consent of the Company or underwriters.
1-Nov-04	Options to subscribe for 39 ordinary shares	Ordinary	39	\$533.33 per share or as determined by Compensation Committee	\$20,800 or as determined by Compensation Committee	1 November 2004 to 1 December 2006	Option shall not be assignable	9 shares and 15 shares vested on 1 November 2004 and 1 November 2005 respectively and 15 shares will vest on 1 November 2006.
9-Feb-05	Options to subscribe for 600 ordinary shares	Ordinary	600	\$666.67 per share	\$400,000	9 February 2005 to 9 February 2015	Option shall not be assignable	204 shares and 198 shares vested on 9 February 2005 and 31 December 2005 respectively and 198 shares will vest on 31 December 2006.
31-Jan-06	Options to subscribe for 6,000 ordinary shares	Ordinary	6,000	JPY71,844 per share	JPY431,064,000	30 April 2006 to 31 January 2007	Option shall not be assignable	1,500 shares vested on 30 April 2006, 1,500 shares will vest on 31 July 2006, 31 October 2006 and 31 January 2007 respectively
31-Jan-06	Options to subscribe for 5,000 ordinary shares	Ordinary	5,000	JPY74,247 per share	JPY371,235,000	31 January 2006 to 30 April 2007	Option shall not be assignable	834 shares vested on 31 January 2006 and 30 April 2006, 834 shares will vest on 30 July 2006, 31 October 2006 and 31 January 2007 and 830 shares will vest on 30 April 2007 respectively.
14-Feb-06	Warrants to subscribe for 20,000 ordinary shares	Ordinary	20,000	JPY82,500 per share	JPY1,650,000,000	15 February 2007 to 16 February 2009	Warrants shall not be assignable	Upon request of the Company, the warrant holder shall not sell or otherwise dispose of any securities of the Company without the prior consent of the Company or underwriters.

Details of Shares Outstanding

Registered / bearer shares And Par value or no-par-value	Registered shares with par value of HK\$20.00 per share
Class:	Ordinary
Number of shares outstanding:	890,727.79 (as of June 30, 2006)
Name of securities exchange or securities association in which shares are listed or registered	Tokyo Stock Exchange (Mothers Section)

(2) Total number of shares issued and changes in capital stock (as of June 30, 2006)

Date	Remarks	Number of Shares Increased	Cumulative Number of Shares Issued*	Increase in Total Capital US\$*	Cumulative Total Capital US\$ (JPY)*
1-Jan-06			815,477.29	-	260,710,708 (30,044,301,990)
20-Jan-06	Exercise of options by an option holder	36	815,513.29	8,640	260,719,348 (30,045,297,664)
20-Jan-06	Share issuance to an employee	30	815,543.29	26	260,719,374 (30,045,300,660)
20-Jan-06	Share issuance related to employee compensation	30	815,573.29	20,693	260,740,067 (30,047,685,321)
20-Jan-06	Share issuance to employees related to share split	12.5	815,585.79	-	260,740,067 (30,047,685,321)
27-Jan-06	Share issuance to senior executives	5,478.00	821,063.79	-	260,740,067 (30,047,685,321)
15-Feb-06	Share issuance to a third party	2,000.00	823,063.79	-	260,740,067 (30,047,685,321)
15-Feb-06	Share issuance related to exercise of share options	12	823,075.79	5,001	260,745,068 (30,048,261,636)
15-Feb-06	Share issuance related to employee compensation	3	823,078.79	8	260,745,076 (30,048,262,558)
23-Feb-06	Share issuance related to exercise of warrants by a warrant holder	3,900.00	826,978.79	1,029,600	261,774,676 (30,166,913,662)
3-Mar-06	Share issuance to a consultant	4,650.00	831,628.79	-	261,774,676 (30,166,913,662)
13-Mar-06	Share issuance to an executive	15,262.00	846,890.79	-	261,774,676 (30,166,913,662)
21-Mar-06	Share issuance related to acquisition of Beijing Century Media Culture Co., Ltd.	14,629.00	861,519.79	8,374,613	270,149,288 (31,132,004,064)
18-Apr-06	Share issuance related to exercise of share options	566	862,085.79	234,261	270,383,550 (31,159,000,302)
8-May-06	Share issuance related to acquisition of Washington Analysis	3,543.00	865,628.79	3,182,503	273,566,053 (31,525,751,948)
8-May-06	Share issuance related to exercise of share options	392	866,020.79	161,169	273,727,222 (31,544,325,063)
8-Jun-06	Share issuance related to acquisition of Ming Shing International Limited	18,105.00	884,125.79	11,665,902	285,393,124 (32,888,703,610)
8-Jun-06	Share issuance related to acquisition of Beijing Jing Guan Xin Cheng Advertising Co Ltd	6,602.00	890,727.79	4,253,979	289,647,102 (33,378,932,150)

Notes : * "Total Capital" includes share capital and share premium.

Total number of shares increased by exercised of warrants and options in this semi-annual period was 4,906 shares and the amount of Total Capital increased by exercise of warrants and options in the same period was USD1,438,671.

(3) Major Shareholders (as at June 30, 2006)

<u>Number</u>	<u>Name of Shareholder</u>	<u>Address</u>	<u>Number of Shares</u>	<u>Shareholding %</u>
1	Nissin Co., Ltd.	Shinjuku L-Tower 25F, 6-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo	121,060	13.59%
2	UBS AG	Otemachi First Square, 5-1 Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004	78,707	8.84%
3	Patriarch Partners and affiliates	40 Wall Street, 25th Floor, New York, NY 10005, USA	65,754	7.38%
4	Fredy Bush Family Trust and associated companies	1911 Sacramento Street, San Francisco, CA 94109, USA	59,742	6.71%
5	Gandhara Master Fund Ltd.	21/F., Henley Building, 5 Queen's Road Central, Hong Kong	42,820	4.81%
6	Oppenheimerfunds, Inc.	2 World Financial Center, 225 Liberty Street, New York, U.S.A.	34,165	3.84%

The issued share capital of the Company as at June 30, 2006 was 890,727.79 shares.

Shareholding of Patriarch Partners and affiliates includes shares held by Patriarch Partners II, LLC (29,727 shares, 3.34%), ARK II CLO 2001-1, Limited (29,727 shares, 3.34%) and Patriarch Partners III, LLC (6,300 shares, 0.71%).

Shareholding of Fredy Bush Family Trust includes shares held by Fredy Bush Family Trust (37,242 shares, 4.18%), JDD China Investment, LLC (7,500 shares, 0.84%), Lofred Investment Company, LLC (7,500 shares, 0.84%) and Red China Investments, LLC (7,500 shares, 0.84%).

2. Trend in Share Prices

The following table provides the highest and lowest share prices for each of the six most recent months in the current fiscal year on The Tokyo Stock Exchange.

Month	Share Price High (Yen)	Share Price Low (Yen)
January 2006	88,700	68,000
February 2006	85,600	61,000
March 2006	78,700	59,800
April 2006	106,000	75,500
May 2006	109,000	81,500
June 2006	86,500	70,400

3. Director and Officers

There is no change in Directors and Officers.

VI. FINANCIAL CONDITION

1. Basis of presenting consolidated financial statements and financial statements

- (1) The first half consolidated financial statements of the Company were prepared in accordance with “Rules Governing Term, Form and Preparation of First Half Consolidated Financial Statements” (Finance Ministerial Order the 24th, 1999, which is hereinafter referred to as “First Half Consolidated Financial Statements Rule”).

The first half consolidated financial statements of the Company for the period from January 1, 2005 to June 30, 2005 was prepared in accordance with the First Half Consolidated Financial Statements Rule before revision, and the first half consolidated financial statements of the Company for the period from January 1, 2006 to June 30, 2006 was prepared in accordance with the First Half Consolidated Financial Statements Rule after revision.

- (2) The first half financial statements of the Company were prepared in accordance with “Rules Governing Term, Form and Preparation of First Half Financial Statements” (Finance Ministerial Order the 38th, 1977, which is hereinafter referred to as “First Half Financial Statements Rule”).

The first half financial statements of the Company for the period from January 1, 2005 to June 30, 2005 was prepared in accordance with the First Half Financial Statements Rule before revision, and the first half financial statements of the Company for the period from January 1, 2006 to June 30, 2006 was prepared in accordance with the First Half Financial Statements Rule after revision.

- (3) The third clause of Article 74 of the First Half Financial Statements Rule is applied to the semi-annual financial information of the Company for the period ended June 30, 2006.
- (4) The first half consolidated financial statements of the Company and the first half financial statements of the Company are stated in U.S. dollars. The amounts in Japanese yen are calculated by the foreign currency exchange rate (mean of the buying and selling rates) in the Tokyo Foreign Exchange Market as of June 30, 2006, which is calculated as US\$1 = 115.24 Japanese yen, in accordance with Article 77 of the First Half Financial Statements Rules. U.S. dollar amounts are presented in thousands (rounded), and Japanese yen amounts are stated in thousands (rounded). Please note that the Japanese yen amounts are stated only for convenience only. The amounts in U.S. dollar may not have been or may not be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.

2. Audit certification

- (1) Pursuant to Article 193-2 of the Securities and Exchange Law, Deloitte Touche Tohmatsu has performed a semi-annual audit on the first half consolidated financial statements of the Company for the period from January 1, 2006 to June 30, 2006 and for the period from January 1, 2005 to June 30, 2005 and the first half financial statements of the Company for the period from January 1, 2006 to June 30, 2006 and for the period from January 1, 2005 to June 30, 2005.

1 Semi-annual Financial Information

(1) 1st half Consolidated Financial Statements

① 1st half Consolidated Balance Sheets

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

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

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

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

② 1st half Consolidated Income Statements

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

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

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

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

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

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

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

1st half Consolidated Statement of Changes in Net Assets

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

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

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

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

④ 1st half Consolidated Cashflow Statements

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

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

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

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

Basis of Presenting 1st half Consolidated Financial Statements

Item	2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
1 Scope of consolidation	<p>(1) The number of consolidated subsidiaries: 32</p> <p>The name of consolidated subsidiaries are as follows:</p> <p>Xinhua Financial Network Ltd. Market News International, Inc. Market News Service (International) Inc. China Financial News Ltd. Fortune China Public Relations Ltd. FTSE/Xinhua Index Ltd. Xinhua Financial Network Inc. Xinhua Financial Network Korea Company Limited. China Finance Limited (formerly known as China Financial Network Ltd) AFX Asia Pte Ltd. Xinhua Financial Network (Beijing) Ltd. Xinhua Finance Japan Ltd. (formerly known as Xinhua Netchina Ltd.) Xinhua Investment Group Hong Kong Ltd. Shanghai NetChina Ltd. Xinhua Financial Network (Shanghai) Ltd. Mergent, Inc. Mergent Japan K.K. Stone & McCarthy Research Associates, Inc. SMRA International, Inc. G-7 Group, Inc. Xinhua Mergent Holdings Limited Ford Investor Services, Inc. Taylor Rafferty Associates, Inc. Taylor Rafferty Associates Ltd. Taylor Rafferty KK EconWorld Media Ltd. Financial World (Shanghai) Co., Ltd. EconWorld (Shanghai) Co., Ltd. EconWorld Publishing Ltd. Money Journal Publication Ltd. Money Journal Advertising Co., Ltd. Highasia Investments Ltd.</p>	<p>(1) The number of consolidated subsidiaries: 59</p> <p>The name of consolidated subsidiaries are as follows:</p> <p>Xinhua Financial Network Ltd. Market News International, Inc. Market News Service (International) Inc. China Financial News Ltd. Fortune China Public Relations Ltd. FTSE/Xinhua Index Ltd. Xinhua Financial Network Inc. Xinhua Financial Network Korea Company Limited. China Finance Limited (formerly known as China Financial Network Ltd) AFX Asia Pte Ltd. Xinhua Financial Network (Beijing) Ltd. Xinhua Finance Japan Ltd. (formerly known as Xinhua Netchina Ltd.) Xinhua Investment Group Hong Kong Ltd. Shanghai NetChina Ltd. Xinhua Financial Network (Shanghai) Ltd. Mergent, Inc. Mergent Japan K.K. Stone & McCarthy Research Associates, Inc. SMRA International, Inc. G-7 Group, Inc. Xinhua Mergent Holdings Limited Ford Investor Services, Inc. Taylor Rafferty Associates, Inc. Taylor Rafferty Associates Ltd. Taylor Rafferty KK EconWorld Media Ltd. Financial World (Shanghai) Co., Ltd. EconWorld (Shanghai) Co., Ltd. EconWorld Publishing Ltd. Money Journal Publication Ltd. Money Journal Advertising Co., Ltd. Highasia Investments Ltd. Washington Analysis Corporation Beijing Century Media Culture Co., Ltd Beijing Workshop Communications Co., Ltd. Beijing Golden Ways Culture Development Co Ltd. Shanghai Pobo Data and Information Network Consulting Co., Ltd. Shanghai Huacai Investment Advisory Company Limited Xinhua Top Sky Public Relations Consulting (Beijing) Co., Ltd. Tesseræ Capital Advisors, LLC</p>	<p>(1) The number of consolidated subsidiaries: 42</p> <p>The name of consolidated subsidiaries are as follows:</p> <p>Xinhua Financial Network Ltd. Market News International, Inc. Market News Service (International) Inc. China Financial News Ltd. Fortune China Public Relations Ltd. FTSE/Xinhua Index Ltd. Xinhua Financial Network Inc. Xinhua Financial Network Korea Company Limited. China Finance Limited (formerly known as China Financial Network Ltd) AFX Asia Pte Ltd. Xinhua Financial Network (Beijing) Ltd. Xinhua Finance Japan Ltd. (formerly known as Xinhua Netchina Ltd.) Xinhua Investment Group Hong Kong Ltd. Shanghai NetChina Ltd. Xinhua Financial Network (Shanghai) Ltd. Mergent, Inc. Mergent Japan K.K. Stone & McCarthy Research Associates, Inc. SMRA International, Inc. G-7 Group, Inc. Xinhua Mergent Holdings Limited Ford Investor Services, Inc. Taylor Rafferty Associates, Inc. Taylor Rafferty Associates Ltd. Taylor Rafferty KK EconWorld Media Ltd. Financial World (Shanghai) Co., Ltd. EconWorld (Shanghai) Co., Ltd. EconWorld Publishing Ltd. Money Journal Publication Ltd. Money Journal Advertising Co., Ltd. Highasia Investments Ltd. Washington Analysis Corporation Beijing Century Media Culture Co., Ltd Beijing Workshop Communications Co., Ltd. Beijing Golden Ways Culture Development Co Ltd. Shanghai Pobo Data and Information Network Consulting Co., Ltd. Shanghai Huacai Investment Advisory Company Limited Xinhua Top Sky Public Relations Consulting (Beijing) Co., Ltd. Tesseræ Capital Advisors, LLC</p>

Item	2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
	<p>(2) Name of unconsolidated subsidiaries and relative information Intelligence Asia Pty Ltd. LJS Global Information Services, Inc. Mergent Pricing & Evaluation Services, Inc. Mergent (UK) Ltd.</p> <p>(Reason of status to be unconsolidated) All of the unconsolidated subsidiaries do not have significant influence on Group's consolidated financial statements due to its small magnitude taking into account the total assets, revenue, net income for the 1st half of the year and retained earnings as well as the aggregated amounts of all unconsolidated subsidiaries.</p>	<p>Xinhua Finance Media Limited Shanghai Far East Credit Rating Co., Ltd. Xinhua Finance Advertising Limited (formerly known as Ming Shing International Ltd.) Upper Will Enterprised Limited Active Advertising Agency Ltd. Active Advertising Agency (Guangzhou) Ltd. Shenzhen Active Trinity Ltd. Shangtuo Zhiyang International Advertising (Beijing) Co. Ltd. Beijing Dragon Media Advertising Co. Ltd. Beijing Jinlong Runxin Advertising Co. Ltd. Shanghai Yuanxin Advertising Media Co. Ltd. Beijing JinGuan XinCheng Advertising Co., Ltd Beijing JingShi JingGuan Advertising Co., Ltd</p> <p>Number of other consolidated subsidiaries: 6</p> <p>(2) Name of unconsolidated subsidiaries and relative information Same as on the left.</p> <p>(Reason of status to be unconsolidated) Same as on the left.</p>	<p>Xinhua Finance Media Limited Shanghai Far East Credit Rating Co., Ltd.</p> <p>(2) Name of unconsolidated subsidiaries and relative information Same as on the left.</p> <p>(Reason of status to be unconsolidated) All of the unconsolidated subsidiaries do not have significant influence on Group's consolidated financial statements due to its small magnitude taking into account total assets, revenue, net income and retained earnings as well as the aggregated amounts of all unconsolidated subsidiaries.</p>

Item	2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
2 Adoption of equity method	<p>(1) There is no group company accounted by the equity method.</p> <p>(2) Unconsolidated subsidiaries not accounted by the equity method Intelligence Asia Pty Ltd. LJS Global Information Services, Inc. Mergent Pricing & Evaluation Services, Inc. Mergent (UK) Ltd. (Reason of status not to be accounted by the equity method) The adoption of equity method for all of the subsidiaries dose not have any significant influence on Group's consolidated financial statements due to its small magnitude taking into account the net income for the 1st half of the year and retained earnings as well as the aggregated amounts of all unconsolidated subsidiaries.</p>	<p>(1) Number of associated company adopted equity method : 1</p> <p>Name of the associated company Ning Bo Far East Credit Rating Co., Ltd.</p> <p>(2) Unconsolidated subsidiaries not accounted by the equity method Same as on the left.</p> <p>(Reason of status not to be accounted by the equity method) Same as on the left.</p>	<p>(1) Number of associated company adopted equity method : 1</p> <p>Name of the associated company Same as on the left.</p> <p>(2) Unconsolidated subsidiaries not accounted by the equity method Same as on the left.</p> <p>(Reason of status not to be accounted by the equity method) The adoption of the equity method for all of the subsidiaries does not have any significant influence on Group's consolidated financial statements due to its small magnitude taking into account the net income and retained earnings as well as the aggregated amounts of all unconsolidated subsidiaries.</p>
3 Reconciliation of closing date for consolidation	<p>There is no consolidated subsidiary whose closing date for the 1st half period is different from that of the Company.</p>	<p>Same as on the left.</p>	<p>There is no consolidated subsidiary whose closing date for the year is different from that of the Company.</p>
4 Significant accounting policies (1) Valuation basis and method for assets	<p>Securities</p> <p>Available-for sale securities -With fair value Fair value method base on the fair value information, such as market information, at the 1st half balance sheet date is applied. (Unrealized gain or loss is accounted for as an equity item, and costs of sales are based on moving-average method.) -With no fair value Cost method based on the moving-average method is applied</p>	<p>Securities</p> <p>(a) Trading securities -Fair value method (the cost of securities sold is determined based on the moving-average cost method) (b) Held-to-maturity securities -Amortized cost method (c) Available-for sale securities -With fair value Fair value method base on the fair value information, such as market information, at the 1st half balance sheet date is applied. (Unrealized gain or loss is accounted for as a net assets item, and costs of sales are based on moving-average method.) -With no fair value Same as on the left.</p>	<p>Securities</p> <p>(a) Trading securities Same as on the left. (b) Held-to-maturity securities Same as on the left. (c) Available-for-sale securities -With market value Fair value method based on fair value information, such as market information, at the balance sheet date is applied. (Unrealized gain or loss is accounted for as an equity item, and costs of sales are based on the moving-average method.) -With no fair value Same as on the left.</p>

Item	2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
(2) Depreciation or amortization method	<p>(a) Property and equipment Depreciation of property and equipment of the Company and its consolidated non-Japanese subsidiaries is computed substantially by the straight-line method, while the declining-balance method is applied to the property and equipment of consolidated Japanese subsidiaries. Estimated useful lives are the followings: Buildings and structures: 3 to 7 years Equipments: 1 to 10 years</p> <p>(b) Intangible assets Intangible assets are amortized by the straight-line method. Estimated useful lives are as follows: Trade mark and distribution rights: 3 to 11 years Goodwill : 4 to 5 years</p>	<p>(a) Property and equipment Same as on the left.</p> <p>(b) Intangible assets Intangible assets are amortized by the straight-line method. Estimated useful lives are as follows: Trade mark and distribution rights: 11 years Goodwill : 5 years</p>	<p>(a) Property and equipment Same as on the left.</p> <p>(b) Intangible assets Same as on the left.</p>
(3) Allowance, reserve and provision	<p>Allowance for Doubtful Accounts For the Company and its non-Japanese subsidiaries, the allowance has been determined by reference to past default experience. For Japanese subsidiaries, the allowance for doubtful accounts is stated in amounts considered to be appropriate based on the past credit loss experience and an evaluation of respective potential losses in the receivables outstanding.</p>	<p>Allowance for Doubtful Accounts Same as on the left.</p>	<p>Allowance for Doubtful Accounts Same as on the left.</p>
(4) Conversion of significant items in foreign currencies	<p>All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into U.S. Dollars at the exchange rates at the 1st half balance sheet date, while all revenue and expense account are translated into U.S. Dollars at average rate of the first half period. The foreign exchange gains and losses from translation are recognized in the 1st half income statement. All assets and liabilities of foreign subsidiaries are translated into U.S. Dollars at the exchange rates at the 1st half balance sheet date, while all revenue and expense account are translated into U.S. Dollars at average rate applicable for the 1st half period. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.</p>	<p>All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into U.S. Dollars at the exchange rates at the 1st half balance sheet date, while all revenue and expense account are translated into U.S. Dollars at average rate of the first half period. The foreign exchange gains and losses from translation are recognized in the 1st half income statement. All assets and liabilities of foreign subsidiaries are translated into U.S. Dollars at the exchange rates at the 1st half balance sheet date, while all revenue and expense account are translated into U.S. Dollars at average rate applicable for the 1st half period. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of Net Assets.</p>	<p>All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into U.S. Dollars at the exchange rates at the balance sheet date, while all revenue and expense accounts are translated into U.S. Dollars at the average rate of the period. The foreign exchange gains and losses from translation are recognized in the income statement. All assets and liabilities of foreign subsidiaries are translated into U.S. Dollars at the exchange rates at the balance sheet date, while all revenue and expense accounts are translated into U.S. Dollars at the average rate applicable for the period. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.</p>

Item	2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
(5) Leases	For finance leases deemed not to transfer ownership of the leased property to the lessee, leased properties are capitalized.	Same as on the left.	Same as on the left.
(6) Other significant items for the preparation of the (1st half) consolidated financial statements	<p>Accounting policy of the consumption tax Tax-excluding method is applied.</p> <p>Conversion of dollars into yen In accordance with the Article 66 of the Interim Financial Statements rules, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=115.24, from the Tokyo Foreign Exchange Market as of June 30, 2006. The Japanese yen amounts are stated only for purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.</p>	<p>Accounting policy of the consumption tax Same as on the left.</p> <p>Conversion of dollars into yen In accordance with the Article 77 of the Interim Financial Statements rules, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=115.24, from the Tokyo Foreign Exchange Market as of June 30, 2006. The Japanese yen amounts are stated only for purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.</p>	<p>Accounting policy of the consumption tax Same as on the left.</p> <p>Conversion of dollars into yen In accordance with the Article 130 of the Financial Statements rules, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=115.24, from the Tokyo Foreign Exchange Market as of June 30, 2006. The Japanese yen amounts are stated only for purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.</p>
5 Valuation for assets and liabilities of consolidated subsidiaries	The assets and liabilities of the consolidated subsidiaries for not only the Company's interest but also minority interests are evaluated at fair value.	Same as on the left.	Same as on the left.
6 Amortization of goodwill on consolidation	Goodwill on consolidation is amortized by the straight-line method over 20 years.	Same as on the left.	Same as on the left.
7 Cash and cash equivalents in the (1st half) consolidated cashflow statement	Cash equivalents in the 1st half consolidated cashflow statement are short-term investments that are readily convertible into cash and are not exposed to significant risk of changes in value. Cash equivalents mature or become due within three months of the date of investment.	Same as on the left.	Cash equivalents in the consolidated cashflow statement are short-term investments that are readily convertible into cash and are not exposed to significant risk of changes in value. Cash equivalents mature or become due within three months of the date of investment.

Change in Accounting Policy

2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year -prior year (From January 1, 2005 to December 31, 2005)
	<p>(Presentation of net assets in the consolidated balance sheets)</p> <p>Effective from 1st half period disclosure, the Company adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5, announced by Accounting Standard Board of Japan on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance sheet"(Guidance No. 8, announced by Accounting Standard Board of Japan on December 9, 2005).</p> <p>The amount equivalent to shareholders' equity following the previous presentation manner is USD 320,502 thousand (JPY 36,934,701 thousand).</p> <p>For the change of Interim Financial Statements Rules, net assets in the 1st half consolidated balance sheet is presented in accordance with the revised Interim Financial Statements Rules.</p> <p>(Accounting Standard for Share-based Payment)</p> <p>Effective from 1st half period disclosure, the Company adopted "Accounting Standard for Share-based Payment"(Statement No.8, announced by Accounting Standard Board of Japan on December 27, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance sheet"(Guidance No. 11, announced by Accounting Standard Board of Japan on December 27, 2005).</p> <p>The effect of this change is to decrease operating income, ordinary income and Income before income taxes, minority interests and distribution of profits from joint alliances by USD 141 thousand (JPY 16,242 thousand), for the period ended June 30, 2006, respectively.</p>	

Footnote Information

(1st half consolidated balance sheets)

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

2nd period-1st half consolidated fiscal period -prior year (As of June 30, 2005)	3rd period-1st half consolidated fiscal period -current year (As of June 30, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)
※1 The amount represents the deposit paid for the acquisition of an existing equity shares of a credit rating agency in the People's Republic of China. ※2 Trade mark and distribution rights are combined together in one set of contracts and are therefore accounted for in a single account. Another intangible asset that relates to a separate trademark and a distribution right are included in this account as well.	※1 The amount represents the deposit paid for acquisition of an equity shares. ※2 Same as on the left.	※1 Same as on the left. ※2 Same as on the left.

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

2nd period-1st half consolidated fiscal period -prior year (As of June 30, 2005)	3rd period-1st half consolidated fiscal period -current year (As of June 30, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)
※3 Assets collateralized and corresponding liabilities Assets collateralized	※3 Assets collateralized and corresponding liabilities Assets collateralized	※3 Assets collateralized and corresponding liabilities Assets collateralized
Bank deposit	Bank deposit	Bank deposit
1,260	12,050	7,514
(145,248)	(1,388,642)	(865,922)
Trade receivable		Trade receivable
2,501		1,812
(288,193)		(208,787)
Other		Other (current assets)
1,653		346
(186,790)		(39,906)
Building and structures		Equipments
48		169
(5,487)		(19,427)
Equipments		Securities assets
510		68
(58,782)		(7,824)
Investment in securities		
68		
(7,824)		
	In addition, investment in consolidated subsidiary (the total net assets amount of USD 5,531 thousand (JPY 637,402 thousand), which are eliminated on consolidation, has been pledged as collateral for the long term debt of USD 10,000 thousand (JPY 1,152,400 thousand) .	In addition, investment in consolidated subsidiaries (the total net assets amount of USD 9,852 thousand (JPY 1,135,303 thousand), which are eliminated on consolidation, have been pledged as collateral for the bank commitment line of USD 24,000 thousand (JPY 2,765,760 thousand).
Correspondent obligation		Correspondent obligation
Promissory note (non-operating)		Short-term loans
Short-term		7,482
1,250		(862,258)
(144,050)		Current portion of long-term debt
	Correspondent obligation	21,300
Lease obligation	Short-term loans	(2,454,612)
(including obligations for operating lease)	10,557	Promissory note (non-operating)
Short-term	(1,216,572)	Short-term
804		1,250
(92,646)		(144,050)
Long-term		
2,057		
(237,012)		
Short-term loans		
500		
(57,620)		

2nd period-1st half consolidated fiscal period -prior year (As of June 30, 2005)	3rd period-1st half consolidated fiscal period -current year (As of June 30, 2006)	Consolidated fiscal year -prior year (As of December 31, 2005)
<p>※4 Other payables include part of the consideration for the acquisition of shares of Stone & McCarthy Research Associates, Inc, Taylor Rafferty Associates, Inc and Econ World Media Ltd.. The consideration for the acquisition of shares of these companies could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>※5 This promissory note was issued as part of the consideration for the acquisition of shares of Ford Investor Services Inc., which became a consolidated subsidiary of the Company in the prior period. The consideration for acquisition of shares could fluctuate since the final payment is based on future operating results and future payments made for additional obligations due under the terminated Ford executive bonus plan.</p> <p>※6 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p> <p style="text-align: right;">844 (97,254)</p>	<p>※4 Other payables and long-term other payables include part of the consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation, Shanghai Pobo Data and Information Network Consulting Co., Ltd., Xinhua Finance Advertising Limited and Beijing JingGuan XinCheng Advertising Co., Ltd. The consideration for the acquisition of shares of these companies could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>※5 _____</p> <p>※6 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p> <p style="text-align: right;">987 (113,731)</p>	<p>※4 Other payables and long-term other payables include part of the consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation and Shanghai Pobo Data and Information Network Consulting Co., Ltd. The consideration for the acquisition of shares of these companies could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>※5 _____</p> <p>※6 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p> <p style="text-align: right;">373 (43,042)</p>

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

2nd period-1st half consolidated fiscal period -prior year (As of June 30, 2005)	3rd period-1st half consolidated fiscal period -current year (As of June 30, 2006)	Consolidated fiscal year - prior year (As of December 31, 2005)																																										
<p>※7 The consideration for the acquisition of shares of Stone & McCarthy Research Associates, Inc., Taylor Rafferty Associates, Inc. and Econ World Media Ltd. could fluctuate since the final payments are based on the future operating results of the respective company. The consideration for the acquisition of shares of Ford Investor Services Inc. could fluctuate since the final payment is based on the future operating results and future payments made for additional obligations due under the terminated Ford executive bonus plan.</p> <p>※8 Xinhua Mergent Holdings Limited and Market News International, Inc. have line of credit agreements with banks. The amount of the line of credit and the balance outstanding under the agreements at June 30, 2005 are as follows:</p> <table data-bbox="159 936 582 1232"> <tr> <td>Total amount of the line of credit</td> <td>24,500</td> </tr> <tr> <td></td> <td>(2,823,380)</td> </tr> <tr> <td>Outstanding balance</td> <td>2,500</td> </tr> <tr> <td></td> <td>(288,100)</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Remaining amount of the line of credit</td> <td>22,000</td> </tr> <tr> <td></td> <td>(2,535,280)</td> </tr> </table> <p>※9 _____</p> <p>※1-9 notes correspond with ※1-9 as denoted in the Consolidated Balance Sheets.</p>	Total amount of the line of credit	24,500		(2,823,380)	Outstanding balance	2,500		(288,100)	<hr/>		Remaining amount of the line of credit	22,000		(2,535,280)	<p>※7 The consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation, Shanghai Pobo Data and Information Network Consulting Co., Ltd., Xinhua Finance Advertising Limited and Beijing JingGuan XinCheng Advertising Co., Ltd. could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>※8 The Company, Xinhua Financial Network (Shanghai) Ltd. and Shanghai Huacai Investment Advisory Company Limited have line of credit agreements with banks. The amount of the line of credit and the balance outstanding under the agreements at June 30, 2006 are as follows:</p> <table data-bbox="603 936 1026 1232"> <tr> <td>Total amount of the line of credit</td> <td>46,360</td> </tr> <tr> <td></td> <td>(5,342,532)</td> </tr> <tr> <td>Outstanding balance</td> <td>28,157</td> </tr> <tr> <td></td> <td>(3,244,796)</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Remaining amount of the line of credit</td> <td>18,203</td> </tr> <tr> <td></td> <td>(2,097,735)</td> </tr> </table> <p>※9 This includes a loan of USD10 million (JPY 1,152,400 thousand) raised by a consolidated subsidiary with rights to convert into common shares of the subsidiary.</p> <p>※1-9 notes correspond with ※1-9 as denoted in the Consolidated Balance Sheets.</p>	Total amount of the line of credit	46,360		(5,342,532)	Outstanding balance	28,157		(3,244,796)	<hr/>		Remaining amount of the line of credit	18,203		(2,097,735)	<p>※7 The consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation and Shanghai Pobo Data and Information Network Consulting Co., Ltd. could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>※8 Xinhua Mergent Holdings Limited and Shanghai Huacai Investment Advisory Company Limited have line of credit agreements with banks. The amount of the line of credit and the balance outstanding under the agreements at December 31, 2005 are as follows:</p> <table data-bbox="1046 936 1469 1232"> <tr> <td>Total amount of the line of credit</td> <td>30,482</td> </tr> <tr> <td></td> <td>(3,512,778)</td> </tr> <tr> <td>Outstanding balance</td> <td>28,782</td> </tr> <tr> <td></td> <td>(3,316,870)</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Remaining amount of the line of credit</td> <td>1,700</td> </tr> <tr> <td></td> <td>(195,908)</td> </tr> </table> <p>Under the line of credit agreement held by Xinhua Mergent Holdings Limited, the following covenants should be maintained :</p> <p>a) ratio of consolidated total debt at any time during a relevant period to consolidated EBITDA for that relevant period shall not at any time exceed 3.5:1; and</p> <p>b) Interest coverage ratio for each relevant period shall not be less than 4:1.</p> <p>※9 _____</p> <p>※1-9 notes correspond with ※1-9 as denoted in the Consolidated Balance Sheets.</p>	Total amount of the line of credit	30,482		(3,512,778)	Outstanding balance	28,782		(3,316,870)	<hr/>		Remaining amount of the line of credit	1,700		(195,908)
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(1st half consolidated income statements)

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

2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)																	
<p>※1 _____</p> <p>※2 Components of loss on disposal of fixed assets are as follows: Equipments</p> <p style="text-align: right;">4 (502)</p> <p>※3 _____</p> <p>※4 _____</p> <p>※5 _____</p> <p>※1-5 notes correspond with ※1-5 as denoted in the Consolidated Income Statements.</p>	<p>※1 Expenses directly relating to share issuance are presented as "share issuance related expenses", which includes "share issuance cost".</p> <p>※2 Components of loss on disposal of fixed assets are as follows: Equipments</p> <p style="text-align: right;">6 (748)</p> <p>※3 _____</p> <p>※4 _____</p> <p>※5 Minority interests (in the form of preference shares in a consolidated subsidiary) were redeemed and created an extra-ordinary gain.</p> <p>※1-5 notes correspond with ※1-5 as denoted in the Consolidated Income Statements.</p>	<p>※1 Same as on the left.</p> <p>※2 Components of loss on disposal of fixed assets are as follows: Buildings and structures</p> <p style="text-align: right;">3 (300)</p> <p>Equipments</p> <p style="text-align: right;">43 (4,901)</p> <p>※3 Loss on impairment The Group recognized losses on impairment for an asset group presented below for the year ended December 31, 2005.</p> <table border="1" data-bbox="1046 898 1455 1016"> <thead> <tr> <th>Area</th> <th>Object</th> <th>Type</th> <th>Recognized losses</th> </tr> </thead> <tbody> <tr> <td>Asia</td> <td>Asset for operation</td> <td>Trademark</td> <td style="text-align: right;">83 (9,529)</td> </tr> </tbody> </table> <p>Grouping is basically implemented by each company unit. However, if it is possible to identify cashflows from an individual asset, recoverable amount is determined for each individual asset.</p> <p>Considering continuous operating losses arising from the above assets, the carrying amount of the assets was reduced to the recoverable amount, and the reduced amount was recorded as loss on impairment in the extraordinary losses section of the consolidated income statement.</p> <p>Recoverable amount of the asset group was determined based upon value in use. The loss on impairment was recognized at the entire carrying amount of the asset group because the estimated future cash flows arising from the asset group were negative.</p> <p>※4 Components of gain on sale of fixed assets are as follows:</p> <table data-bbox="1046 1608 1455 1809"> <tr> <td>Equipment</td> <td style="text-align: right;">0</td> <td style="text-align: right;">(13)</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">356</td> <td style="text-align: right;">(40,982)</td> </tr> <tr> <td>Trade mark and distribution rights</td> <td style="text-align: right;">98</td> <td style="text-align: right;">(11,260)</td> </tr> </table> <p>※5 _____</p> <p>※1-5 notes correspond with ※1-5 as denoted in the Consolidated Income Statements.</p>	Area	Object	Type	Recognized losses	Asia	Asset for operation	Trademark	83 (9,529)	Equipment	0	(13)	Goodwill	356	(40,982)	Trade mark and distribution rights	98	(11,260)
Area	Object	Type	Recognized losses																
Asia	Asset for operation	Trademark	83 (9,529)																
Equipment	0	(13)																	
Goodwill	356	(40,982)																	
Trade mark and distribution rights	98	(11,260)																	

(1st half consolidated surplus statements)

2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
<p>※1 The Company acquired full ownership of Taylor Rafferty Associates, Inc. through cash and share exchange contracts which they became the Company's subsidiaries. However, the Company's shares to be exchanged for subsequent consideration have not been issued, whereas the acquisition costs of the subsidiaries are included in share premium.</p> <p>※1 note corresponds with ※1 as denoted in the Consolidated Surplus Statements.</p>	<p>※1 The Company acquired full ownership of Taylor Rafferty Associates, Inc., Washington Analysis Corporation and Beijing Century Media Culture Co., Ltd. through a cash and share exchange. However, the Company's shares to be exchanged for subsequent consideration have not been issued, whereas related acquisition costs have been included in share premium.</p> <p>※1 note corresponds with ※1 as denoted in the Consolidated Surplus Statements.</p>

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

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

1. Number and class of issued shares

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

(Note 1) In the increase of ordinary shares indicated above, 42,879 shares are issued for acquisition of subsidiaries' share by way of share exchange, 27,390 shares are issued for consideration for goods and services received, 4,906 shares are issued due to execution of share subscription rights and the remaining 328 shares are issued in a normal course of new share issuance.

2. Share subscription rights

The ending balance of share subscription rights granted by a consolidated subsidiary as share option rights is USD 141 thousand (JPY 16,242 thousand).

3. Dividend

Not applicable.

- ※1 The Company acquired full ownership of Stone & McCarthy Research Associates, Inc., Taylor Rafferty Associates Inc., Washington Analysis Corporation, Beijing Century Media Culture Co., Ltd. , Xinhua Finance Advertising Limited and Beijing JingGuan XinCheng Advertising Co., Ltd. through a cash and share exchange. However, the Company's shares to be exchanged for subsequent consideration have not been issued, whereas related acquisition costs have been included in share premium.
(※1 note corresponds with ※1 as denoted in the consolidated statement of changes in Net assets)

(Securities)

As of June 30, 2005

1 Available-for-sale securities with fair value

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

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

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

2 Securities not stated at fair value

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

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

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

As of June 30, 2006

1. Trading Securities

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

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

2. Available-for-sale securities with fair value

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

3. Available-for-sale securities sold in the current fiscal period

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

Amount on sale	Gain on sale	Loss on sale
614 (70,743)	- (-)	- (-)

4. Securities not stated at fair value

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

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

(Note1) Available-for-sale securities above are categorized into investment in securities on the 1st half consolidated balance sheets.

5. Redemption schedule for held-to-maturity securities

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

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Debt securities				
Corporate bond	- (-)	617 (71,145)	- (-)	- (-)
Total	- (-)	617 (71,145)	- (-)	- (-)

As of December 31, 2005

1. Trading Securities

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

Amount on the consolidated balance sheets	Gain/loss included in the consolidated income statements
145	-
(16,721)	(-)

2. Available-for-sale securities with fair value

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

Category	Acquisition cost	Amounts on the consolidated balance sheets	Difference
Book value more than acquisition cost:			
1) Equity securities	-	-	-
	(-)	(-)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	-	-	-
	(-)	(-)	(-)
Subtotal	-	-	-
	(-)	(-)	(-)
Book value is less than acquisition cost:			
1) Equity securities	14	14	-
	(1,630)	(1,630)	(-)
2) Debt securities	-	-	-
	(-)	(-)	(-)
3) Other	-	-	-
	(-)	(-)	(-)
Subtotal	14	14	-
	(1,630)	(1,630)	(-)
TOTAL	14	14	-
	(1,630)	(1,630)	(-)

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

3. Available-for-sale securities sold in the current fiscal period

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

Amount on sale	Gain on sale	Loss on sale
21,788	-	44
(2,510,825)	(-)	(5,099)

4. Securities not stated at fair value

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

Category	Amounts on the consolidated balance sheets
Available-for-sale securities	
(1) Unlisted securities	21,788
	(2,510,825)
(2) Fund trust	880
	(101,425)
(3) Investment in limited liability company	68
	(7,824)
Total	22,736
	(2,620,075)

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

5. Redemption schedule for held-to-maturity securities

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

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Debt securities				
Corporate bond	-	617	-	-
	(-)	(71,145)	(-)	(-)
Total	-	617	-	-
	(-)	(71,145)	(-)	(-)

(Derivative Transactions)

For the 1st half of the year ended June 30, 2005 and 2006 and for the year ended December 31, 2005, the Group has not entered into any derivative contracts.

(Share option and Share-Based Payment)

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

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

Outline of share option granted in 1st half of the year ended June 30, 2006

Company	The Company			
	Share Option (1)	Share Option (2)	Share Option (3)	Warrant
Type	Share Option (1)	Share Option (2)	Share Option (3)	Warrant
Category and number of person designated	2 directors of the group	5 directors of the group	209 employees	1 third party
Class and number of objective shares (*3)	5,000 Ordinary Shares	6,000 Ordinary Shares	26,656 Ordinary Shares	20,000 ordinary shares
Grant date (*2)	31-Jan-06	31-Jan-06	30-Apr-06	14 Feb 06
Terms and condition for vesting	834 shares vested on each of 31 Jan, 30 Apr, 30 Jul, 31 Oct 06 & 31 Jan 07 and 830 shares vested on 30 Apr 07	1/4 grant vested on 30 Apr 06, 31 Jul 06, 31 Oct 06 & 31 Jan 07 (*4)	1/3 grant vested on 31 Dec 06; 1/3 vested on 31 Dec 07; 1/3 vested on 31 Dec 08 (*4)	-
Service period required to be vested	-	From 31-Jan-06 to 31-Jan-07	From 30-Apr-06 to 31-Dec-08	-
Exercisable period	From 31-Jan-2006 to 1-Feb-2009	From 30-Apr-2006 to 1-Feb-2016	From 1-Jan-2007 to 30-Apr-2016	From 15-Feb-2007 to 15-Feb-2016
Exercise price	JPY 74,247	JPY 71,844	JPY 71,844	JPY 82,500
Fair value of option at grant date	-	-	-	-

Company	The Company	Xinhua Finance Media Limited
Type	Share-Based Payment	Share Option
Category and number of person designated	1 third party	1 director
Class and number of objective shares (*3)	2,000 ordinary shares	11,050,000 ordinary shares
Grant date (*2)	14 Feb 06	13-Jun-06
Terms and condition for vesting	-	equally vested in 5 years commencing 13 Jun 07
Service period required to be vested	-	From 13-Jun-06 to 13-Jun-11
Exercisable period	-	From 13-Jun-07 to 13-Jun-11
Exercise price	-	US\$0.001
Fair value of option at grant date	-	USD0.60/option

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

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

(*3) The number of shares to be applied.

All shares and options granted prior to 2006 have all been adjusted for the 2,000 to 1 share consolidation in August 24, 2004 and 3 for 1 share split in September 22, 2005.

(*4)-If employment is terminated for cause, vesting will cease and any un-exercised portion of the option will be forfeited immediately on the last employment date.

-If employment is terminated voluntarily by the employee:

1) Unvested options (if any) which are scheduled to vest in the same calendar year of the termination will vest on the last day of that calendar year, and expire 12 months after the date of vesting

2) All unvested options (if any) scheduled to vest in subsequent years will be forfeited

3) All vested options can be exercised until expiration which will be the later of 12 months from the date of termination and 12 months after the date of vesting of any options in the year of termination (if any).

2. Effect to consolidated financial statements

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

(Segment Information)

【Business Segment】

The Group is engaged solely in financial information business which includes distribution of market indices, financial news, credit ratings, investor relations services and other relevant services. Thus, information of business segmentation for the 1st half of the year ended June 30, 2005 and 2006 and for the year ended December 31, 2005 are omitted.

【Regional Segmental Information】

2nd period - 1st half consolidated fiscal period (From January 1, 2005 to June 30, 2005)

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

	Japan	Asia	North America	Other location	Total	Eliminated or unallocated	Consolidated
Sales and operating income / loss							
Sales							
(1) Outside customer	2,627	13,223	30,386	264	46,500	-	46,500
	(302,790)	(1,523,795)	(3,501,639)	(30,461)	(5,358,685)	(-)	(5,358,685)
(2) Inter segment or transfer	-	47	34	-	81	△ 81	-
	(-)	(5,381)	(3,953)	(-)	(9,334)	(△9,334)	(-)
Total	2,627	13,269	30,420	264	46,581	△ 81	46,500
	(302,790)	(1,529,176)	(3,505,592)	(30,461)	(5,368,019)	(△9,334)	(5,358,685)
Operating expenses	2,643	10,812	34,537	△ 526	47,465	-	47,465
	(304,534)	(1,245,935)	(3,980,032)	(△60,624)	(5,469,876)	(-)	(5,469,876)
Operating income (△ loss)	△ 15	2,458	△ 4,117	790	△ 884	△ 81	△ 965
	(△1,744)	(283,241)	(△474,440)	(91,085)	(△101,858)	(△9,334)	(△111,192)

Note

- 1 Location segments are based on geographical closeness.
- 2 Main countries or locations which do not belong to Japan:
 - (1) Asia …… Hong Kong, China, Singapore and so on.
 - (2) North America …… U.S.A.
 - (3) Other area …… U.K. And so on.

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

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

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

Note

- 1 Location segments are based on geographical closeness.
- 2 Main countries or locations which do not belong to Japan:
 - (1) Asia Hong Kong, China, Singapore and so on.
 - (2) North America.....U.S.A.
 - (3) Other location U.K. and so on

Consolidated fiscal year – prior year (From January 1, 2005 to December 31, 2005)

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

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

Note

- 1 Location segments are based on geographical closeness.
- 2 Main countries or locations which do not belong to Japan:
 - (1) Asia Hong Kong, China, Singapore and so on.
 - (2) North America.....U.S.A.
 - (3) Other location U.K. and so on.

【Overseas Sales】

2nd period - 1st half consolidated fiscal period (From January 1, 2005 to June 30, 2005)

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

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

Note

- 1 Location segments are based on geographical closeness.
- 2 Main countries or locations which do not belong to Japan:
 - (1) Asia Hong Kong, China, Singapore and so on
 - (2) North AmericaU.S.A. and Canada
 - (3) Europe.....U.K., Germany and France and so on
 - (4) Other.....Australia, South America and so on
- 3 Overseas sales are sales of the Company and consolidated subsidiaries in other than domestic undomesticated countries or locations.

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

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

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

Note

- 1 Location segments are based on geographical closeness.
- 2 Main countries or locations which do not belong to Japan
 - (1) Asia Hong Kong, China, Singapore and so on
 - (2) North AmericaU.S.A. and Canada
 - (3) Europe.....U.K., Germany and France and so on
 - (4) Other.....Australia, South America and so on
- 3 Overseas sales are sales of the Company and consolidated subsidiaries in other than domestic undomesticated countries or locations.

Consolidated fiscal year – prior year (From January 1, 2005 to December 31, 2005)

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

	Asia	North America	Europe	Other	Total
I Oversea sale	17,381 (2,002,932)	64,912 (7,480,473)	18,718 (2,157,032)	1,105 (127,375)	102,116 (11,767,812)
II Consolidated sale	- (-)	- (-)	- (-)	- (-)	110,010 (12,677,557)
III Ratio of overseas sales which accounts for consolidated sale (%)	15.8%	59.0%	17.0%	1.0%	92.8%

Note

- 1 Location segments are based on the geographical closeness.
- 2 Main countries or locations which do not belong to Japan.
 - (1)Asia Hong Kong, China, Singapore and so on
 - (2)North AmericaU.S.A. and Canada
 - (3)Europe.....U.K., Germany and France and so on
 - (4)Other.....Australia, South America and so on
- 3 Overseas sales are sales of the Company and consolidated subsidiaries in other than domestic undomesticated countries or locations.

(Per Share Information)

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

Item	2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
Net assets per share	725.68 (83,627.36)	314.20 (36,208.41)	305.65 (35,222.72)
	Suspense account of share exchange included in share premium is excluded from the process of calculation of net assets per share.	Suspense account of share exchange included in share premium is excluded from the process of calculation of net assets per share.	Suspense account of share exchange included in share premium is excluded from the process of calculation of net assets per share.
Net income / loss (Δ) per share	Δ 6.59 (Δ 759.33)	2.38 (274.27)	Δ 4.25 (Δ 489.87)
Diluted income / loss (Δ) per share	For diluted net profits per share, even if the Company has shares with dilution effect, the Company is in a loss position, thus, such information is not stated.	2.33 (268.51)	For diluted net income per share, even if the Company has shares with dilution effect, the Company is in a loss position, thus, such information is not stated. On September 22, 2005, the Company made a share split by way of a free share distribution at the rate of 2 shares for each outstanding 1 share. If the share split had been effective from the beginning of the prior year, the per share information would have been as follows: Net assets per share 239.89 (27,644.71) Net loss per share 34.65 (3,992.49) The diluted net loss per share is not stated because of the net loss position.

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

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

Item	2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
Net income / loss (Δ) per share			
Net income/ loss (Δ) for the period / year	Δ 1,385 (Δ 159,649)	2,012 (231,830)	Δ 2,814 (Δ 324,334)
Net Income / loss (Δ) NOT attributed to ordinary shareholders	— (—)	— (—)	— (—)
Net income/ loss (Δ) attributed to ordinary shares	Δ 1,385 (Δ 159,649)	2,012 (231,830)	Δ 2,814 (Δ 324,334)
Average number of ordinary shares during the period / year (shares)	210,250.36	846,593.87	662,085.34
Diluted net income per share			
Adjustment on net income / loss (Δ) for the period / year	— (—)	— (—)	— (—)
Number of ordinary shares to be increased (shares)	—	16,332.80	—
(increased by share subscription rights)	(—)	(16,332.80)	(—)
Overview of potential shares without dilutive effect excluded from the formula of diluted earnings per share for the period / year		2 types of share subscription rights (Number of shares to be issued upon exercise : 76,964 shares)	3 types of share subscription rights (Number of shares to be issued upon exercise : 20,043 shares)

(Significant Subsequent Events)

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

2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
	<p>2. On August 1, 2006, Beijing Taide Advertising Company Ltd., a wholly-owned subsidiary of the Company, has acquired a 51% shareholding in Shanghai Hyperlink Market Research Co. Ltd. ("Hyperlink").</p> <p>(1) Purpose of the acquisition The acquisition advances the Company's strategy of leveraging the value of its existing content offerings and enhancing distribution and financial markets communications capabilities across China.</p> <p>(2) Outline of Hyperlink: Address : Unit B-123, No. 1 Hexiang Road, Baihe Town, Qingpu District, Shanghai, PRC Amount of sales:USD 2,500 thousand (for the year ended December 31, 2005) Total assets: USD 1,100 thousand (as of December 31, 2005) Business: Market research</p> <p>(3)Outline of the transaction</p> <p>① Method of acquisition Beijing Taide Advertising Company Ltd., a wholly-owned subsidiary of the Company, acquired a 51% shareholding in Hyperlink.</p> <p>② Acquisition cost and payment method Initial consideration of USD 2,500 thousand was settled by cash in June 2006. The subsequent consideration to be determined based on the performance of Hyperlink in 2006 and 2007 will be settled in cash, up to a maximum amount in USD 3,620 thousand. The Company will also provide capital of USD 300 thousand to Hyperlink.</p> <p>③ Name of Seller Xie Wei Lu Qing Yong Win Jei Ching Yang Jing Shi Hui Pang Lu Yang Wei Dong</p> <p>④ Date of acquisition August 1, 2006</p>	<p>2. On January 23, 2006, the Board of Directors resolved that the Company would grant stock option as follows:</p> <p>(1) Grant to independent directors</p> <p>① Grantees of the option 2 independent directors</p> <p>② Number of stock options to be granted 2</p> <p>③ Class and number of shares to be issued pursuant to the stock option 5,000 ordinary shares</p> <p>④ Issue price of the stock option No consideration</p> <p>⑤ Strike price JPY 74,247 per share (Based upon the average closing price of the Company's share for the 15 trading days ending January 20, 2006 at Tokyo Stock Exchange)</p> <p>⑥ Exercisable period From January 31, 2006 to January 31, 2009</p> <p>(2) Grant to directors</p> <p>① Grantees of the options 5 directors/non-executive directors</p> <p>② Number of stock options to be granted 5</p> <p>③ Class and number of shares to be issued pursuant to the stock option 6,000 ordinary shares</p> <p>④ Issue price of the stock option No consideration</p> <p>⑤ Strike price JPY 71,844 per share (Based upon the average closing price of the Company's share for the 90 days ending December 31, 2005 at Tokyo Stock Exchange)</p> <p>⑥ Exercisable period From January 31, 2006 to January 31, 2016</p>

2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
	<p>3. The Company entered into a credit facility agreement on August 8, 2006.</p> <p>(1) Lender: ABN AMRO Bank N.V., HK branch General Electric Capital Corporation Mizuho Corporate Bank, HK branch</p> <p>(2) Facility amount: USD 70,000 thousand</p> <p>(3) Interest rate: 3-month USD LIBOR plus applicable margin, which shall be fixed at 2.75% for the first 12 months and thereafter ranging from 2.25% to 2.75% depending on different debt to EBITDA level.</p> <p>(4) Use of proceeds: For working capital and acquisition activities</p> <p>(5) Maturity date: 5 years after the borrowing date</p> <p>(6) Pledges: Pledge over all of the shares of and any intercompany loans to certain subsidiaries of the Company as guarantors and any new material subsidiaries arising from acquisitions, together with joint and several cross-guarantees from the guarantors</p>	<p>3. On March 2, 2006, the Company entered into contract to acquire Beijing Alpha Financial Engineering Limited</p> <p>(1) Purpose of the acquisition The purpose of the acquisition is to deepen and broaden Xinhua Finance's offering by providing comprehensive index services and better investment solutions and tools.</p> <p>(2) Outline of Beijing Alpha Financial Engineering Limited Address: Beijing, China Revenue: USD 259 thousand (For the year ended December 31, 2005) Share capital: RMB 2,500 thousand Business: Development and transfer of software technology, technical training and service; sale of computers and auxiliary equipments</p> <p>(3) Outline of the acquisition</p> <p>① Method of acquisition Xinhua Finance will directly acquire 100% of the shares of Beijing Alpha Financial Engineering Limited from its shareholders.</p> <p>② Acquisition cost and payment term The purchase price will be paid over a period of three years, in an amount linked to the performance of Beijing Alpha in 2005, 2006, 2007 and 2008. The total consideration is estimated at USD 2,000,000.</p> <p>③ Name of Sellers Chen Bing Ma Yuewen</p> <p>④ Schedule of the acquisition The acquisition is subject to the approval from the Chinese regulatory authorities. It is expected that the approval process will take approximately 90 days.</p>

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

2nd period - 1st half consolidated fiscal period -prior year (From January 1, 2005 to June 30, 2005)	3rd period - 1st half consolidated fiscal period -current year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal year - prior year (From January 1, 2005 to December 31, 2005)
	③ Name of Seller Gregory P. Taxin Kevin J. Cameron Lawrence M. Howell Rustic Canyon Ventures SBIC, LP Acorn Partners Ojibawa Investment Partners Certain employees of GL ④ Date of acquisition August 9, 2006	

(2) 1st half Financial Statements

① 1st half balance sheets

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

Item	Note	1st half -prior year (As of June 30, 2005)		1st half -current year (As of June 30, 2006)		Fiscal year - prior year (As of December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
(Assets)							
I Current assets							
Cash and bank balances		-		5		13	
		(-)		(610)		(1,552)	
Loans receivable from related companies		2,400		565		910	
		(276,576)		(65,114)		(104,916)	
Other receivables	※4	78,914		154,750		98,434	
		(9,094,068)		(17,833,414)		(11,343,573)	
Other		-		5		-	
		(-)		(601)		(-)	
Total current assets		81,314	42.4	155,326	43.0	99,358	33.2
		(9,370,644)		(17,899,739)		(11,450,041)	
II Non-current assets							
Investments and other assets							
Investment in subsidiaries	※2	107,939		200,619		198,290	
		(12,438,947)		(23,119,317)		(22,850,993)	
Securities assets		-		3,587		-	
		(-)		(413,392)		(-)	
Loan to shareholders		2,414		-		-	
		(278,154)		(-)		(-)	
Loans receivable from related companies		-		1,849		1,556	
		(-)		(213,040)		(179,268)	
Total investments and other assets		110,353	57.6	206,055	57.0	199,846	66.8
		(12,717,101)		(23,745,749)		(23,030,261)	
Total non-current assets		110,353	57.6	206,055	57.0	199,846	66.8
		(12,717,101)		(23,745,749)		(23,030,261)	
Total assets		191,667	100.0	361,380	100.0	299,204	100.0
		(22,087,745)		(41,645,488)		(34,480,301)	

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

Item	Note	1st half -prior year (As of June 30, 2005)		1st half -current year (As of June 30, 2006)		Fiscal year - prior year (As of December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
(Liabilities)							
I Current liabilities							
Other payables	※4	224 (25,862)		1,308 (150,787)		446 (51,374)	
Short-term borrowing	※6	- (-)		17,600 (2,028,224)		- (-)	
Accrued expenses		64 (7,375)		86 (9,941)		64 (7,375)	
Payables to shareholders	※1	1,000 (115,240)		6,795 (783,092)		9,702 (1,118,062)	
Total current liabilities		1,288 (148,477)	0.7	25,790 (2,972,044)	7.1	10,212 (1,176,812)	3.4
II Non-current liabilities							
Long-term other payables	※1	6,733 (775,949)		16,846 (1,941,369)		8,373 (964,911)	
Total non-current liabilities		6,733 (775,949)	3.5	16,846 (1,941,369)	4.7	8,373 (964,911)	2.8
Total liabilities		8,022 (924,427)	4.2	42,636 (4,913,413)	11.8	18,585 (2,141,723)	6.2
(Capital and reserves)							
I Share capital							
	※5	559 (64,441)	0.3			2,091 (240,963)	0.7
II Capital surplus							
Share premium		171,967 (19,817,490)				258,620 (29,803,339)	
Other capital surplus							
Suspense account of share exchange	※3	16,476 (1,898,735)				30,431 (3,506,899)	
Total capital surplus		188,443 (21,716,225)	98.3			289,051 (33,310,238)	96.6
III Accumulated deficit							
Accumulated loss carried forward		5,357 (617,347)				10,523 (1,212,622)	
Total accumulated deficit		△ 5,357 (△ 617,347)	△ 2.8			△ 10,523 (△ 1,212,622)	△ 3.5
Total shareholders' equity		183,646 (21,163,319)	95.8			280,619 (32,338,578)	93.8
Total liabilities and shareholders' equity		191,667 (22,087,745)	100.0			299,204 (34,480,301)	100.0
(Net assets)							
I Shareholders' equity							
Share capital				2,284 (263,199)	0.6		
Capital surplus							
Share premium				287,363 (33,115,733)			
Other capital surplus							
Suspense account of share exchange	※3			40,631 (4,682,353)			
Total capital surplus				327,994 (37,798,086)	90.8		
Accumulated deficit							
Other accumulated deficit							
Accumulated deficit carried forward				△ 11,534 (△ 1,329,209)			
Total accumulated deficit				△ 11,534 (△ 1,329,209)	△ 3.2		
Total shareholders' equity				318,744 (36,732,075)	88.2		
Total net assets				318,744 (36,732,075)	88.2		
Total liabilities and net assets				361,380 (41,645,488)	100.0		

*Please note that this document is a translation of the document prepared in the Japanese language and filed with the Tokyo Stock Exchange

②1st half income statements

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

Item	Note	1st half -prior year (From January 1, 2005 to June 30, 2005)		1st half -current year (From January 1, 2006 to June 30, 2006)		Fiscal year -prior year (From January 1, 2005 to December 31, 2005)	
		Amount	(%)	Amount	(%)	Amount	(%)
I Turnover	※1	3,872 (446,199)	100.0	6,067 (699,150)	100.0	8,186 (943,329)	100.0
II Cost of sales							
Group service expenses	※1	1,678 (193,425)		3,575 (412,025)		4,796 (552,714)	
Commissions and service fees		- (-)	43.3	1,050 (121,002)	76.2	- (-)	58.6
Gross profit		2,193 (252,774)	56.7	1,442 (166,123)	23.8	3,390 (390,616)	41.4
III Selling, general and administrative expenses							
Directors' emoluments		461 (53,072)		1,148 (132,291)		900 (103,716)	
Salaries		216 (24,892)		334 (38,450)		492 (56,698)	
Commissions, fees and charges		620 (71,460)		830 (95,695)		1,869 (215,426)	
Other		36 (4,256)	34.5	- (-)	38.1	46 (5,272)	40.4
Operating income / loss(△)		860 (99,094)	22.2	△ 870 (△ 100,313)	△ 14.3	82 (9,504)	1.0
IV Non-operating income							
Interest income	※1	68 (7,848)	1.8	48 (5,563)	0.8	158 (18,158)	1.9
V Non-operating expenses							
Interest expense		- (-)		86 (9,941)		35 (4,006)	
Share issuance related expenses	※2	- (-)	-	103 (11,897)	3.2	4,443 (511,989)	54.7
Ordinary income / loss (△)		928 (106,942)	24.0	△ 1,012 (△ 116,587)	△ 16.7	△ 4,238 (△ 488,333)	△ 51.8
Income / loss (△) before income taxes		928 (106,942)	24.0	△ 1,012 (△ 116,587)	△ 16.7	△ 4,238 (△ 488,333)	△ 51.8
Income taxes (current)		- (-)		- (-)		- (-)	
Income taxes (deferred)		- (-)		- (-)		- (-)	
Net income / loss (△) for the period / year		928 (106,942)	24.0	△ 1,012 (△ 116,587)	△ 16.7	△ 4,238 (△ 488,333)	△ 51.8
Accumulated deficit brought forward from the prior year		6,285 (724,290)				6,285 (724,290)	
Accumulated deficit at the period / year end		5,357 (617,347)				10,523 (1,212,623)	

③1st half statement of changes in net assets

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

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

	Shareholders' equity							Total net assets
	Share capital	Capital surplus			Retained earnings		Total shareholders' equity	
		Share premium	Other capital surplus	Total capital surplus	Retained earnings- other than legal reserve	Total retained earnings		
			Suspense account of share exchange		Accumulated profit			
Beginning balance	2,091 (240,963)	258,620 (29,803,339)	30,431 (3,506,899)	289,051 (33,310,238)	△ 10,523 (△ 1,212,622)	△ 10,523 (△ 1,212,622)	280,619 (32,338,579)	280,619 (32,338,579)
Changes of items during the period								
Issuance of new shares	13 (1,472)	1,447 (166,709)	- (-)	1,447 (166,709)	- (-)	- (-)	1,459 (168,181)	1,459 (168,181)
Share premium increased upon share exchange	180 (20,764)	16,353 (1,884,572)	21,143 (2,436,568)	37,497 (4,321,139)	- (-)	- (-)	37,677 (4,341,903)	37,677 (4,341,903)
Settlement of suspense account of share exchange by issuance of new shares	- (-)	10,943 (1,261,114)	△ 10,943 (△ 1,261,114)	- (-)	- (-)	- (-)	- (-)	- (-)
Net income / loss (△) for the period	- (-)	- (-)	- (-)	- (-)	△ 1,012 (△ 116,587)	△ 1,012 (△ 116,587)	△ 1,012 (△ 116,587)	△ 1,012 (△ 116,587)
Total changes during the period	193 (22,235)	28,743 (3,312,395)	10,200 (1,175,454)	38,943 (4,487,848)	△ 1,012 (△ 116,587)	△ 1,012 (△ 116,587)	38,125 (4,393,497)	38,125 (4,393,497)
Ending balance	2,284 (263,199)	287,363 (33,115,733)	40,631 (4,682,353)	327,994 (37,798,086)	△ 11,534 (△ 1,329,209)	△ 11,534 (△ 1,329,209)	318,744 (36,732,075)	318,744 (36,732,075)

Basis of presenting the 1st half financial statements

Item	1st half -prior year (From January 1, 2005 to June 30, 2005)	1st half -current year (From January 1, 2006 to June 30, 2006)	Fiscal year -prior year (From January 1, 2005 to December 31, 2005)
1 Valuation basis and method for assets	(1) Securities Investment in subsidiaries Cost method based on the moving-average cost method is applied.	(1) Securities (a) Investment in subsidiaries Same as on the left. (b) Available-for sale securities -With fair value Fair value method base on the fair value information, such as market information, at the 1st half balance sheet date is applied. (Unrealized gain or loss is accounted for as an equity item, and costs of sales are based on moving-average method.) -With no fair value Cost method based on the moving-average method is applied.	(1) Securities Investment in subsidiaries Same as on the left.
2 Allowance, reserve and provision	Allowance for doubtful accounts The allowance has been determined by evaluation of respective potential losses in the receivables outstanding.	Allowance for doubtful accounts Same as on the left.	Allowance for doubtful accounts Same as on the left.
3 Other significant items for the preparation of the financial statements	Conversion of dollars into yen In accordance with the Article 66 of the Interim Financial Statements rules, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being USD1.00=115.24, from the Tokyo Foreign Exchange Market as of June 30, 2006. The Japanese yen amounts are stated only for the purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.	Conversion of dollars into yen In accordance with the Article 77 of the Interim Financial Statements rules, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being USD1.00=115.24, from the Tokyo Foreign Exchange Market as of June 30, 2006. The Japanese yen amounts are stated only for the purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.Same as on the left.	Conversion of dollars into yen In accordance with the Article 130 of the Financial Statements rules, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being USD1.00=115.24, from the Tokyo Foreign Exchange Market as of June 30, 2006. The Japanese yen amounts are stated only for the purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.

Change in accounting policy

1st half -prior year (From January 1, 2005 to June 30, 2005)	1st half -current year (From January 1, 2006 to June 30, 2006)	Fiscal year -prior year (From January 1, 2005 to December 31, 2005)
	<p>(Presentation of net assets in the balance sheets) Effective from 1st half period disclosure, the Company adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5, announced by Accounting Standard Board of Japan on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance sheet" (Guidance No. 8, announced by Accounting Standard Board of Japan on December 9, 2005). The amount equivalent to shareholders' equity following the previous presentation is USD 318,774 thousand (JPY 36,732,075 thousand). For the change of Interim Financial Statements Rules, net assets in the 1st half balance sheet is presented in accordance with the revised Interim Financial Statements Rules.</p> <p>(Accounting Standard for Share-based Payment) Effective from 1st half period disclosure, the Company adopted "Accounting Standard for Share-based Payment"(Statement No.8, announced by Accounting Standard Board of Japan on December 27, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance sheet"(Guidance No. 11, announced by Accounting Standard Board of Japan on December 27, 2005). The adoption of new accounting standard had no effect on the income statement.</p>	

Footnote Information

(1st half balance sheets)

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

1st half -prior year (As of June 30, 2005)	1st half -current year (As of June 30, 2006)	Fiscal year -prior year (As of December 31, 2005)																																				
<p>※1 Other payables include part of the consideration for the acquisition of shares of Stone & McCarthy Research Associates, Inc, Taylor Rafferty Associates, Inc., and Econ World Media Ltd..The consideration for the acquisition of shares of the companies could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>※2 The consideration for the acquisition of shares of Stone & McCarthy Research Associates, Inc., Taylor Rafferty Associates Inc. and Econ World Media Ltd. could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>※3 The Company acquired shares of Stone & McCarthy Research Associates, Inc. and Taylor Rafferty Associates Inc. through share exchange contracts which they became the Company's subsidiaries. However, the Company's shares to be exchanged for subsequent consideration have not been issued, whereas acquisition costs of subsidiaries are included in share premium.</p> <p>※4 Balances on related companies Receivables from and payables to related companies other than the accounts specifically stated are as follows:</p> <table> <tr> <td>Current assets</td> <td></td> </tr> <tr> <td>Other receivables</td> <td>78,909</td> </tr> <tr> <td></td> <td>(9,093,470)</td> </tr> <tr> <td>Current liabilities</td> <td></td> </tr> <tr> <td>Other payables</td> <td>143</td> </tr> <tr> <td></td> <td>(16,527)</td> </tr> </table> <p>※5 Authorized number of shares: Ordinary shares 2,500,000 shares Number of issued shares : Ordinary shares 218,083 shares</p>	Current assets		Other receivables	78,909		(9,093,470)	Current liabilities		Other payables	143		(16,527)	<p>※1 Other payables and long-term other payables include part of the consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation, Shanghai Pobo Data and Information Network Consulting Co., Ltd. and Xinhua Finance Advertising Limited. The consideration for the acquisition of shares of the companies could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>※2 The consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation, Shanghai Pobo Data and Information Network Consulting Co., Ltd. and Xinhua Finance Advertising Limited could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>※3 The Company acquired shares of Stone & McCarthy Research Associates, Inc., Taylor Rafferty Associates Inc., Washington Analysis Corporation, Beijing Century Media Culture Co., Ltd., Xinhua Finance Advertising Limited and Beijing JingGuan XinCheng Advertising Co., Ltd. through share exchange contracts which they became the Company's subsidiaries. However, the Company's shares to be exchanged for subsequent consideration have not been issued, whereas the acquisition costs of the subsidiaries are included in share premium.</p> <p>※4 Balances on related companies Receivables from and payables to related companies other than the accounts specifically stated are as follows:</p> <table> <tr> <td>Current assets</td> <td></td> </tr> <tr> <td>Other receivables</td> <td>154,750</td> </tr> <tr> <td></td> <td>(17,833,414)</td> </tr> <tr> <td>Current liabilities</td> <td></td> </tr> <tr> <td>Other payables</td> <td>312</td> </tr> <tr> <td></td> <td>(35,932)</td> </tr> </table> <p>※5 Authorized number of shares: Ordinary shares 2,500,000 shares Number of issued shares : Ordinary shares 218,083 shares</p>	Current assets		Other receivables	154,750		(17,833,414)	Current liabilities		Other payables	312		(35,932)	<p>※1 Other payables and long-term other payables include part of the consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation and Shanghai Pobo Data and Information Network Consulting Co., Ltd. The consideration for the acquisition of shares of the companies could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>※2 The consideration for the acquisition of shares of Taylor Rafferty Associates, Inc., Washington Analysis Corporation and Shanghai Pobo Data and Information Network Consulting Ltd. could fluctuate since the final payments are based on the future operating results of the respective company.</p> <p>※3 The Company acquired shares of Stone & McCarthy Research Associates, Inc., Taylor Rafferty Associates Inc., Washington Analysis Corporation and Beijing Century Media Culture Co., Ltd through share exchange contracts which they became the Company's subsidiaries. However, the Company's shares to be exchanged for subsequent consideration have not been issued, whereas the acquisition costs of the subsidiaries are included in share premium.</p> <p>※4 Balances on related companies Receivables from and payables to related companies other than the accounts specifically stated are as follows:</p> <table> <tr> <td>Current assets</td> <td></td> </tr> <tr> <td>Other receivables</td> <td>98,429</td> </tr> <tr> <td></td> <td>(11,342,975)</td> </tr> <tr> <td>Current liabilities</td> <td></td> </tr> <tr> <td>Other payables</td> <td>302</td> </tr> <tr> <td></td> <td>(34,780)</td> </tr> </table> <p>※5 Authorized number of shares: Ordinary shares 2,500,000 shares Number of issued shares : Ordinary shares 218,083 shares 815,477 shares</p>	Current assets		Other receivables	98,429		(11,342,975)	Current liabilities		Other payables	302		(34,780)
Current assets																																						
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1st half -prior year (As of June 30, 2005)	1st half -current year (As of June 30, 2006)	Fiscal year -prior year (As of December 31, 2005)
※6 _____ ※1-6 notes correspond with ※1-6 as denoted in the Balance Sheets.	※6 The Company has a line of credit agreement with bank. The amount of the line of credit and the balance outstanding under the agreement at June 30, 2006 is as follows: Total amount of the line of credit 30,000 (3,457,200) Outstanding balance 17,600 (2,028,224) _____ Remaining amount of the line of credit 12,400 (1,428,976) ※1-6 notes correspond with ※1-6 as denoted in the Balance Sheets.	※6 _____ ※1-6 notes correspond with ※1-6 as denoted in the Balance Sheets.

(1st half income statements)

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

1st half -prior year (From January 1, 2005 to June 30, 2005)	1st half -current year (From January 1, 2006 to June 30, 2006)	Fiscal year -prior year (From January 1, 2005 to December 31, 2005)
※1 Transactions with related companies are as follows: Turnover 3,872 Cost of sales 1,678 Interest income 68 ※2 _____ ※1 -2notes correspond with ※1 -2 as denoted in the Income Statements.	※1 Transactions with related companies are as follows: Turnover 2,480 Cost of sales 3,575 Interest income 48 ※2 Expenses directly relating to share issuance are presented as “share issuance related expenses”, which includes “share issuance cost”. ※1-2 notes correspond with ※1-2 as denoted in the Income Statements.	※1 Transactions with related companies are as follows: Turnover 8,186 Cost of sales 4,796 Interest income 158 ※2 Same as on the left. ※1-2 notes correspond with ※1-2 as denoted in the Income Statements.

(1st half statement of changes in net assets)

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

1. Types and numbers of treasury shares

The Company did not repurchase or hold any treasury shares during the period.

(Lease transaction)

For the six months ended June 30, 2005 and 2006, and for the year ended December 31, 2005

The Company has no lease transactions, thus, none applicable.

(Securities)

For the six months ended June 30, 2005 and 2006, and for the year ended December 31, 2005

For the periods, investment in subsidiaries by the Company was unlisted and thus had no market value.

(Per share information)

For the six months ended June 30, 2005 and 2006, and for the year ended December 31, 2005

Since the Company prepares the consolidated (1st half) financial statements, per share information of the Company is omitted.

(Significant subsequent events)

1st half -prior year (From January 1, 2005 to June 30, 2005)	1st half -current year (From January 1, 2006 to June 30, 2006)	Fiscal year -prior year (From January 1, 2005 to December 31, 2005)
<p>On July 13, 2005, the Company entered into contract to acquire Washington Analysis Corporation</p> <p>(1) Purpose of the acquisition The purpose of the acquisition is to expand the Group's financial information service and political analysis services.</p> <p>(2) Outline of Washington Analysis Corporation Address : Washington D.C., U.S.A. Revenue : US\$ 6,372 thousand (JPY 734,309 thousand) (For the year ended December 31, 2004) Share capital : US\$ 110 thousand (JPY 12,676 thousand) Business : Financial information service and political analysis services</p> <p>(3) Outline of the acquisition</p> <p>① Method of acquisition Acquired par value shares (1 shares, 100%) of Washington Analysis Corporation</p> <p>② Acquisition cost and payment term Cash payment of US\$2,000 thousand (JPY 230,480 thousand) and 798 shares of the Company payable on July 13, 2005. The consideration will be determined based on performance of Washington Analysis Corporation in the 2005 and 2006.</p> <p>③ Name of Sellers Lesley M. Alberstein Ira Ross Allen Jacobson George Dellinger Carl Joseph Lieber</p> <p>④ Date of acquisition July 13, 2005</p>	<p>1. The Company entered into a credit facility agreement on August 8, 2006.</p> <p>(1) Lender: ABN AMRO Bank N.V., HK branch General Electric Capital Corporation Mizuho Corporate Bank, HK branch</p> <p>(2) Facility amount: USD 70,000 thousand</p> <p>(3) Interest rate: 3-month USD LIBOR plus applicable margin, which shall be fixed at 2.75% for the first 12 months and thereafter ranging from 2.25% to 2.75% depending on different debt to EBITDA level.</p> <p>(4) Use of proceeds: For working capital and acquisition activities</p> <p>(5) Maturity date: 5 years after the borrowing date</p> <p>(6) Pledges: Pledge over all of the shares of and any intercompany loans to certain subsidiaries of the Company as guarantors and any new material subsidiaries arising from acquisitions, together with joint and several cross-guarantees from the guarantors</p>	<p>1. On January 23, 2006, the Board of Directors resolved that the Company would grant stock option as follows:</p> <p>(1) Grant to independent directors</p> <p>⑦ Grantees of the option 2 independent directors</p> <p>⑧ Number of stock options to be granted 2</p> <p>⑨ Class and number of shares to be issued pursuant to the stock option 5,000 ordinary shares (2,500 shares per 1 stock option)</p> <p>⑩ Issue price of the stock option No consideration</p> <p>⑪ Strike price JPY 74,247 per share (Based upon the average closing price of the Company's share for the 15 trading days ending January 20, 2006 at Tokyo Stock Exchange)</p> <p>⑫ Exercisable period From January 31, 2006 to January 31, 2009</p> <p>(2) Grant to directors</p> <p>① Grantees of the options 5 directors / non-executive directors</p> <p>② Number of stock options to be granted 5</p> <p>③ Class and number of shares to be issued pursuant to the stock option 6,000 ordinary shares</p> <p>④ Issue price of the stock option No consideration</p> <p>⑤ Strike price JPY 71,844 per share (Based upon the average closing price of the Company's share for the 90 days ending December 31, 2005 at Tokyo Stock Exchange)</p> <p>⑥ Exercisable period From January 31, 2006 to January 31, 2016</p>

1st half -prior year (From January 1, 2005 to June 30, 2005)	1st half -current year (From January 1, 2006 to June 30, 2006)	Fiscal year -prior year (From January 1, 2005 to December 31, 2005)
	<p>2. On August 9, 2006, the Company has acquired a 19.9% shareholding in Glass Lewis & Co., LLC. (“GL”).</p> <p>(1) Purpose of the acquisition To expand into the business of providing proxy advisory and voting services for institutional investors.</p> <p>(2) Outline of GL: Main Office : San Francisco, USA Amount of sales : USD 5,600 thousand (for the year ended December 31, 2005) Total assets: USD 6,059 thousand (as of December 31, 2005) Business: Advisory and voting services, and investment research for institutional investors</p> <p>(3) Outline of the transaction ① Method of acquisition At the closing, XFL acquired 19.9% interest in GL.</p> <p>② Acquisition cost and payment method Consideration of USD 8,955 thousand was settled by cash on August 9, 2006.</p>	<p>2. On March 02, 2006, the Company entered into contract to acquire Beijing Alpha Financial Engineering Limited Co., Ltd.</p> <p>(1) Purpose of the acquisition The purpose of the acquisition is to deepen and broaden the company 's offering by providing comprehensive index services and better investment solutions and tools.</p> <p>(2) Outline of Beijing Alpha Financial Engineering Limited Address: Beijing, China Revenue: USD 259 thousand (For the year ended December 31, 2005) Share capital: RMB 2,500 thousand Business: Development and transfer of software technology, technical training and service; sale of computers and auxiliary equipments</p> <p>(3) Outline of the acquisition ① Method of acquisition Xinhua Finance will directly acquire 100% of the shares of Beijing Alpha Financial Engineering Limited from its shareholders.</p> <p>② Acquisition cost and payment term The purchase price will be paid over a period of three years, in an amount linked to the performance of Beijing Alpha in 2005, 2006, 2007 and 2008. The total consideration is estimated at USD 2,000,000.</p> <p>③ Name of Sellers Chen Bing Ma Yuewen</p> <p>④ Schedule of the acquisition The acquisition is subject to the approval from the Chinese regulatory authorities. It is expected that the approval process will take approximately 90 days.</p>

1st half -prior year (From January 1, 2005 to June 30, 2005)	1st half -current year (From January 1, 2006 to June 30, 2006)	Fiscal year -prior year (From January 1, 2005 to December 31, 2005)
	③ Name of Seller Gregory P. Taxin Kevin J. Cameron Lawrence M. Howell Rustic Canyon Ventures SBIC, LP Acorn Partners Ojibawa Investment Partners Certain employees of GL ④ Date of acquisition August 9, 2006	

2 Other

Not applicable.

VII. TREND IN FOREIGN EXCHANGE RATES

Since the foreign exchange rate between JPY and USD is published in more than two Japanese daily newspapers, the information is omitted.

VIII. REFERENCE INFORMATION

Other Reference Information

We filed the following documents with the Kanto Local Finance Bureau during this semi-annual fiscal year of 2006 (from January 1, 2006 to the date of filing of this document).

(1) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on January 31, 2006 pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law and Article 19, Paragraphs 1 and 2, Subparagraph 2 of the Cabinet Ordinance Concerning Disclosure of Corporate Information, etc.

(2) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on February 16, 2006 pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law and Article 19, Paragraphs 1 and 2, Subparagraph 2 of the Cabinet Ordinance Concerning Disclosure of Corporate Information, etc.

(3) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on March 24, 2006 pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law and Article 19, Paragraph 2, Subparagraph 2 of the Cabinet Ordinance Concerning Disclosure of Corporate Information, etc.

(4) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on May 10, 2006 pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law and Article 19, Paragraph 2, Subparagraph 1 of the Cabinet Ordinance Concerning Disclosure of Corporate Information, etc.

(5) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on May 10, 2006 pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law and Article 19, Paragraph 2, Subparagraph 2 of the Cabinet Ordinance Concerning Disclosure of Corporate Information, etc.

(6) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on June 9, 2006 pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law and Article 19, Paragraph 2, Subparagraph 2 of the Cabinet Ordinance Concerning Disclosure of Corporate Information, etc.

(7) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on June 9, 2006 pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law and Article 19, Paragraph 2, Subparagraph 2 of the Cabinet Ordinance Concerning Disclosure of Corporate Information, etc.

(8) Annual Securities Report

Filed with the Director of the Kanto Local Finance Bureau on June 28, 2006 pursuant to the first clause of Article 24 of the Securities and Exchange Law.

(9) Amendment to Annual Securities Report regarding the amendment to the Annual Securities Report dated June 10, 2005.

Filed with the Director of the Kanto Local Finance Bureau on June 29, 2006.

(10) Amendment to Extraordinary Report regarding the amendment to the Extraordinary Report dated July 11, 2005

Filed with the Director of the Kanto Local Finance Bureau on June 29, 2006.

(11) Amendment to Extraordinary Report regarding the amendment to the Extraordinary Report dated July 29, 2005

Filed with the Director of the Kanto Local Finance Bureau on June 29, 2006.

(12) Amendment to Extraordinary Report regarding the amendment to the Extraordinary Report dated October 5, 2005

Filed with the Director of the Kanto Local Finance Bureau on June 29, 2006.

(13) Amendment to Extraordinary Report regarding the amendment to the Extraordinary Report dated January 31, 2006

Filed with the Director of the Kanto Local Finance Bureau on June 29, 2006.

(14) Amendment to Extraordinary Report regarding the amendment to the Extraordinary Report dated February 16, 2006

Filed with the Director of the Kanto Local Finance Bureau on June 29, 2006.

(15) Amendment to Extraordinary Report regarding the amendment to the Extraordinary Report dated March 24, 2006

Filed with the Director of the Kanto Local Finance Bureau on June 29, 2006.

(16) Amendment to Extraordinary Report regarding the amendment to the Extraordinary Report dated May 10, 2006

Filed with the Director of the Kanto Local Finance Bureau on June 29, 2006.

(17) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on September 8, 2006 pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law and Article 19, Paragraph 2, Subparagraph 2 of the Cabinet Ordinance Concerning Disclosure of Corporate Information, etc.

PART II. INFORMATION ON THE GUARANTOR, ETC.

I. INFORMATION ON THE GUARANTOR

Not Applicable.

II. INFORMATION ON THE COMPANIES OTHER THAN THE GUARANTOR

Not Applicable.

III. INFORMATION ON INDEX, ETC.

Not Applicable.