

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, 2007 to June 30, 2007)

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Notes:

1. As used in this document, and unless otherwise described or the context otherwise requires, references are as follows:
 - “**China**” or “**PRC**” refers to the People’s Republic of China
 - “**Company**” or “**XFL**” or “**Xinhua Finance**” refers to Xinhua Finance Limited
 - “**CSRC**” refers to the Chinese Securities Regulatory Commission
 - “**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
 - “**GAAP**” refers to Generally Accepted Accounting Principles
 - “**Hong Kong**” refers to the Hong Kong Special Administrative Region
 - “**IFRS**” refers to International Financial Reporting Standards issued by the International Financial Reporting Standards Committee
 - “**Mergent**” refers to Mergent, Inc.
 - “**RMB**” refers to Renminbi
 - “**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
 - “**XFMedia**” refers to Xinhua Finance Media Limited
 - “**XFN**” refers to Xinhua Financial Network 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 = ¥123.26 as of June 29, 2007) from the Tokyo Foreign Exchange Market, in accordance with Article 77 of the Interim Financial Statements Rules. U.S. dollar amounts are presented in thousands (rounded), and Japanese yen amounts are stated in millions (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.

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, 2007 (“Securities Report”).

II. OUTLINE OF THE GROUP

1. Trends in Key Financial Data

(1) Consolidated key financial data

Term		The 2nd semi-annual fiscal year	The 3rd semi-annual fiscal year	The 4th semi-annual fiscal year	The 2nd fiscal year	The 3rd fiscal year
Fiscal year		2005	2006	2007	2005	2006
Turnover	US\$'000	46,500	75,026	109,475	110,010	174,963
	JP¥'m	(5,732)	(9,248)	(13,494)	(13,560)	(21,566)
Ordinary income / loss (△)	US\$'000	△820	3,442	△15,477	523	63
	JP¥'m	(△101)	(424)	(△1,908)	(64)	(8)
Net income / loss (△)	US\$'000	△1,385	2,012	89,427	△2,814	10,760
	JP¥'m	(△171)	(248)	(11,023)	(△347)	(1,326)
Net assets	US\$'000	174,736	383,852	622,093	279,442	382,758
	JP¥'m	(21,538)	(47,314)	(76,679)	(34,444)	(47,179)
Total assets	US\$'000	221,687	491,796	1,097,850	368,817	765,941
	JP¥'m	(27,325)	(60,619)	(135,321)	(42,460)	(94,410)
Net assets per share	US\$	725.68	314.20	425.02	305.65	326.93
	JP¥	(89,447.32)	(38,728.29)	(52,387.97)	(37,674.42)	(40,297.39)
Net income / loss (△) per share	US\$	△6.59	2.38	90.93	△4.25	12.23
	JP¥	(△812.28)	(293.36)	(11,208.03)	(△523.86)	(1,507.18)
Diluted EPS	US\$	—	2.33	88.41	—	11.57
	JP¥	(—)	(287.20)	(10,897.42)	(—)	(1,426.73)
Capital adequacy ratio	(%)	78.8	65.2	39.3	75.8	39.8
Cashflow provided from (△used in) operating activities	US\$'000	△5,093	△13,180	22,576	△7,154	△12,970
	JP¥'m	(△628)	(△1,625)	(2,783)	(△882)	(△1,599)
Cashflow used in investing activities	US\$'000	△28,910	△43,548	△160,368	△55,431	△95,754
	JP¥'m	(△3,563)	(△5,368)	(△19,767)	(△6,832)	(△11,803)
Cashflow from financing activities	US\$'000	4,765	63,506	199,571	103,255	125,122
	JP¥'m	(587)	(7,828)	(24,599)	(12,727)	(15,423)
Cash and cash equivalents, end of the year	US\$'000	10,890	87,455	156,224	80,669	97,279
	JP¥'m	(1,342)	(10,780)	(19,256)	(9,943)	(11,991)
Number of employees		707	1,112	1,981	906	1,581
EBITDA	US\$'000	6,223	11,089	9,954	18,787	24,672
	JP¥'m	(767)	(1,367)	(1,227)	(2,316)	(3,041)

Notes :

1. Consumption tax is not included in turnover.

2. Regarding information on diluted net profits per share, even if XFL has shares with dilutive effect, XFL is in a loss position in 2005. Thus such information is not stated for 2005.
3. Regarding net assets per share, the suspense account of share exchange included in share premium is excluded from the calculation.
4. The consolidated financial statements of the Group are stated in U.S. dollars. In accordance with 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=123.26, from the Tokyo Foreign Exchange Market as of June 29, 2007. U.S. dollar amounts are presented in thousands (rounded), and Japanese yen amounts are stated in millions (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.
5. 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. Please refer to “III. CONDITION OF BUSINESS OF THE GROUP, 7. Analysis of Financial Condition and Results of Operations.” 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.
6. 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. For more information, please refer to “III. CONDITION OF BUSINESS OF THE GROUP, 7. Analysis of Financial Condition and Results of Operations, Summary of Certain Significant Differences Between Japanese GAAP and International Financial Reporting Standards Applied to Us”.
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.
9. Regarding information on net assets, the Company adopted “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Statement No.5, announced by Accounting Standard Board of Japan) and “Guidance on Accounting Standard for Presentation of Net Assets in the Balance sheet”(Guidance No. 8, announced by Accounting Standard Board of Japan) effective from the 3rd fiscal year.

(2) Key financial data of the Company

Term		The 2nd semi- annual fiscal Year	The 3rd semi- annual fiscal year	The 4th semi- annual fiscal year	The 2nd fiscal year	The 3rd fiscal year
Fiscal year		2005	2006	2007	2005	2006
Turnover	US\$'000 JP¥'m	3,872 (477)	6,067 (748)	2,330 (287)	8,186 (1,009)	9,371 (1,155)
Ordinary profit / loss (△)	US\$'000 JP¥'m	928 (114)	△1,012 (△125)	△3,495 (△431)	△4,238 (△522)	△6,019 (△742)
Net profit / loss (△)	US\$'000 JP¥'m	928 (114)	△1,012 (△125)	△3,495 (△431)	△4,238 (△522)	△6,019 (△742)
Share capital	US\$'000 JP¥'m	559 (69)	2,284 (282)	2,602 (321)	2,091 (258)	2,389 294
Number of shares outstanding	(shares)	218,083.29	890,727.79	1,014,947.79	815,477.29	931,637.79

*Please note that this document is a translation of the document prepared in the Japanese language and filed with the Kanto Local Finance Bureau

Net assets	US\$'000	183,646	318,744	322,436	280,619	288,053
	JP¥'m	(22,636)	(39,288)	(39,743)	(34,589)	(35,505)
Total assets	US\$'000	191,667	361,380	475,871	299,204	464,206
	JP¥'m	(23,625)	(44,544)	(58,656)	(36,880)	(57,218)
Dividend per share	US\$	—	—	—	—	—
	JP¥	(—)	(—)	(—)	(—)	(—)
(Interim Dividend per share out of the above dividend)	US\$	—	—	—	—	—
	JP¥	(—)	(—)	(—)	(—)	(—)
Capital adequacy ratio	(%)	95.8	88.2	67.8	93.8	62.0
Number of employees		4	5	4	5	5
EBITDA	US\$'000	860	△870	△3,914	82	△2,802
	JP¥'m	(106)	(△107)	(△482)	(10)	(△345)

Notes :

1. Consumption tax is not included in turnover.
2. The financial statements of the Company are stated in U.S. dollars. In accordance with 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=123.26, from the Tokyo Foreign Exchange Market as of June 29, 2007. U.S. dollar amounts are presented in thousands (rounded), and Japanese yen amounts are stated in millions (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.
3. 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. Please refer to “III. CONDITION OF BUSINESS OF THE GROUP, 7. Analysis of Financial Condition and Results of Operations.” 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.
4. 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. For more information, please refer to “III. CONDITION OF BUSINESS OF THE GROUP, 7. Analysis of Financial Condition and Results of Operations, Summary of Certain Significant Differences Between Japanese GAAP and International Financial Reporting Standards Applied to Us”.
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2. Business Overview

We are a global organization with our headquarters in Shanghai and offices across Asia, Australia, North America and Europe. Our 20 office locations include Hong Kong, Beijing, Guangzhou, Shanghai, Shenzhen, Taipei, Tokyo, Seoul, Singapore, Kuching, Melbourne, Sydney, New York, Washington, D.C., Charlotte, Princeton, San Diego, Denver, San Francisco, London. Our 16 news bureaus are located in Hong Kong, Beijing, Shanghai, Taipei, Tokyo, Singapore, Sydney, New York, Washington, D.C., Chicago, Princeton, London, Frankfurt, Brussels, Paris and Berlin. As at June 30, 2007 we had 1,981 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 2007, we completed the acquisition of Glass, Lewis & Co., LLC., a leading provider of investment research and global proxy advisory and voting services
- in January 2007 our subsidiary Mergent, acquired Kinetic Information System Services Limited which is a leading provider of software and systems for real time index calculation services
- in February 2007, our subsidiary, Xinhua Top Sky Public Relations Consulting (Beijing) Co., Ltd. (“Top Sky”) acquired 95% of the equity interest of Beijing Orient Agribusiness Consultants Co., Ltd., a company providing economic and investment information on food, agriculture, woods, fishing, stockbreeding and investment consultancy
- in April 2007, Top Sky acquired 80% of the equity interest of Shanghai TongXin Information Technology Consulting Co., Ltd., a company providing commodities spot and future price and information by SMS and focused on non-ferrous metal and energy
- in June 2007, our subsidiary, XFMedia completed the acquisition of Singshine (Holdings) Hong Kong Limited which will expand coverage of XFMedia’s radio program consultation and advertising capabilities. It will also add entertainment and high-end consumer-oriented advertising to XFMedia’s current range of financial and corporate focused advertising
- in June 2007, XFMedia completed the acquisition of Beijing Mobile Interactive Co., Ltd, which will enable XFMedia to integrate mobile service capabilities with its existing range of media assets and market new interactive products and services to mobile phone users in China

In March 2007, XFMedia (Stock Code XFML) was listed on the Nasdaq Global Market and raised net proceeds of approximately US\$200 million for its own expansion.

3. Related Companies (as of June 30, 2007)

(1) Parent Company

The Company has no parent company.

(2) Subsidiaries and Affiliates

In the first half of 2007, 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
Beijing Mobile Interactive Co., Ltd. (北京心情互動信息技術有限公司)	Chao Yang District Beijing, PRC	Information services of the second type of telecom value-added services; Internet information services	36.8% (36.8%)	RMB 10,000,000.00	-
Beijing Orient Agribusiness Consultants Co. Ltd. (北京東方艾格農業諮詢有限公司)	Chaoyang District Beijing, PRC	Provision of economic and investment information on food, agriculture, woods, fishing, stockbreeding	95% (95%)	RMB2,200,000.00	-
Beijing Pioneer Media Advertising Co., Ltd. (北京開麥拉傳媒廣告有限公司)	Fang Shan District Beijing, PRC	Design, production, representation and publishing of advertisements	36.8% (36.8%)	RMB 15,000,000.00	-
Beijing Xin Tai Hua De Advertising Co., Ltd. (北京新泰華德廣告有限公司)	Chao Yang District Beijing, PRC	Design, production, representation and publishing of advertisements, Exhibition, information consultation etc	36.8% (36.8%)	RMB5,000,000	-
East Alliance Limited	Tortola, British Virgin Islands	Investment holding	36.8% (36.8%)	USD50,000.00	-
Glass Lewis & Co., LLC	San Francisco, USA	Provision of investment research and global proxy advisory and voting services	100%	Nil	2 common directors
Guangzhou Excellent Consulting Service	Guangzhou Economic and Technological	Investment consultation and provision of	36.8% (36.8%)	USD200,000.00	-

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Company Limited (廣州盈美諮詢服務有限公司)	Development Area Guangzhou, PRC	marketing information			
Guangzhou Singshine Communication Co. Ltd. (廣州聲色傳播娛樂制作廣告有限公司)	Yue Xiu District Guangzhou, PRC	Radio program consultation and sales management	36.8% (36.8%)	RMB1,010,000.00	-
Kinetic Information System Services Limited	London, UK	Provision of support or services in the analysis, specification, design, development, implementation, operation or maintenance of computer services, mechanisms, machines and systems	100% (100%)	£1,063.83	2 common directors
Shanghai Fenghuo Marketing Consulting Co.,Ltd (上海烽火營銷策劃有限公司)	Qing Pu District Shanghai, PRC	marketing planning, exhibition services, sale of crafts and decoration materials	36.8% (36.8%)	RMB500,000.00	-
Shanghai Heju Marketing Consulting Co.,Ltd (上海禾聚營銷策劃有限公司)	Qing Pu District Shanghai, PRC	marketing planning, exhibition services, advertising, sale of crafts and decoration materials	36.8% (36.8%)	RMB500,000.00	-
Shanghai Liangdian Zhongduan Zhanshi Co., Ltd. (上海亮點終端展示有限公司)	Qing Pu District Shanghai, PRC	exhibition planning, advertising, sale of decoration materials	22.1% (22.1%)	RMB1,000,000.00	-
Shanghai Renhe Movie and Television Intermediary Co., Ltd. (上海人合影視文化傳播有限公司)	PuTuo District Shanghai, PRC	Planning of arts related activities, exhibition planning, business information consultation, technology service	36.8% (36.8%)	RMB3,000,000.00	-
Shanghai Singshine Marketing Service Co., Ltd. (上海聲色廣告有	Qing Pu District Shanghai, PRC	Advertising, service agency providing below the line solutions	36.8% (36.8%)	RMB1,000,000.00	-

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限公司)		from planning to execution of nationwide promotional campaigns			
Shanghai TongXin Information Technology Consulting Co., Ltd. (上海同鑫信息技術諮詢有限公司)	An Shan Road, Shanghai, PRC	Provision of information technology consultation, technology development, transfer, consultation and services in field of computer software and hardware, development and sales of computer software	80% (80%)	RMB500,000.00	-
Singshine (Holdings) Hongkong Limited (聲色(控股)香港有限公司)	Wanchai, Hong Kong	Investment holding	36.8% (36.8%)	HK\$1,000,000.00	1 common director
Wuxianshijie (Beijing) Information Technology Co., Ltd. (無限世界(北京)信息技術有限公司)	Economical and Technological Development Area Beijing, PRC	Production of PC Software, technology services, technology transfer	36.8% (36.8%)	USD100,000.00	-

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.

(3) Condition of Equity Method Affiliates

There is no change in the condition of equity method affiliates in this semi-annual period.

(4) Other Condition of Affiliates

Not applicable.

4. Employees

(1) The Group:

As of June 30, 2007, the Group employed 1,981 persons. The number of employees by geographical region is shown in the table below:

	Headcount
CHINA	1,282
EUROPE	36
HONG KONG	101
JAPAN	16
AUSTRALIA	10
REST OF ASIA	106
TAIWAN	14
USA	416
TOTAL	1,981

Note: The increase of the headcount during this fiscal year was due mainly to the acquisitions of Glass Lewis, Beijing Orient Agribusiness Consultants, Shanghai TongXin Information Technology Consulting, Singshine (Holdings) and Beijing Mobile Interactive Co., and the expansion of XFMedia's advertising and production businesses.

(2) The Company:

As of June 30, 2007, the Company employed 4 persons.

Number of Employees	4
Average Age	45.7
Average Service Years	4.7 years
Average Salary (per person)	US\$ 34,125 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,		
	2006		
	<i>(Units: USD thousand (Yen million))</i>		<i>% of total</i>
Asia	US\$16,963	¥2,091	22.6
United States	43,120	5,315	57.5
Japan	807	100	1.1
Others	14,135	1,742	18.8
Total	<u>US\$75,026</u>	<u>¥9,248</u>	<u>100.0%</u>

	Semi-Annual Period Ended June 30,		
	2007		
	<i>(Units: USD thousand (Yen million))</i>		<i>% of total</i>
Asia	US\$59,490	¥7,333	54.3
United States	48,937	6,032	44.7
Japan	932	115	0.9
Others	116	14	0.1
Total	<u>US\$109,475</u>	<u>¥13,494</u>	<u>100.0%</u>

Operating Results for Fiscal Period ended June 30, 2007

Asia

Sales in Asia amounted to US\$59,490 thousand (¥7,333 million) for the six months ended June 30, 2007, amount increased 250.7% as compared with last equivalent period. The increase was due to a reclassification of entities from others to Asia and the expansion of our distribution business coupled with the full period impact from subsidiaries that joined the group in 2006, such as Xinhua Finance Advertising Limited, Beijing JingGuanXinCheng Advertising Co. Ltd. and Shanghai Hyperlink Market Research Co., Ltd.

United States

Sales in United States amounted to US\$48,937 thousand (¥6,032 million) for the six months ended June 30, 2007, amount increased 13.5% as compared with last equivalent period. The increase was in line with our business growth.

Japan

Sales in Japan amounted to US\$932 thousand (¥115 million) for the six months ended June 30, 2007, amount increased 15.5% as compared with last equivalent period.

Others

Sales generated from other regions amounted to US\$116 thousand (¥14 million) for the six months ended June 30, 2007, amount dramatically decreased 99.2% as compared with last equivalent period. The decrease was mainly due to a reclassification of entities from others to Asia for the six months ended June 30, 2007.

Cashflow Analysis for Fiscal Period ended June 30, 2007

Operating activities

Net cash provided in operating activities amounted to US\$22,576 thousand (¥2,783 million) for the six months ended June 30, 2007. For the six months ended June 30, 2006, net cash used in operating activities amounted to US\$13,180 thousand (¥1,625 million).

Investing activities

Net cash used in investing activities amounted to US\$160,368 thousand (¥19,767 million) for the six months ended June 30, 2007, decreased by 268.3% compared with the same period of the previous year, mainly consisted of cash used for strategic acquisitions during the period of US\$83,786 thousand (¥10,328 million), subsequent consideration payments for subsidiaries including Xinhua Finance Advertising Limited and Washington Analysis of US\$15,557 thousand (¥1,918 million), investment in security assets of US\$42,251 thousand (¥5,208 million), deposit for purchase of intangible assets of US\$7,941 thousand (¥979 million), and capital expenditures of US\$6,521 thousand (¥804 million).

Financing Activities

Cashflow from financing activities amounted to US\$199,571 thousand (¥24,599 million) for the six months ended June 30, 2007, increased by 214.3% compared with the same period of the previous year. This amount mainly consisted of cash proceeds of US\$196,819 thousand (¥24,260 million) from the issuance of shares in XFMedia due to its listing on the Nasdaq market in the US. Interest payments related to our corporate bond and bank borrowings also totalled to US\$7,749 thousand (¥955 million).

Cash Balance

Due to the activities as described in “Operating Activities”, “Investing Activities” and “Financing Activities”, above, ending cash and bank balance was US\$200,572 thousand (¥24,722 million) as at June 30, 2007, of which US\$44,645 thousand (¥5,503 million) was deposits pledged as collateral (deducted from cash balance) and US\$297 thousand (¥37 million) was marketable securities. Hence the net cash and cash equivalents as at June 30, 2007 was US\$156,224 thousand (¥19,256 million), which increased by 78.6% compared with the same period of the previous year.

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

GLASS, LEWIS & CO., LLC

The Company entered into a purchase contract in August 2006 with the shareholders of Glass, Lewis & Co., LLC (“Glass Lewis”) pursuant to which the Company acquired 19.9% of the equity interests of Glass Lewis for an initial cash payment of US\$8.955m. Glass Lewis is a leading provider of investment research and global proxy advisory and voting services. The Company completed the acquisition of Glass Lewis in January 2007. The total consideration for this acquisition was US\$ 47 million. The remaining 80.1% stake of US\$ 38,094,762 was paid with US\$ 13,756,258 in cash and US\$ 24,338,504 in shares of the Company.

KINETIC INFORMATION SYSTEM SERVICES LIMITED

The Company’s subsidiary acquired 100% equity interest in Kinetic Information System Services Limited (“Kinetic”) in January 2007. Kinetic is a leading provider of software and systems for real time index calculation services. The consideration for the acquisition was £5 million and was paid in cash.

5. Research and Development

In the financial services and media industry, research and development efforts are focused on new products development, enhancements 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 developments, our market indices business has continued to refine and improve its existing indices to cater for specific needs of our clients. For instance, we announced E-mini Futures based on Xinhua FTSE China 25 Index, to be launched on the Chicago Mercantile 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. We further enhanced our ability to help clients assess their investment holdings by adding global proxy advisory and voting services to our ratings business. We also launched a series of Xinhua Finance / Milken Institute China Indicators, which gauge the risks and returns inherent in China’s markets. Also, our news business continues to develop China government and fiscal policy analysis and China newsfeeds targeting clients in the fixed income and foreign exchange sectors, as well as China business sentiment surveys. In the terminals division of our distribution business, we provide and develop software applications to financial terminals in China, which are in need of quality financial content and effective analytical tools based on international standards. We currently serve 40% of the CSRC approved commodities and futures brokerages in China and will focus on the equities and foreign exchange markets.

For product/service enhancements, our index committee continues to commission many initiatives to continue improving our index calculation methodology. Our ratings business continues to improve upon its training programs for existing and potential clients. Integrating the strengths of Taylor Rafferty’s investor relations expertise in the global market and Fortune China’s PR capability in Greater China, our investor relations business is able to better fulfill the increasing demand of global clients. Our distribution business continues to leverage our proprietary content, brand name and customer base across multiple distribution and media platforms within China.

IV. CONDITION OF FACILITIES

1. Relocation of major facilities

No major facilities were relocated in the first half of 2007.

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, 2007)

(1) Total number of shares, etc.

Number of Authorized Shares:	2,500,000.00
Total Number of Shares Outstanding:	1,014,947.79
Number of Shares Unissued:	1,485,052.21
Warrants and Options to Subscribe For the Equivalent Number of Ordinary Shares*:	31,894.00
Number of options to subscribe for equivalent number of ordinary shares committed to be issued pursuant to an Employee Stock Compensation Plan**:	37,577.00
FULLY DILUTED SHARES:	1,084,418.79

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.

Date of Grant	# of warrants/options	Class	# of shares	Amount to be paid (per share)	Amount to Share Capital (per share)	Exercise Period	Transferable	Other material terms
12-Aug-04	Warrant to subscribe for 294 ordinary shares	Ordinary	294	US\$264	HK\$20	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.
9-Feb-05	Options to subscribe for 600 ordinary shares	Ordinary	600	US\$666.67	HK\$20	9 February 2005 to 9 February 2015	Option shall not be assignable	204 shares, 198 and 198 shares vested on 9 February 2005, 31 December 2005 and 31 December 2006 respectively.
31-Jan-06	Options to subscribe for 6,000 ordinary shares	Ordinary	6,000	JPY71,844	HK\$20	30 April 2006 to 1 February 2016	Option shall not be assignable	1,500 shares vested on 30 April 2006, 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	HK\$20	31 January 2006 to 1 February 2009	Option shall not be assignable	834 shares vested on 31 January 2006, 30 April 2006, 30 July 2006, 31 October 2006 and 31 January 2007 respectively and 830 shares vested on 30 April 2007.
14-Feb-06	Warrants to subscribe for 20,000 ordinary shares	Ordinary	20,000	JPY82,500	HK\$20	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.

The following table sets forth certain information as of June 30, 2007 regarding the options granted pursuant to the Employee Stock Compensation Plan.

	Number of Options	Issue Price of the Shares to be Issued upon the Exercise of the Options (per share)	Amount of Increase in the Share Capital Amount of the Shares to be Issued upon the Exercise of Options (per share)
Options granted pursuant to the Employee Stock Compensation Plan for 2005	12,064	JPY49,316	HK\$20
Options granted pursuant to the Employee Stock Compensation Plan for 2006	25,513	JPY71,844	HK\$20

*Please note that this document is a translation of the document prepared in the Japanese language and filed with the Kanto Local Finance Bureau.

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:	1,014,947.79 (as of June 30, 2007)
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, 2007)

Date	Remarks	Number of Shares Increased	Cumulative Number of Shares Issued*	Increase in Total Capital US\$*	Cumulative Total Capital US\$ (JPY)*
1-Jan-07			931,637.79		304,579,974.00 (36,278,520,703.00)
10-Jan-07	Share issuance related to Glass Lewis acquisition	43,975	975,612.79	24,338,503.73	328,918,477.73 (40,542,491,565.00)
10-Jan-07	Share issuance related to employee compensation	27	975,639.79	23.06	328,918,500.79 (40,542,494,407.38)
10-Jan-07	Share issuance related to exercise of stock option	12	975,651.79	4,927.51	328,923,428.30 (40,543,101,772.26)
8-Feb-07	Share issuance related to exercise of stock option	288	975,939.79	138,246.97	329,061,675.27 (40,560,142,093.78)
20-Mar-07	Share issuance related to acquisition of Xinhua Finance Advertising Limited	20,740	996,679.79	11,878,390.00	340,940,065.27 (42,024,272,445.18)
20-Mar-07	Share issuance related to acquisition of Beijing Century Media Culture Co., Ltd.	12,965	1,009,644.79	7,404,653.00	348,344,718.27 (42,936,969,973.96)
22-Mar-07	Share issuance related to exercise of stock option	438	1,010,082.79	185,662.49	348,530,380.76 (42,959,854,732.48)
27-Apr-07	Share issuance related to acquisition of Washington Analysis	4,345	1,014,427.79	2,598,954.92	351,129,335.68 (43,280,201,915.92)
30-May-07	Share issuance related to exercise of stock option	520	1,014,947.79	230,391.62	351,359,727.30 (43,308,599,987.00)

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 1,258 shares and the amount of Total Capital increased by exercise of warrants and options in the same period was US\$559,228.59 (JPY68, 930, 516. 00) .

(3) Major Shareholders (as at June 30, 2007)

<u>Number</u>	<u>Name of Shareholder</u>	<u>Address</u>	<u>Number of Shares</u>	<u>Shareholding %</u>
1	NIS Group Co., Ltd.	Shinjuku L-Tower 25F, 6-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo	114,717	11.30%
2	Lynn Titlon	3575 South Ocean Boulevard, Highland Beach, Florida 33487, USA	68,074	6.71%
3	Fredy Bush Family Trust and associated companies	1911 Sacramento Street, San Francisco, CA 94109, USA	67,650	6.67%
4	Oppenheimerfunds, Inc.	2 World Financial Center, 225 Liberty Street, New York, NY 10281, U.S.A.	67,266	6.63%

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The issued share capital of the Company as at June 30, 2007 was 1,014,947.79 shares.

Shareholding of Fredy Bush Family Trust and associated companies includes shares held by Fredy Bush (500 shares, 0.05%), Fredy Bush Family Trust (43,850 shares, 4.32%), Fredy Bush, LLC (22,500 shares, 2.22%) and Region 1 Partners, LLC (800 shares, 0.08%).

Shares held by major shareholders are classified on a beneficiary-shareholding basis.

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 2007	71,500	61,500
February 2007	83,500	58,500
March 2007	93,800	70,300
April 2007	76,000	68,100
May 2007	91,000	46,000
June 2007	69,800	53,400

3. Director and Officers

There is no change in Directors since the annual securities report for the fiscal year 2006 was filed on June 28, 2007.

The change in executive officers in this semi-annual report period was the resignation of Lau Tin Chung, Gordon as Chief Financial Officer and member of the Executive Committee on June 30, 2007 and the appointment of Wang Chih-wen, David as Chief Financial Officer and member of the Executive Committee on July 1, 2007.

Position	Name	Date of birth	Term of office	Personal history	Number of shares owned
Chief Financial Officer and member of the Executive Committee	WANG Chih-wen, David	4/19/1976	Indefinite	Mr. David Wang is responsible for the Company's global financial strategy. Mr. Wang has ten years of corporate finance experience. Before joining Xinhua Finance, Mr. Wang spent a year with the SBI Group, during which he was an advisor to Xinhua Finance on its financing and mergers & acquisitions activities. Prior to that, Mr. Wang served as Chief Financial Officer and board member of Kentucky Electric Steel. Mr. Wang previously served as Vice President of Libra Securities, a Los Angeles based merchant banking firm, and as an investment banking associate with U.S. Bancorp Investments and Roth Capital Partners. He graduated from the Wharton School at the University of Pennsylvania where he received his BS in Economics with a concentration in Finance.	0

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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, 2006 to June 30, 2006 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, 2007 to June 30, 2007 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, 2006 to June 30, 2006 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, 2007 to June 30, 2007 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, 2007

- (4) The amount of the items in the first half consolidated financial statements of the Company and the first half financial statements of the Company as well as other items in amount were presented in thousand of Japanese yen until previous year. From this first half fiscal period, they are changed to be presented in million of Japanese yen. For the convenience of comparison, the amounts presented in the previous first half consolidated financial statements, the previous first half financial statements, previous consolidated financial statements and previous financial statements are presented in million of Japanese yen.

- (5) 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, 2007, which is calculated as US\$1 =123.26 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 million (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

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, 2007 to June 30, 2007 and for the period from January 1, 2006 to June 30, 2006 and the first half financial statements of the Company for the period from January 1, 2007 to June 30, 2007 and for the period from January 1, 2006 to June 30, 2006.

1. Financial Information

(1) 1st half Consolidated Financial Information

① 1st half consolidated balance sheets

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

Item	Note	2nd quarter Consolidated fiscal period - prior year (As of June 30, 2006)		2nd quarter Consolidated fiscal period - current year (As of June 30, 2007)		Consolidated fiscal year - prior year (As of December 31, 2006)	
		Amount	(%)	Amount	(%)	Amount	(%)
(Assets)							
I Current assets							
Cash and bank balances	※3	99,505		200,572		132,140	
		(12,265)		(24,722)		(16,288)	
Trade receivables	※5	24,883		55,060		35,330	
		(3,067)		(6,787)		(4,355)	
Marketable securities		284		40,546		343	
		(35)		(4,998)		(42)	
Other receivables		6,153		2,507		5,678	
		(758)		(309)		(700)	
Deferred tax assets		-		250		340	
		(-)		(31)		(42)	
Others		20,637		56,432		48,417	
		(2,544)		(6,956)		(5,968)	
Total current assets		151,461	30.8	355,366	32.4	222,248	29.0
		(18,669)		(43,802)		(27,394)	
II Non-current assets							
Property and equipment							
Buildings and structures		4,340		7,558		5,252	
		(535)		(932)		(647)	
Less: accumulated depreciation		△ 701	3,639	△ 1,387	6,171	△ 964	4,288
		(△ 86)	(448)	(△ 171)	(761)	(△ 119)	(529)
Equipment		11,137		22,442		15,888	
		(1,373)		(2,766)		(1,958)	
Less: accumulated depreciation		△ 3,377	7,760	△ 7,392	15,050	△ 5,040	10,848
		(△ 416)	(957)	(△ 911)	(1,855)	(△ 621)	(1,337)
Total property and equipment		11,399	2.3	21,220	1.9	15,136	2.0
		(1,405)		(2,616)		(1,866)	
Intangible assets							
Goodwill	※6	2,397		357,682		2,009	
		(295)		(44,088)		(248)	
Goodwill on consolidation	※6	279,928		-		291,999	
		(34,504)		(-)		(35,992)	
Trademark and distribution rights	※2	650		3,542		1,843	
		(80)		(437)		(227)	
Contractual rights and other	※9	-		290,402		185,352	
		(-)		(35,795)		(22,847)	
Others		-		7,623		8,416	
		(-)		(940)		(1,037)	
Total intangible assets		282,975	57.5	659,249	60.1	489,619	63.9
		(34,880)		(81,259)		(60,350)	
Investments and other assets							
Securities assets		36,444		23,390		33,493	
		(4,492)		(2,883)		(4,128)	
Investment in associates		244		544		535	
		(30)		(67)		(66)	
Investment in progress	※1	8,035		33,000		-	
		(990)		(4,068)		(-)	
Deferred tax assets		1,071		282		225	
		(132)		(35)		(28)	
Others		166		1,396		965	
		(20)		(172)		(119)	
Total investments and other assets		45,960	9.4	58,612	5.3	35,218	4.6
		(5,665)		(7,225)		(4,341)	
Total non-current assets		340,334	69.2	739,082	67.3	539,973	70.5
		(41,950)		(91,099)		(66,557)	
III Deferred assets							
Bond issuance costs		-		3,402		3,721	
		(-)		(419)		(459)	
Total deferred assets		-	-	3,402	0.3	3,721	0.4
		(-)		(419)		(459)	
Total assets		491,796	100.0	1,097,850	100.0	765,941	100.0
		(60,619)		(135,321)		(94,410)	

*Please note that this document is a translation of the document prepared in the Japanese language and filed with the Kanto Local Finance Bureau.

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

Item	Note	2nd quarter Consolidated fiscal period - prior year (As of June 30, 2006)		2nd quarter Consolidated fiscal period - current year (As of June 30, 2007)		Consolidated fiscal year -prior year (As of December 31, 2006)		
		Amount	(%)	Amount	(%)	Amount	(%)	
(Liabilities)								
I Current liabilities								
Trade payables		5,268		11,640		6,413		
		(649)		(1,435)		(790)		
Short-term loans	※3, 7	28,157		43,227		19,056		
		(3,471)		(5,328)		(2,349)		
Current portion of long-term debt	※3, 7	35		6,997		6,403		
		(4)		(862)		(789)		
Taxation payables		4,492		9,099		6,097		
		(554)		(1,122)		(752)		
Other payables	※4	19,802		27,505		57,928		
		(2,441)		(3,390)		(7,140)		
Accrued expenses		6,764		11,327		10,129		
		(834)		(1,396)		(1,249)		
Deferred revenue		12,098		18,481		16,727		
		(1,491)		(2,278)		(2,062)		
Promissory notes (non-operating)		-		273		199		
		(-)		(34)		(25)		
Lease obligations		73		63		63		
		(9)		(8)		(8)		
Others		1,827		4,798		205		
		(225)		(591)		(25)		
Total current liabilities		78,516	15.9	133,411	12.2	123,220	16.1	
		(9,678)		(16,444)		(15,188)		
II Non-current liabilities								
Bond		-		99,169		99,073		
		(-)		(12,224)		(12,212)		
Long-term debt	※7, 8	10,082		1,325		10,000		
		(1,243)		(163)		(1,233)		
Long-term lease obligations		121		58		90		
		(15)		(7)		(11)		
Long-term accrued expenses		273		-		-		
		(34)		(-)		(-)		
Long-term other payables	※4	18,951		225,186		146,800		
		(2,336)		(27,756)		(18,095)		
Deferred tax liabilities		-		10,333		4,001		
		(-)		(1,274)		(493)		
Others		1		6,277		-		
		(0)		(774)		(-)		
Total non-current liabilities		29,428	6.0	342,346	31.1	259,963	33.9	
		(3,627)		(42,198)		(32,043)		
Total liabilities		107,944	21.9	475,758	43.3	383,183	50.0	
		(13,305)		(58,642)		(47,231)		
(Net Assets)								
I Shareholders' equity								
Share capital		2,284	0.4	2,602	0.2	2,389	0.3	
		(282)		(321)		(294)		
Share premium		351,924	71.6	372,673	34.0	326,106	42.6	
		(43,378)		(45,936)		(40,196)		
Retained earnings / Accumulated deficit (△)		△ 33,473	△ 6.8	64,702	5.9	△ 24,724	△ 3.2	
		(△ 4,126)		(7,975)		(△ 3,048)		
Total shareholders' equity		320,735	65.2	439,977	40.1	303,771	39.7	
		(39,534)		(54,232)		(37,443)		
II Valuation and translation adjustments								
Unrealized gains / losses (△) on available-for-sale securities		-		149		-		
		(-)		(18)		(-)		
Deferred gains / losses (△) on hedges		-		612		-		
		(-)		(75)		(-)		
Foreign currency translation adjustments	※10	△ 233		△ 9,365		813		
		(△ 29)		(△ 1,154)		(100)		
Total valuation and translation adjustments		△ 233	△ 0.0	△ 8,604	△ 0.8	813	0.1	
		(△ 29)		(△ 1,060)		(100)		
III Share subscription rights								
		141	0.0	5,014	0.5	3,036	0.4	
		(17)		(618)		(374)		
IV Minority interests								
		63,208	12.9	185,705	16.9	75,138	9.8	
		(7,791)		(22,890)		(9,261)		
Total net assets		383,852	78.1	622,093	56.7	382,758	50.0	
		(47,314)		(76,679)		(47,179)		
Total liabilities and net assets		491,796	100.0	1,097,850	100.0	765,941	100.0	
		(60,619)		(135,321)		(94,410)		

*Please note that this document is a translation of the document prepared in the Japanese language and filed with the Kanto Local Finance Bureau.

②1st half consolidated income statements

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

Item	Note	2nd quarter Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)		2nd quarter Consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)		Consolidated fiscal year - prior year (From January 1, 2006 to December 31, 2006)	
		Amount	(%)	Amount	(%)	Amount	(%)
I Turnover		75,026	100.0	109,475	100.0	174,963	100.0
		(9,248)		(13,494)		(21,566)	
II Cost of sales		31,466	41.9	52,806	48.2	75,823	43.3
		(3,878)		(6,509)		(9,346)	
Gross profit		43,560	58.1	56,670	51.8	99,140	56.7
		(5,369)		(6,985)		(12,220)	
III Selling, general and administrative expenses							
Directors' emoluments		1,289		3,019		4,001	
		(159)		(372)		(493)	
Salaries		15,100		16,871		31,365	
		(1,861)		(2,079)		(3,866)	
Marketing and promotional expenses		2,677		6,517		8,239	
		(330)		(803)		(1,016)	
Depreciation		1,158		2,587		3,046	
		(143)		(319)		(375)	
Amortization		438		7,879		4,811	
		(54)		(971)		(593)	
Amortization of goodwill on consolidation		7,232		-		15,681	
		(891)		(-)		(1,933)	
Amortization of goodwill		-		10,540		-	
		(-)		(1,299)		(-)	
Others		13,405	55.1	20,310	61.9	30,864	56.0
		(1,652)		(2,503)		(3,804)	
Operating income / loss (△)		2,261	3.0	△ 11,053	△ 10.1	1,134	0.7
		(279)		(△ 1,362)		(140)	
IV Non-operating income							
Interest and dividend income		1,663		4,153		3,396	
		(205)		(512)		(419)	
Unrealized gain on marketable securities		188		68		44	
		(23)		(8)		(5)	
Foreign exchange gains		15		3,133		59	
		(2)		(386)		(7)	
Others		283	2.9	2,655	9.1	894	2.5
		(35)		(327)		(110)	
(265)				(1,234)		(541)	
V Non-operating expenses							
Interest expenses		852		5,043		5,361	
		(105)		(622)		(661)	
Share issuance expenses		-		9,362		-	
		(-)		(1,154)		(-)	
Share issuance related expenses	※1	103		-		103	
		(13)		(-)		(13)	
Others		14	1.3	29	13.1	-	5.464
		(2)		(4)		(-)	(674)
(119)				(1,779)			
Ordinary income / loss (△)		3,442	4.6	△ 15,477	△ 14.1	63	0.0
		(424)		(△ 1,908)		(8)	

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

Item	Note	2nd quarter Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)		2nd quarter Consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)		Consolidated fiscal year - prior year (From January 1, 2006 to December 31, 2006)	
		Amount	(%)	Amount	(%)	Amount	(%)
VI Extraordinary gains							
Gain on disposal of investment in securities		-		31		-	
		(-)		(4)		(-)	
Gain on disposal of investment in subsidiaries		650		-		650	
		(80)		(-)		(80)	
Gain from redemption of minority interest	※3	3,000		-		3,000	
		(370)		(-)		(370)	
Gain from changes in equity interest	※4	-	3,650	4.8	100,688	100,718	92.0
		(-)	(450)		(12,411)	(12,415)	
						(1,975)	19,677
						(2,425)	11.3
VII Extraordinary losses							
Loss on sale and disposal of fixed assets	※2	6	6	0.0	-	-	-
		(1)	(1)		(-)	(-)	10
						(1)	10
						(1)	0.0
Income before income taxes, minority interests and distribution of profits (allocation of losses) from joint alliances			7,085	9.4		85,242	77.9
			(873)			(10,507)	
							19,729
							(2,432)
							11.3
VIII Distribution of profits (allocation of losses) from joint alliance							
			△ 2	△ 0.0		-	-
			(△ 0)			(-)	
							△ 2
							(△ 0)
							△ 0.0
Income before income taxes and minority interests			7,083	9.4		85,242	77.9
			(873)			(10,507)	
							19,727
							(2,432)
Income taxes (current)		2,017			3,052		3,424
		(249)			(376)		(422)
Prior year adjustment on tax charges		-			-		901
		(-)			(-)		(111)
Income taxes (deferred)		△ 294	1,723	2.3	△ 1,765	1,287	△ 568
		(△ 36)	(212)		(△ 218)	(159)	(△ 70)
							3,756
							(463)
Minority interests			3,349	4.4		△ 5,472	△ 5.0
			(413)			(△ 675)	
							5,211
							(642)
Net income for the year / period			2,012	2.7		89,427	81.7
			(248)			(11,023)	
							10,760
							(1,326)
							6.2

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③ 1st half consolidated statement of changes in net assets

1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)

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

	Shareholders' equity			
	Share capital	Share premium	Retained earnings	Total shareholders' equity
Note		※1		
Beginning balance at Jan 1, 2006	2,091 (258)	312,966 (38,576)	△ 35,485 (△ 4,374)	279,573 (34,460)
Changes of items during the period				
Issuance of new shares	13 (2)	1,447 (178)	- (-)	1,459 (180)
Increased upon share exchange	180 (22)	37,512 (4,624)	- (-)	37,692 (4,646)
Net income for the period	- (-)	- (-)	2,012 (248)	2,012 (248)
Net changes of items other than shareholders' equity	- (-)	- (-)	- (-)	- (-)
Total changes during the period	193 (24)	38,958 (4,802)	2,012 (248)	41,163 (5,074)
Ending balance at Jun 30, 2006	2,284 (282)	351,924 (43,378)	△ 33,473 (△ 4,126)	320,735 (39,534)

	Valuation and translation adjustments		Share subscription rights	Minority interests	Total net assets
	Foreign currency translation adjustments	Total valuation and translation adjustments			
Note					
Beginning balance at Jan 1, 2006	△ 131 (△ 16)	△ 131 (△ 16)	- (-)	2,626 (324)	282,068 (34,768)
Changes of items during the period					
Issuance of new shares	- (-)	- (-)	- (-)	- (-)	1,459 (180)
Increased upon share exchange	- (-)	- (-)	- (-)	- (-)	37,692 (4,646)
Net income for the period	- (-)	- (-)	- (-)	- (-)	2,012 (248)
Net changes of items other than shareholders' equity	△ 102 (△ 13)	△ 102 (△ 13)	141 (17)	60,582 (7,467)	60,621 (7,472)
Total changes during the period	△ 102 (△ 13)	△ 102 (△ 13)	141 (17)	60,582 (7,467)	101,784 (12,546)
Ending balance at Jun 30, 2006	△ 233 (△ 29)	△ 233 (△ 29)	141 (17)	63,208 (7,791)	383,852 (47,314)

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1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)

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

	Shareholders' equity			
	Share capital	Share premium	Retained earnings	Total shareholders' equity
Beginning balance at Jan 1, 2007	2,389 (294)	326,106 (40,196)	△ 24,724 (△ 3,048)	303,771 (37,443)
Changes of items during the period				
Issuance of new shares	3 (0)	556 (69)	- (-)	559 (69)
Increased upon share exchange	210 (26)	46,010 (5,671)	- (-)	46,221 (5,697)
Net income for the period	- (-)	- (-)	89,427 (11,023)	89,427 (11,023)
Net changes of items other than shareholders' equity	- (-)	- (-)	- (-)	- (-)
Total changes during the period	214 (26)	46,566 (5,740)	89,427 (11,023)	136,206 (16,789)
Ending balance at June 30, 2007	2,602 (321)	372,673 (45,936)	64,702 (7,975)	439,977 (54,232)

	Valuation and translation adjustments				Share subscription rights	Minority interests	Total net assets
	Unrealized gains / losses (△) on available-for-sale securities	Deferred gains / losses (△) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments			
Beginning balance at Jan 1, 2007	- (-)	- (-)	813 (100)	813 (100)	3,036 (374)	75,138 (9,261)	382,758 (47,179)
Changes of items during the period							
Issuance of new shares	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	559 (69)
Increased upon share exchange	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	46,221 (5,697)
Net income for the period	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	89,427 (11,023)
Net changes of items other than shareholders' equity	149 (18)	612 (75)	△ 10,178 (△ 1,255)	△ 9,417 (△ 1,161)	1,979 (244)	110,567 (13,629)	103,129 (12,712)
Total changes during the period	149 (18)	612 (75)	△ 10,178 (△ 1,255)	△ 9,417 (△ 1,161)	1,979 (244)	110,567 (13,629)	239,335 (29,500)
Ending balance at June 30, 2007	149 (18)	612 (75)	△ 9,365 (△ 1,154)	△ 8,604 (△ 1,060)	5,014 (618)	185,705 (22,890)	622,093 (76,679)

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Consolidated fiscal year – prior year (From January 1, 2006 to December 31, 2006)

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

	Shareholders' equity			
	Share capital	Share premium	Retained earnings	Total shareholders' equity
Beginning balance at Jan 1, 2006	2,091 (258)	312,966 (38,576)	△ 35,485 (△ 4,374)	279,573 (34,460)
Changes of items during the year				
Issuance of new shares	82 (10)	2,267 (279)	- (-)	2,349 (290)
Share-based payment	48 (6)	6,312 (778)	- (-)	6,361 (784)
Increased upon share exchange	167 (21)	48,088 (5,927)	- (-)	48,256 (5,948)
Effect of change in accounting policy	- (-)	△ 43,527 (△ 5,365)	- (-)	△ 43,527 (△ 5,365)
Net income for the year	- (-)	- (-)	10,760 (1,326)	10,760 (1,326)
Net changes of items other than shareholders' equity	- (-)	- (-)	- (-)	- (-)
Total changes during the year	298 (37)	13,140 (1,620)	10,760 (1,326)	24,198 (2,983)
Ending balance at Dec 31, 2006	2,389 (294)	326,106 (40,196)	△ 24,724 (△ 3,048)	303,771 (37,443)

	Valuation and translation adjustments		Share subscription rights	Minority interests	Total net assets
	Foreign currency translation adjustments	Total valuation and translation adjustments			
Beginning balance at Jan 1, 2006	△ 131 (△ 16)	△ 131 (△ 16)	- (-)	2,626 (324)	282,068 (34,768)
Changes of items during the year					
Issuance of new shares	- (-)	- (-)	- (-)	- (-)	2,349 (290)
Share-based payment	- (-)	- (-)	- (-)	- (-)	6,361 (784)
Increased upon share exchange	- (-)	- (-)	- (-)	- (-)	48,256 (5,948)
Effect of change in accounting policy	- (-)	- (-)	- (-)	- (-)	△ 43,527 (△ 5,365)
Net income for the year	- (-)	- (-)	- (-)	- (-)	10,760 (1,326)
Net changes of items other than shareholders' equity	944 (116)	944 (116)	3,036 (374)	72,512 (8,938)	76,492 (9,428)
Total changes during the year	944 (116)	944 (116)	3,036 (374)	72,512 (8,938)	100,690 (12,411)
Ending balance at Dec 31, 2006	813 (100)	813 (100)	3,036 (374)	75,138 (9,261)	382,758 (47,179)

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④1st half Consolidated cashflow statements

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

Item	Note	2nd quarter	2nd quarter	Consolidated fiscal year
		Consolidated fiscal period -prior year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	-prior year (From January 1, 2006 to December 31, 2006)
		Amount	Amount	Amount
I Operating activities				
Income before income taxes and minority interests		7,083	85,242	19,727
		(873)	(10,507)	(2,432)
Depreciation		1,158	2,587	3,046
		(143)	(319)	(375)
Amortization		438	8,795	6,365
		(54)	(1,084)	(785)
Amortization of goodwill on consolidation		7,232	-	15,681
		(891)	(-)	(1,933)
Amortization of goodwill		-	10,540	-
		(-)	(1,299)	(-)
Share-based compensation		141	1,979	2,297
		(17)	(244)	(283)
Interest and dividend income		△ 1,663	△ 4,153	△ 3,396
		(△ 205)	(△ 512)	(△ 419)
Interest expense		852	5,043	5,361
		(105)	(622)	(661)
Gain from the redemption of minority interest		△ 3,000	-	△ 3,000
		(△ 370)	(-)	(△ 370)
Gain from changes in equity interest		-	△ 100,688	△ 16,027
		(-)	(△ 12,411)	(△ 1,975)
Unrealized gain on marketable securities		△ 188	△ 68	△ 44
		(△ 23)	(△ 8)	(△ 5)
Share issuance related expenses		103	-	103
		(13)	(-)	(13)
Share issuance expenses		-	9,362	-
		(-)	(1,154)	(-)
Foreign exchange gain / loss (△: gain)		-	-	720
		(-)	(-)	(89)
Loss on sale and disposal of fixed assets		6	-	10
		(1)	(-)	(1)
Gain on disposal of investment in subsidiaries		△ 650	-	△ 650
		(△ 80)	(-)	(△ 80)
Gain on disposal of investment in securities		-	△ 31	-
		(-)	(△ 4)	(-)
Distribution of profits (allocation of losses) from joint alliances		2	-	2
		(0)	(-)	(0)
Assets received for services		△ 4,287	-	△ 10,565
		(△ 528)	(-)	(△ 1,302)
Increase (decrease) in accounts receivable		△ 16,883	△ 780	△ 16,283
(△: increase)		(△ 2,081)	(△ 96)	(△ 2,007)
Increase (decrease) in accounts payable		1,067	8,988	3,444
(△: decrease)		(132)	(1,108)	(424)
Increase (decrease) in other current assets		531	△ 556	△ 11,446
(△: increase)		(65)	(△ 69)	(△ 1,411)
Increase (decrease) in other current liabilities		△ 4,036	△ 2,224	△ 5,876
(△: decrease)		(△ 497)	(△ 274)	(△ 724)
Others		△ 362	122	△ 374
		(△ 45)	(15)	(△ 46)
Subtotal		△ 12,456	24,156	△ 10,905
		(△ 1,535)	(2,978)	(△ 1,344)
Income taxes paid		△ 724	△ 1,580	△ 2,064
		(△ 89)	(△ 195)	(△ 254)
Net cash provided by (used in) operating activities		△ 13,180	22,576	△ 12,970
		(△ 1,625)	(2,783)	(△ 1,599)

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

Item	Note	2nd quarter	2nd quarter	Consolidated fiscal year
		Consolidated fiscal period -prior year (From January 1, 2006 to June 30, 2006)	Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	-prior year (From January 1, 2006 to December 31, 2006)
		Amount	Amount	Amount
II Investing activities				
Interest and dividend received		1,663	4,153	3,396
		(205)	(512)	(419)
Deposit for security released		148	-	-
		(18)	(-)	(-)
Purchase of property and equipment		△ 2,835	△ 6,521	△ 6,095
		(△ 349)	(△ 804)	(△ 751)
Proceeds from sale of property and equipment		182	66	38
		(22)	(8)	(5)
Purchase of intangible assets		-	△ 7,941	△ 15,478
		(-)	(△ 979)	(△ 1,908)
Purchase of securities assets		△ 9,402	△ 42,251	△ 11,155
		(△ 1,159)	(△ 5,208)	(△ 1,375)
Deposits paid for purchase of securities assets		△ 8,035	△ 33,000	-
		(△ 990)	(△ 4,068)	(-)
Proceeds from sale of securities assets		662	53	1,153
		(82)	(6)	(142)
Proceeds from sale of shares of subsidiaries		1,000	-	1,000
		(123)	(-)	(123)
Payment to acquire shares of subsidiaries resulting in a change in scope of consolidation		△ 24,666	△ 50,786	△ 43,687
		(△ 3,040)	(△ 6,260)	(△ 5,385)
Payment to acquire shares of subsidiaries		-	△ 8,582	△ 7,112
		(-)	(△ 1,058)	(△ 877)
Subsequent consideration paid		△ 2,265	△ 15,557	△ 9,914
		(△ 279)	(△ 1,918)	(△ 1,222)
Payment for loan receivable		-	-	△ 7,900
		(-)	(-)	(△ 974)
Net cash provided by (used in) investing activities		△ 43,548	△ 160,368	△ 95,754
		(△ 5,368)	(△ 19,767)	(△ 11,803)
III Financing activities				
Interest paid		△ 390	△ 7,749	△ 6,558
		(△ 48)	(△ 955)	(△ 808)
Increase in deposit pledged		△ 4,750	-	△ 24,937
		(△ 585)	(-)	(△ 3,074)
Decrease in deposit pledged		-	△ 8,057	298
		(-)	(△ 993)	(37)
Increase (decrease) in short-term loans -net		20,549	23,318	6,633
(△: decrease)		(2,533)	(2,874)	(818)
Proceeds from long-term debt		11,241	1,775	51,351
		(1,386)	(219)	(6,330)
Repayments of long-term debt		△ 22,493	-	△ 56,992
		(△ 2,772)	(-)	(△ 7,025)
Proceeds from issuance of bond		-	-	95,192
		(-)	(-)	(11,733)
Proceeds from issuance of shares		126	-	26
		(16)	(-)	(3)
Proceeds from exercise of warrants		1,230	559	1,378
		(152)	(69)	(170)
Proceeds from issuance of shares to minority shareholders		60,000	196,819	61,401
		(7,396)	(24,260)	(7,568)
Dividends paid to minority shareholders		△ 1,650	△ 1,326	△ 1,918
		(△ 203)	(△ 163)	(△ 236)
Repayments of lease obligations		△ 26	△ 32	△ 73
		(△ 3)	(△ 4)	(△ 9)
Increase (decrease) in long-term other payables		△ 331	△ 5,736	△ 679
(△: decrease)		(△ 41)	(△ 707)	(△ 84)
Net cash provided by (used in) financing activities		63,506	199,571	125,122
		(7,828)	(24,599)	(15,423)
IV Foreign currency translation adjustments on cash and cash equivalents				
		8	△ 2,834	211
		(1)	(△ 349)	(26)
V Net increase (decrease) in cash and cash equivalents (△: decrease)				
		6,785	58,945	16,610
		(836)	(7,266)	(2,047)
VI Cash and cash equivalents, beginning of the year / period				
		80,669	97,279	80,669
		(9,943)	(11,991)	(9,943)
VII Cash and cash equivalents, end of the year / period				
		87,455	156,224	97,279
		(10,780)	(19,256)	(11,991)

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Basis of Presenting 1st half Consolidated Financial Statements

Item	1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
1 Scope of consolidation	<p>(1) The number of consolidated subsidiaries: 59</p> <p>The name of major consolidated subsidiaries are as follows:</p> <p>Xinhua Financial Network Ltd. Market News International, Inc. Market News Service (International) Inc. China Financial News Ltd. Fortune China Public Relations Ltd. FTSE/Xinhua Index Ltd. Xinhua Financial Network Inc. Xinhua Financial Network Korea Company Limited. China Finance Limited (formerly known as China Financial Network Ltd.) AFX Asia Pte Ltd. Xinhua Financial Network (Beijing) Ltd. Xinhua Finance Japan Ltd. (formerly known as Xinhua Netchina Ltd.) Xinhua Investment Group Hong Kong Ltd. Shanghai NetChina Ltd. Xinhua Financial Network (Shanghai) Ltd. Mergent, Inc. Mergent Japan K.K. Stone & McCarthy Research Associates, Inc. SMRA International, Inc. G-7 Group, Inc. Xinhua Mergent Holdings Limited Ford Investor Services, Inc. Taylor Rafferty Associates, Inc. Taylor Rafferty Associates Ltd. Taylor Rafferty KK EconWorld Media Ltd. Financial World (Shanghai) Co., Ltd. EconWorld (Shanghai) Co., Ltd. EconWorld Publishing Ltd. Money Journal Publication Ltd. Money Journal Advertising Co., Ltd. Highasia Investments Ltd. Washington Analysis Corporation Beijing Century Media Culture Co., Ltd. Beijing Workshop Communications Co., Ltd. Beijing Golden Ways Culture Development Co Ltd. Shanghai Pobo Data and Information Network Consulting Co., Ltd. Shanghai Huacai Investment Advisory Company Limited Xinhua Top Sky Public Relations Consulting (Beijing) Co., Ltd. Tesseract Capital Advisors, LLC</p>	<p>(1) The number of consolidated subsidiaries: 100</p> <p>The name of major consolidated subsidiaries are as follows:</p> <p>Asia</p> <p>Xinhua Financial Network Ltd. EconWorld Media Ltd. Xinhua Financial Network (Beijing) Ltd Xinhua Financial Network Korea Company Limited. Other subsidiaries in Asia :66</p> <p>USA</p> <p>Glass, Lewis & Co., LLC Taylor Rafferty Associates, Inc. Mergent, Inc. Washington Analysis Corporation Market News International, Inc Other subsidiaries in USA : 10</p> <p>Other Locations : 15</p> <p>Glass, Lewis & Co., LLC , Shanghai Singshine Marketing Service Co., Ltd. , Beijing Mobile Interactive Co., Ltd. and other 11 subsidiaries are consolidated because of new acquisition in this period.</p> <p>Unconsolidated subsidiaries up to prior year such as Intelligence Asia Pty Ltd., and other 3 subsidiaries are consolidated from this period since materiality has increased.</p>	<p>(1) The number of consolidated subsidiaries: 82</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 Animation Production Co., Ltd. (formerly known as Beijing Golden Ways Culture Development Co Ltd.) Shanghai Pobo Data and Information Network Consulting Co., Ltd. Shanghai Huacai Investment Advisory Company Limited Xinhua Top Sky Public Relations Consulting (Beijing) Co., Ltd. Tesseract Capital Advisors, LLC</p>

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Item	1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
	<p>Xinhua Finance Media Limited Shanghai Far East Credit Rating Co., Ltd. Xinhua Finance Advertising Limited (formerly known as Ming Shing International Limited) Upper Will Enterprised Limited Active Advertising Agency Ltd. Active Advertising Agency (Guangzhou) Ltd. Shenzhen Active Trinity Ltd. Shangtuo Zhiyang International Advertising (Beijing) Co. Ltd. Beijing Dragon Media Advertising Co. Ltd. Beijing Jinlong Runxin Advertising Co. Ltd. Shanghai Yuanxin Advertising Media Co. Ltd. Beijing JinGuan XinCheng Advertising Co., Ltd. Beijing JingShi JingGuan Advertising Co., Ltd.</p> <p>Number of other consolidated subsidiaries: 6</p>		<p>Xinhua Finance Media Limited Shanghai Far East Credit Rating Co., Ltd. Xinhua Finance Advertising Limited (formerly known as Ming Shing International Limited) Upper Will Enterprises Limited Active Advertising Agency Ltd. Active Advertising Agency (Guangzhou) Ltd. Shenzhen Active Trinity Ltd. Shangtuo Zhiyang International Advertising (Beijing) Co. Ltd. Beijing Jinlong Runxin Advertising Co. Ltd. Shanghai Yuanxin Advertising Media Co. Ltd. Beijing JinGuan XinCheng Advertising Co., Ltd. Beijing EWEO Advertising Co., Ltd. Accord Group Investments Limited Great Triump Investments New China Media (Shanghai) Co., Ltd. Beijing Shiji Guangnian Advertising Co., Ltd. Shanghai Hyperlink Market Research Co., Ltd. Guangzhou Hyperlink Market Research Co., Ltd. Beijing Perspective Orient Movie and Television Intermediary Co., Ltd. Beijing Perspective Orient Advertising Co., Ltd. Zhongxi Taihe Culture Consultancy (Shanghai) Co., Ltd. Beijing Alpha Financial Engineering Co., Ltd. Upper Step Holdings Limited Jia Lou Consulting (Shanghai) Co., Ltd. Shanghai Yuan Zhi Advertising Co., Ltd. Mergent Data Technology, Inc. (formerly known as Praeдея Solutions, Inc.) Xinhua PR Newswire Ltd. FTSE/Xinhua (Beijing) Consulting Ltd. Shanghai Heyuan Movie and Culture Co. Ltd. Xinhua Finance Media (Shanghai) Co., Ltd. Xinhua Finance Media (Beijing) Co., Ltd. Beijing Taide Advertising Co., Ltd. Beijing Longmei TV & Broadcast Advertising Co., Ltd.</p>

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Item	1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
			Guangzhou Jingshi Culture Intermediary Co., Ltd. Beijing Qiannuo Advertising Co., Ltd. China Lead Profits Ltd. Number of other consolidated subsidiaries: 6

Item	1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
2 Adoption of the equity method	<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 1st half consolidated financial statements due to its small magnitude taking into account the total assets, revenue, net income for the three months and retained earnings as well as the aggregated amounts of all unconsolidated subsidiaries.</p> <p>(1) Number of associated company accounted by the equity method : 1</p> <p>Name of the associated company Ning Bo Far East Credit Rating Co., Ltd.</p> <p>(2) Major unconsolidated subsidiaries and associated companies not accounted by the equity method</p> <p>Intelligence Asia Pty Ltd. LJS Global Information Services, Inc. Mergent Pricing & Evaluation Services, Inc. Mergent (UK) Ltd.</p> <p>(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 1st half 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>(2) _____</p> <p>(1) Number of associated company accounted by the equity method : 2</p> <p>Name of the associated company Ning Bo Far East Credit Rating Co., Ltd. Best Independent Research LLC</p> <p>(2) _____</p>	<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 total assets, revenue, net income and retained earnings as well as the aggregated amounts of all unconsolidated subsidiaries.</p> <p>(1) Number of associated company accounted by the equity method : 2</p> <p>Name of the associated company Ning Bo Far East Credit Rating Co., Ltd. Best Independent Research LLC</p> <p>(2) Major unconsolidated subsidiaries and associated companies not accounted by the equity method</p> <p>Intelligence Asia Pty Ltd. LJS Global Information Services, Inc. Mergent Pricing & Evaluation Services, Inc. Mergent (UK) Ltd</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>

Item	1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
(3) Deferred assets		(a) Bond issuance cost Bond issuance cost is amortized by the straight-line method over maturity.	(a) Bond issuance cost Same as on the left
(4) Allowance, reserve and provision	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.	Allowance for doubtful accounts Same as on the left.	Allowance for doubtful accounts Same as on the left.
(5) Conversion of significant items in foreign currencies	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.	All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into functional currencies at the exchange rates at the 1st half balance sheet date, while all revenue and expense account are translated into functional currencies at average rate of the first 1st 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.	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 net assets.

Item	1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
(6) 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.
(7) Hedge accounting	_____	(a) Policy for hedge accounting -Deferral method (b) Hedging instruments and hedged items Hedging instruments: -Cross currency swap Hedged items: -Corporate bonds denominated in foreign currencies (c) Hedging policy -In order to manage the interest risk and currency risk, debts are hedged to the extent of the amount of the items to be hedged. (d) Effectiveness testing of hedging -Effectiveness of the hedge should be demonstrated under effectiveness test by comparing the ratio of volatility of hedged item and cumulative change in fair value of the hedging instrument.	_____
(8) Other significant items for the preparation of the (1st half) consolidated financial statements	Accounting policy of the consumption tax Tax-excluding method 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=123.26, from the Tokyo Foreign Exchange Market as of June 29, 2007. 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.	Accounting policy of the consumption tax Same as on the left. Conversion of dollars into yen Same as on the left.	Accounting policy of the consumption tax 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 USD\$1.00=123.26, from the Tokyo Foreign Exchange Market as of June 29, 2007. 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.

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Item	1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
		<p>Translation of XFL's functional currency into reporting currency</p> <p>XFL, as a foreign company, adopts Chinese Yuan as functional currency while U.S.dollar is adopted as reporting currency. Translation into reporting currency for preparation of financial statements is based on the Article 21 of International Financial Accounting Standards. Monetary assets and liabilities are translated at the rate of the closing date while non-monetary assets and liabilities are translated at the rate of the transaction date. All revenue and expense accounts are translated at the rate of the transaction date, and differences arising from such translation are included in the "Foreign currency translation adjustments" in net assets.</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.		Goodwill on consolidation is amortized by the straight-line method over 20 years.
7 Amortization of goodwill and negative goodwill		Goodwill is amortized by the straight-line method over 5 years or 20 years. Negative goodwill is amortized by the straight-line method over 20 years.	
8 Cash and cash equivalents in the (1st half) consolidated cashflow statements	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.

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Change in Accounting Policy

1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
<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 39,505 million).</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 Share-based Payment" (Guidance No. 11, announced by Accounting Standard Board of Japan on May 31, 2006).</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 17 million), for the period ended June 30, 2006, respectively.</p>		<p>(Presentation of net assets in the balance sheets)</p> <p>Effective from this year, 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 304,584 thousand (JPY 37,543 million).</p> <p>For the change of Financial Statements Rules, net assets in the consolidated balance sheet is presented in accordance with the revised Financial Statements Rules.</p> <p>(Accounting Standard for Share-based Payment)</p> <p>Effective from this year, 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 Share-based Payment" (Guidance No. 11, announced by Accounting Standard Board of Japan on May 31, 2006).</p> <p>The adoption of this new accounting standard has resulted in the recognition of share-based payment on consolidated financial statements commencing May 2006.</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 2,308 thousand (JPY 284 million) for the period ended December 31, 2006, respectively.</p>

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1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
	<p>(Suspense account of share exchange) Until previous semiannual period, the Company recognized the suspense account of share exchange in net assets as share premium. In accordance with the ASBJ Guidance No. 10 issued on October 31, 2003, Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (“Business Combination Accounting Standards”), unissued shares for acquisition of its subsidiaries should be treated as liability at the point of determination of the quantity. The Company adopted this concept and recognized in the liabilities as other payables at the previous year end.</p> <p>The Company also prepares its consolidated financial statements under International Financial Reporting Standards (“IFRS”) in order for the needs of its investors. In the IFRS consolidated financial statements, those accounts have also been reclassified from the net assets section to the liabilities section at the previous year end.</p> <p>The effect of this change in the policy is USD 29,929 thousand (JPY 3,689 million) decreased from share premium in net assets section and increased USD 5,941 thousand (JPY 732 million) in other payables and USD 23,988 thousand (JPY 2,957 million) in long-term other payables in liabilities section.</p>	<p>(Suspense account of share exchange) Until previous years, the Company recognized the suspense account of share exchange in the net assets as share premium. In accordance with the ASBJ Guidance No. 10 issued on October 31, 2003, Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (“Business Combination Accounting Standards”), unissued shares for acquisition of its subsidiaries should be treated as liability at the point of determination of the quantity. The Company adopts this concept and recognized in the liabilities as other payables at the current year end.</p> <p>The Company also prepares its consolidated financial statements under International Financial Reporting Standards (“IFRS”) in order for the needs of its investors and its IFRS consolidated financial statements have also been reclassified from the net assets section to the liabilities section at the current year end.</p> <p>The effect of this change in the policy is USD 43,527 thousand (JPY 5,365 million) decreased from share premium in net assets section and increased USD 20,747 thousand (JPY 2,557 million) in other payables and USD 22,780 thousand (JPY 2,808 million) in long-term other payables in liabilities section.</p> <p>This change in accounting policy was adopted in the second half of the period. Therefore, the Company still recognized the previous accounting policy in the semi-annual consolidated financial statements as at June 30, 2006. As a result, the impact of this change in the accounting after the six-month period ended was to decrease share premium by USD 40,631 thousand (JPY 5,008 million) and to increase other payables and long term other payables by USD 17,852 thousand (JPY 2,200 million) and USD 22,780 thousand (JPY 2,808 million), respectively.</p>

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Additional information

1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
	<p>(Change in XFL's functional currency) Effective January 1, 2007, XFL changes its functional currency from U.S. dollar into Chinese Yuan due to a geographic change of the primary economic environment of XFL. Upon preparation of consolidated financial statements, XFL's account are translated into U.S. dollar, the reporting currency.</p>	

Change in representation

1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)
	<p>(1st half consolidated balance sheets)</p> <p>Goodwill on consolidation is changed to being represented as goodwill from this 1st half.</p> <p>(1st half consolidated income statements)</p> <ol style="list-style-type: none"> 1. Amortization of goodwill and amortization of goodwill on consolidation are united to being represented as amortization of goodwill from this 1st half period. 2. Share issuance related expenses is changed to being represented as share issuance expense from this 1st half period. <p>(1st half consolidated cash flow statements)</p> <ol style="list-style-type: none"> 1. Amortization and amortization of goodwill on consolidation are united to being represented as amortization of goodwill from this 1st half period. 2. Share issuance related expenses is changed to being represented as share issuance expense from this 1st half period.

Footnote Information

(1st half consolidated balance sheets)

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

1st half - Consolidated fiscal period - prior year (As of June 30, 2006)	1st half - Consolidated fiscal period - current year (As of June 30, 2007)	Consolidated fiscal year - prior year (As of December 31, 2006)
※1 The amount represents the deposit paid for acquisition of an equity shares.	※1 Same as on the left	※1 _____
※2 Trade mark and distribution rights are combined together in one set of contracts and are therefore accounted for in a single account. Intangible assets that relate to a separate trademark and a distribution right are included in this account as well.	※2 Same as on the left.	※2 Same as on the left.
※3 Assets collateralized and corresponding liabilities Assets collateralized Bank deposit 12,050 (1,485)	※3 Assets collateralized and corresponding liabilities Assets collateralized Bank deposit 44,645 (5,503)	※3 Assets collateralized and corresponding liabilities Assets collateralized Bank deposit 35,141 (4,332)
Correspondent obligation Short-term loans 10,557 (1,301)	Correspondent obligation Short-term loans 42,986 (5,299)	Correspondent obligation Short-term loans 19,056 (2,349)
	Current portion of long-term debt 6,547 (807)	Current portion of long-term debt 6,403 (789)
In addition, investment in consolidated subsidiary (the total net assets amount of USD 5,531 thousand (JPY 682 million), which are eliminated on consolidation, has been pledged as collateral for the long term debt of USD 10,000 thousand (JPY 1,233 million) .		

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

1st half - Consolidated fiscal period - prior year (As of June 30, 2006)	1st half - Consolidated fiscal period - current year (As of June 30, 2007)	Consolidated fiscal year - prior year (As of December 31, 2006)
<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>※4 Other payables and long-term other payables include part of the consideration for the acquisition of shares of certain subsidiaries. The consideration for the acquisition of shares of those companies includes the Company's shares to be issued to sellers and could fluctuate since the final payments are based on the future operating results of the respective company.</p>	<p>※4 Same as on the left.</p>
<p>※5 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p>	<p>※5 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p>	<p>※5 Assets are presented after deduction of allowance for doubtful accounts. Amounts deducted from current assets</p>
987 (122)	1,215 (150)	978 (121)
<p>※6 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>※6 The consideration for the acquisition of shares of certain subsidiaries could fluctuate since the final payments are based on the future operating results of the respective company.</p>	<p>※6 Same as on the left.</p>
<p>※7 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>	<p>※7 Xinhua Financial Network (Shanghai) Ltd., Xinhua Financial Network Korea Company Limited, Shanghai Huacai Investment Advisory Company Limited, Zhongxi Taihe Culture Consultancy (Shanghai) Co. Ltd., Jia Luo Consulting (Shanghai) Co., Ltd., Accord Group Investments Limited, Xinhua Finance Media (Shanghai) Co., Ltd. and Mergent, 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, 2007 are as follows:</p>	<p>※7 Xinhua Financial Network (Shanghai) Ltd., Shanghai Huacai Investment Advisory Company Limited, Zhongxi Taihe Culture Consultancy (Shanghai) Co. Ltd. and Jia Luo Consulting (Shanghai) Co., Ltd. have line of credit agreements with banks. The amount of the line of credit and the balance outstanding under the agreements at December 31, 2006 are as follows:</p>
<p>Total amount of the line of credit</p>	<p>Total amount of the line of credit</p>	<p>Total amount of the line of credit</p>
46,360 (5,714)	72,970 (8,994)	27,866 (3,435)
<p>Outstanding balance</p>	<p>Outstanding balance</p>	<p>Outstanding balance</p>
28,157 (3,471)	51,470 (6,344)	25,459 (3,138)
<p>Remaining amount of the line of credit</p>	<p>Remaining amount of the line of credit</p>	<p>Remaining amount of the line of credit</p>
18,203 (2,244)	21,500 (2,650)	2,408 (297)

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

1st half - Consolidated fiscal period - prior year (As of June 30, 2006)	1st half - Consolidated fiscal period - current year (As of June 30, 2007)	Consolidated fiscal year - prior year (As of December 31, 2006)
<p>※8 This includes a loan of USD 10,000 thousand (JPY 1,233 million) raised by a consolidated subsidiary with rights to convert into common shares of the subsidiary.</p> <p>※9 _____</p> <p>※10 _____</p> <p>※1-10 notes correspond with ※1-10 as denoted in the consolidated balance sheet.</p>	<p>※8 _____</p> <p>※9 This account represents contractual rights such as agency rights and publishing rights as well as intellectual properties such as data bases.</p> <p>※10 This account includes the difference arising on the translation of XFL's functional currency into reporting currency.</p> <p>Same as on the left.</p>	<p>※8 This includes a loan of USD 10,000 thousand (JPY 1,233 million) raised by a consolidated subsidiary with rights to convert into common shares of the subsidiary.</p> <p>※9 Same as on the left.</p> <p>※10 _____</p> <p>Same as on the left.</p>

(1st half consolidated income statements)

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

1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year - prior year (From January 1, 2006 to December 31, 2006)
<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: Equipment 6 (1)</p> <p>※3 Minority interests (in the form of preference shares in a consolidated subsidiary) were redeemed and created an extraordinary gain.</p> <p>※4 _____</p> <p>※1-4 notes correspond with ※1-4 as denoted in the consolidated income statement.</p>	<p>※1 _____</p> <p>※2 _____</p> <p>※3 _____</p> <p>※4 Gain related to the initial public offering of the Company’s subsidiary, Xinhua Finance Media Limited on the Nasdaq Global Market in the United States.</p> <p>Same as on the left.</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: Equipment 10 (1)</p> <p>※3 Minority interests (in the form of preference shares in a consolidated subsidiary) were redeemed and created an extraordinary gain.</p> <p>※4 _____</p> <p>Same as on the left.</p>

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

1st half - Consolidated fiscal period -prior year (From January 1, 2006 to June 30, 2006)

1. Number and class of issued shares

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

(Note 1) In the increase of ordinary shares indicated above, 42,879 shares are issued for acquisition of subsidiaries' share by way of share exchange, 27,390 shares are issued for consideration for goods and services received, 4,654 shares are issued due to execution of share subscription rights and the remaining 328 shares are issued in a normal course of new share issuance.

2. Share subscription rights

The ending balance of share subscription rights granted by a consolidated subsidiary as share option rights is USD 141 thousand (JPY 17 million).

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)

1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)

1. Number and class of issued shares

	Beginning balance	Increase	Decrease	Ending balance
Issued shares				
Ordinary share (shares)	931,638	83,310	-	1,014,948

(Note 1) In the increase of ordinary shares indicated above, 82,025 shares are issued for acquisition of subsidiaries' shares by way of share exchange, and 1,285 shares are issued due to execution of share subscription rights.

2. Share subscription rights

The ending balance of share subscription rights granted by the Company as share option rights is USD 20 thousand (JPY 2 million).

The ending balance of share subscription rights granted by a consolidated subsidiary as share option rights is USD 4,995 thousand (JPY 616 million).

3. Dividend

Not applicable.

Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)

1. Number and class of issued shares

	Beginning balance	Increase	Decrease	Ending balance
Issued shares				
Ordinary share (shares)	815,477	116,161	-	931,638

(Note 1) In the increase of ordinary shares indicated above, 63,214 shares are issued for acquisition of subsidiaries' shares by way of share exchange, 47,797 shares are issued for consideration for goods and services received, 5,062 shares are issued due to execution of share subscription rights and the remaining 88 shares are issued in a normal course of new share issuance.

2. Share subscription rights

The ending balance of share subscription rights granted by the Company as share option rights is USD 15 thousand (JPY 2 million).

The ending balance of share subscription rights granted by a consolidated subsidiary as share option rights is USD 3,021 thousand (JPY 372 million).

3. Dividend

Not applicable.

(1st half Consolidated cashflow statements)

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

1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)																																																								
<p>※1 Reconciliation between ending balance of cash and cash equivalents in 1st half consolidated cashflow statement and balance in the 1st half consolidated balance sheet:</p> <table> <tr> <td>Cash and bank balances</td> <td>99,505 (12,265)</td> <td>Cash and bank balances</td> <td>200,572 (24,722)</td> <td>Cash and bank balances</td> <td>132,140 (16,288)</td> </tr> <tr> <td>Deposit pledged as collateral</td> <td>△ 12,050 (△1,485)</td> <td>Deposit pledged as collateral</td> <td>△44,645 (△5,503)</td> <td>Deposit pledged as collateral</td> <td>△35,141 (△4,332)</td> </tr> <tr> <td>Cash and cash equivalents</td> <td>87,455 (10,780)</td> <td>Marketable securities</td> <td>297 (37)</td> <td>Marketable securities</td> <td>280 (35)</td> </tr> <tr> <td></td> <td></td> <td>Cash and cash equivalents</td> <td>156,224 (19,256)</td> <td>Cash and cash equivalents</td> <td>97,279 (11,991)</td> </tr> </table>	Cash and bank balances	99,505 (12,265)	Cash and bank balances	200,572 (24,722)	Cash and bank balances	132,140 (16,288)	Deposit pledged as collateral	△ 12,050 (△1,485)	Deposit pledged as collateral	△44,645 (△5,503)	Deposit pledged as collateral	△35,141 (△4,332)	Cash and cash equivalents	87,455 (10,780)	Marketable securities	297 (37)	Marketable securities	280 (35)			Cash and cash equivalents	156,224 (19,256)	Cash and cash equivalents	97,279 (11,991)	<p>※1 Reconciliation between ending balance of cash and cash equivalents in 1st half consolidated cashflow statement and balance in the 1st half consolidated balance sheet:</p> <table> <tr> <td>Cash and bank balances</td> <td>200,572 (24,722)</td> <td>Cash and bank balances</td> <td>132,140 (16,288)</td> </tr> <tr> <td>Deposit pledged as collateral</td> <td>△44,645 (△5,503)</td> <td>Deposit pledged as collateral</td> <td>△35,141 (△4,332)</td> </tr> <tr> <td>Marketable securities</td> <td>297 (37)</td> <td>Marketable securities</td> <td>280 (35)</td> </tr> <tr> <td>Cash and cash equivalents</td> <td>156,224 (19,256)</td> <td>Cash and cash equivalents</td> <td>97,279 (11,991)</td> </tr> </table>	Cash and bank balances	200,572 (24,722)	Cash and bank balances	132,140 (16,288)	Deposit pledged as collateral	△44,645 (△5,503)	Deposit pledged as collateral	△35,141 (△4,332)	Marketable securities	297 (37)	Marketable securities	280 (35)	Cash and cash equivalents	156,224 (19,256)	Cash and cash equivalents	97,279 (11,991)	<p>※1 Reconciliation between ending balance of cash and cash equivalents in consolidated cashflow statement and balance in the consolidated balance sheet:</p> <table> <tr> <td>Cash and bank balances</td> <td>132,140 (16,288)</td> <td>Cash and bank balances</td> <td>132,140 (16,288)</td> </tr> <tr> <td>Deposit pledged as collateral</td> <td>△35,141 (△4,332)</td> <td>Deposit pledged as collateral</td> <td>△35,141 (△4,332)</td> </tr> <tr> <td>Marketable securities</td> <td>280 (35)</td> <td>Marketable securities</td> <td>280 (35)</td> </tr> <tr> <td>Cash and cash equivalents</td> <td>97,279 (11,991)</td> <td>Cash and cash equivalents</td> <td>97,279 (11,991)</td> </tr> </table>	Cash and bank balances	132,140 (16,288)	Cash and bank balances	132,140 (16,288)	Deposit pledged as collateral	△35,141 (△4,332)	Deposit pledged as collateral	△35,141 (△4,332)	Marketable securities	280 (35)	Marketable securities	280 (35)	Cash and cash equivalents	97,279 (11,991)	Cash and cash equivalents	97,279 (11,991)
Cash and bank balances	99,505 (12,265)	Cash and bank balances	200,572 (24,722)	Cash and bank balances	132,140 (16,288)																																																					
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<p>※1 note corresponds with ※1 as denoted in the consolidated cashflow statement.</p>	<p>Same as on the left.</p>	<p>Same as on the left.</p>																																																								

(Lease transaction)

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

1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
Operating leases (Lessee)	Operating leases (Lessee)	Operating leases (Lessee)
Unearned lease expenses	Unearned lease expenses	Unearned lease expenses
Within one year	Within one year	Within one year
5,137	8,441	5,397
(633)	(1,040)	(665)
After one year	After one year	After one year
21,770	27,562	22,070
(2,683)	(3,397)	(2,720)
<hr/>	<hr/>	<hr/>
Total	Total	Total
26,906	36,002	27,467
(3,316)	(4,438)	(3,386)

*Please note that this document is a translation of the document prepared in the Japanese language and filed with the Kanto Local Finance Bureau.

(Securities)

As of June 30, 2006

1. Securities not stated at fair value

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

Category	Amounts on the 1st half consolidated balance sheets
(1) Held-to-maturity securities	
Unlisted bonds	617 (76)
(2) Available-for-sale securities	
Unlisted securities	31,098 (3,833)
Fund trust	268 (33)
Investment in limited liability company	174 (21)
Other	4,287 (528)

As of June 30, 2007

1. Available-for-sale securities with fair value

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

Category	Acquisition cost	Amount on the 1st half consolidated balance sheet	Difference
1) Equity securities	7 (1)	296 (36)	289 (36)
2) Debt securities and notes	40,000 (4,930)	40,076 (4,940)	76 (9)
3) Other	- (-)	- (-)	- (-)
TOTAL	40,007 (4,931)	40,372 (4,976)	365 (45)

2. Securities not stated at fair value

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

Category	Amount on the 1st half consolidated balance sheet
(1) Held-to-maturity securities	
Unlisted bonds	655 (81)
(2) Available-for-sale securities	
Unlisted securities	22,439 (2,766)
Fund trust	297 (37)

As of December 31, 2006

1. Securities not stated at fair value

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

Category	Amount on the consolidated balance sheet
(1) Held-to-maturity securities	
Unlisted bonds	640 (79)
(2) Available-for-sale securities	
Unlisted securities	32,853 (4,049)
Fund trust	280 (35)

(Derivative transactions)

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

The group has not entered into any derivative contracts.

1st half - consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)

Since the Group applies the hedge accounting for derivative transaction, information about derivative transactions is omitted.

Consolidated fiscal year - prior year (From January 1, 2006 to December 31, 2006)

The group has not entered into any derivative contracts.

(Share options, warrants or share-based-payments granted or issued)

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

Expenses recognized

Selling, general and administrative expenses – Other	USD	141 thousand (JPY 17 million)
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1st half - consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)

Expenses recognized

Selling, general and administrative expenses - Directors' emolument	USD	1,113 thousand (JPY 137 million)
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Selling, general and administrative expenses – Other	USD	866 thousand (JPY 107 million)
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Consolidated fiscal year - prior year (From January 1, 2006 to December 31, 2006)

Expenses recognized

Selling, general and administrative expenses - Directors' emolument	USD	1,666 thousand (JPY 205 million)
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Selling, general and administrative expenses – Other	USD	642 thousand (JPY 79 million)
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Assets recognized

Goodwill	USD	739 thousand (JPY 91 million)
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(Share option)

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

Stock option granted during prior consolidated 1st-half fiscal period is as follows; (*1)

Company	The Company			Xinhua Finance Media Limited
Type	Share option (1)	Share option (2)	Share option (3)	Restricted share (*3)
Category and number of person designated	2 directors	5 directors	209 employees	1 director
Class and number of objective shares (*1)	5,000 ordinary shares	6,000 ordinary shares	26,656 ordinary shares	11,050,000 Class A Common Shares
Grant date	January 31, 2006	January 31, 2006	April 30, 2006	June 13, 2006
Terms and condition for vesting	834 shares vested on each of Jan 31, Apr 30, Jul 30, Oct 31, 2006 & Jan 31, 2007 and 830 shares vested on Apr 30, 2007	1/4 grant vested on Apr 30, 2006, Jul 31, 2006, Oct 31, 2006 & Jan 31, 2007 (*2)	1/3 grant vested on Dec 31, 2006; 1/3 vested on Dec 31, 2007; 1/3 vested on Dec 31, 2008 (*2)	equally vested in 5 years commencing June 13, 2007 (*2)
Service period required to be vested	-	From Jan 31, 2006 to Jan 31, 2007	From Apr 30, 2006 to Dec 31, 2008	From June 13, 2006 to June 13, 2011
Exercisable period	From Jan 31, 2006 to Feb 1, 2009	From Apr 30, 2006 to Feb 1, 2016	From Jan 1, 2007 to Apr 30, 2016	From June 13, 2007 to June 13, 2011
Average price of shares upon exercise	JPY 74,247	JPY 71,844	JPY 71,844	USD 0.001
Fair value of option at grant date per option	-	-	-	USD 0.60

(*1) 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.

(*2)-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).

(*3) Issued shares which have the terms and conditions for vesting. The relevant shareholder does not obtain any shareholder's rights until the vesting period elapses. These shares are substantially equal to share options, therefore, accounting treatments are the same as that of share options.

Consolidated 1st-half - current year (From January 1, 2007 to June 30, 2007)

Stock option granted during current consolidated 1st-half fiscal period is as follows;

Company	Xinhua Finance Media Limited	
	Share option (1)	Share option (2)
Type		
Category and number of person designated	1 employee	3 independent directors
Class and number of objective shares (*1)	221,000 Class A Common Shares	90,000 Class A Common Shares
Grant date	January 15, 2007	April 25, 2007
Terms and condition for vesting	-	1/3 vested on 8 Mar 2008, 1/3 vested on 8 Mar 2009 and 1/3 vested on 8 Mar 2010
Service period required to be vested	-	From Apr 25, 2007 to Mar 8, 2010
Exercisable period	From Mar 9, 2007 to Mar 8, 2008	From Mar 8, 2008 to Apr 24, 2017
Exercise price	USD 5.0	USD 6.50
Fair value of option at grant date	USD 2.0808	USD 0.60

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

Consolidated fiscal year – prior year (From January 1, 2006 to December 31, 2006)

1. Outline, size and change of the number of share option

(1) Outline of share option

Company Name	The Company			
Year	2005	2006		
Type	Share Option	Share option (1)	Share option (2)	Share option (3)
Category and number of person designated	166 employees	2 directors	5 directors	209 employees
Class and number of objective shares (*1)	14,910 Ordinary shares	5,000 ordinary shares	6,000 ordinary shares	26,656 ordinary shares
Grant date	February 9, 2005	January 31, 2006	January 31, 2006	April 30, 2006
Terms and condition for vesting	1/3 grant vested on Dec 31 2005; 1/3 vested on Dec 31 2006; 1/3 vested on Dec 31 2007. (*2)	834 shares vested on each of Jan 31, Apr 30, Jul 30, Oct 31, 2006 & Jan 31, 2007 and 830 shares vested on Apr 30, 2007	1/4 grant vested on Apr 30, 2006, Jul 31, 2006, Oct 31, 2006 & Jan 31, 2007 (*2)	1/3 grant vested on Dec 31, 2006; 1/3 vested on Dec 31, 2007; 1/3 vested on Dec 31, 2008 (*2)
Service period required to be vested	From Feb 9, 2005 to Dec 31, 2007	-	From Jan 31, 2006 to Jan 31, 2007	From Apr 30, 2006 to Dec 31, 2008
Exercisable period	From Jan 1, 2006 to Feb 8, 2015	From Jan 31, 2006 to Feb 1, 2009	From Apr 30, 2006 to Feb 1, 2016	From Jan 1, 2007 to Apr 30, 2016

Company Name	The Company	Xinhua Finance Media Limited	
Year	2006	2006	
Type	Share option (4)	Restricted share (*4)	Share option
Category and number of person designated	1 employee	1 director	190 employees
Class and number of objective shares (*1)	114 ordinary shares	11,050,000 Class A Common Shares	11,198,180 Class A Common Shares
Grant date	July 1, 2006	June 13, 2006	July 11, 2006
Terms and condition for vesting	1/3 grant vested on Dec 31, 2006; 1/3 vested on Dec 31, 2007; 1/3 vested on Dec 31, 2008 (*2)	equally vested in 5 years commencing June 13, 2007 (*2)	1/2 to be vested by Dec 31, 2007 or upon certain corporate event, whichever is earlier; 1/4 vested on Dec 31, 2008, 1/4 vested on Dec 31, 2009 (*3)
Service period required to be vested	From July 1, 2006 to Dec 31, 2008	From June 13, 2006 to June 13, 2011	From July 11, 2006 to Dec 31, 2009
Exercisable period	From Jan 1, 2007 to Apr 30, 2016	From June 13, 2007 to June 13, 2011	From December 31, 2007 or upon certain corporate event, whichever is the earlier to July 11, 2011

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

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

(*2)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).

(*3) If employment is terminated with or without cause, vesting will cease on the last employment date. If employment is terminated for cause, any un-exercised portion of the option will be forfeited immediately on the last employment date. If employment is terminated voluntarily by the employee, vesting will cease and any un-exercised portion of the option will expire three months after the date of termination.

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(*4) Issued shares which have the terms and conditions for vesting. The relevant shareholder does not obtain any shareholder's rights until the vesting period elapses. These shares are substantially equal to share options, therefore, accounting treatments are the same as that of share options.

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

(i) Number of objective shares of share option

(Unit: share)

Company Name	The Company				
Year	2005	2006			
Type	Share Option	Share Option (1)	Share Option (2)	Share Option (3)	Share Option (4)
Number of objective shares for unvested option					
Beginning balance of the period	9,940	-	-	-	-
Granted	-	5,000	6,000	26,656	114
Lapsed	-	-	-	708	-
Vested	4,970	3,336	4,500	8,653	38
Unvested balance	4,970	1,664	1,500	17,295	76
Number of objective shares for vested option					
Beginning balance of the period	4,970	-	-	-	-
Vested	4,970	3,336	4,500	8,653	38
Exercised	1,150	-	-	-	-
Lapsed	426	-	-	110	-
Unexercised balance	8,364	3,336	4,500	8,543	38

Company Name	Xinhua Finance Media Limited	
Year	2006	
Type	Restricted share	Share Option
Number of objective shares for unvested option		
Beginning balance of the period	-	-
Granted	11,050,000	11,198,180
Lapsed	-	500,039
Vested	-	-
Unvested balance	11,050,000	10,698,141
Number of objective shares for vested option		
Beginning balance of the period	-	-
Vested	-	-
Exercised	-	-
Lapsed	-	-
Unexercised balance	-	-

(ii) Unit price information

Company Name	The Company				
Year	2005	2006			
Type	Share Option	Share Option (1)	Share Option (2)	Share Option (3)	Share Option (4)
Exercise price	JPY 49,316	JPY 74,247	JPY 71,844	JPY 71,844	JPY 71,844
Average price of shares upon exercise	JPY 92,028	-	-	-	-
Fair value of option at grant date per option	-	-	-	-	USD 252.92

Company Name	Xinhua Finance Media Limited	
Year	2006	
Type	Restricted Share	Share Option
Exercise price	USD 0.001	USD 0.78
Average price of shares upon exercise	-	-
Fair value of option at grant date	USD 0.60	USD 0.14

*Please note that this document is a translation of the document prepared in the Japanese language and filed with the Kanto Local Finance Bureau.

2. Valuation Method for Share Option

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

(1) Valuation method used

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

(2) Factors and basis of estimation

Company Name	The Company			
	Share Option (1)	Share Option (2)	Share Option (3)	Share Option (4)
Price volatility (*1)	60%	60%	60%	60%
Estimated remaining exercisable period (*2)	3 years	10 years	10 years	10 years
Estimated dividend (*3)	NIL	NIL	NIL	NIL
Free risk rate (*4)	1.47%	1.47%	1.91%	1.91%

Company Name	Xinhua Finance Media Limited	
	Restricted Share	Share Option
Price volatility (*1)	38.2%	38.3%
Estimated remaining exercisable period (*2)	5 years	3.61 years
Estimated dividend (*3)	NIL	NIL
Free risk rate (*4)	5.41%	5.68%

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

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

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

(Warrant and Share-based payment)

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

Warrant and Share-based payment granted during prior consolidated 1st-half fiscal period is as follows;

Company Name	The Company	
Year	2006	
Type	Warrant	Share-based payment
Category and number of person designated	1 third party	1 third party
Class and number of objective shares (*2)	20,000 ordinary shares	2,000 ordinary shares
Grant date (*1)	February 14, 2006	February 14, 2006
Exercisable period	From February 15, 2007 to February 16, 2009	-
Exercise price	JPY 82,500	-
Fair value of option at grant date	-	-

(*1)Contract date as for the share-based payment

(*2)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 reverse share split in August 24, 2004 and 3 for 1 share split in September 22, 2005.

1st half - consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)

Not applicable.

Consolidated fiscal year – prior year (From January 1, 2006 to December 31, 2006)

1. Outline, size and change of warrant and share-based payment

(1) Outline of warrant and share-based payment

Company Name	The Company			
Year	2004	2005	2006	
Type	Share-Based Payment	Share-Based Payment	Warrant	Share-based payment (1)
Category and number of person designated	230 employees	2 directors of the group, 1 adviser and 3 employees	1 third party	1 third party
Class and number of objective shares (*2)	79,129.26 Ordinary shares	28,168 ordinary shares	20,000 ordinary shares	2,000 ordinary shares
Grant date (*1)	April 6; Jun 17, 21, 22, 30; Jul 11& 19; Aug 16 & 20; Dec 28 & 30, 2004 (*3)	Jul 15, Sept 15 & Dec 15, 2005	February 14, 2006	February 14, 2006
Exercisable period	-	-	From February 15, 2007 to February 16, 2009	-

Company Name	The Company		
Year	2006		
Type	Share-based payment (2)	Share-based payment (3)	Share-based payment (4)
Category and number of person designated	1 third party	2 directors and 4 employees	1 director
Class and number of objective shares (*2)	1,500 ordinary shares	18,107 ordinary shares	800 ordinary shares
Grant date (*1)	July 25, 2006	September 6, 2006	September 22, 2006
Exercisable period	-	-	-

Company Name	Xinhua Finance Media Limited	
Year	2006	
Type	Warrant(1)	Warrant(2)
Category and number of person designated	1 shareholder	1 consultant
Class and number of objective shares (*2)	4,099,968 Class A Common Shares	630,000 Class A Common Shares
Grant date (*1)	September 22, 2006	December 7, 2006
Exercisable period	From September 22, 2006 to September 22, 2011	From December 7, 2006 to December 7, 2011

(*1)Contract date as for the share-based payment

(*2)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 reverse share split in August 24, 2004 and 3 for 1 share split in September 22, 2005.

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

(2) Size and change of the number of warrant

(i) Number of objective shares of warrant

(Unit: share)

Company Name	The Company	Xinhua Finance Media Limited	
Year	2006	2006	
Type	Warrant	Warrant(1)	Warrant(2)
Number of objective shares for vested option			
Beginning balance of the period	-	-	-
Vested	20,000	4,099,968	630,000
Exercised	-	-	-
Lapsed	-	-	-
Unexercised balance	20,000	4,099,968	630,000

(ii) Unit price information

Company Name	The Company	Xinhua Finance Media Limited	
Year	2006	2006	
Type	Warrant	Warrant(1)	Warrant(2)
Exercise price	JPY 82,500	USD 3.659	USD 3.659
Average price of shares upon exercise	-	-	-
Fair value of option at grant date per warrant	USD 8.44	USD 0.15	USD 0.18

2. Valuation Method for Warrant

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

(1) Valuation method used

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

(2) Factors and basis of estimation

Company Name	The Company	Xinhua Finance Media Limited	
Year	2006	2006	
Type	Warrant	Warrant(1)	Warrant(2)
Price volatility (*1)	34.04%	45%	44%
Estimated remaining exercisable period (*2)	2 years	5 years	5 years
Estimated dividend (*3)	NIL	NIL	NIL
Free risk rate (*4)	4.35%	5.11%	4.91%

(*1) In determination of volatility, the valuer has considered the volatility of the Company one year prior to the issuance of warrant. The volatility is measured based on the weekly price change and we consider the volatility measured on weekly basis provided a reasonable estimation for the expected volatility.

(*2) It is calculated in assumption that the estimated remaining period of warrant equals to exercisable period.

(*3) With reference to the track record, it is assumed the dividend is zero during the estimated warrant life attributable to ordinary shares.

(*4) Yield of Chinese treasury bond applicable to the estimated remaining period of warrant.

(Segment information)

【Business segmental information】

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

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 is omitted.

1st half - consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)

Consolidated fiscal year - prior year (From January 1, 2006 to December 31, 2006)

The Group is engaged in the provision and distribution of financial and related information and services via multiple channels. Our offerings include market indices, financial news, credit ratings, investor relations and media and advertising related services. The Group operates in one business segment thus information on business segmentation is omitted.

【Regional segmental information】

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

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

	Japan	Asia	North America	Others	Total	Eliminated or unallocated	Consolidated
Sales and operating income / loss							
Sales							
(1) Outside customer	807 (100)	16,963 (2,091)	43,120 (5,315)	14,135 (1,742)	75,026 (9,248)	- (-)	75,026 (9,248)
(2) Inter segment or transfer	- (-)	789 (97)	13 (2)	689 (85)	1,492 (184)	△ 1,492 (△184)	- (-)
Total	807 (100)	17,753 (2,188)	43,133 (5,317)	14,825 (1,827)	76,518 (9,432)	△ 1,492 (△184)	75,026 (9,248)
Operating expenses	1,011 (125)	11,887 (1,465)	41,871 (5,161)	17,641 (2,174)	72,410 (8,925)	356 (44)	72,765 (8,969)
Operating income (△ loss)	△ 204 (△25)	5,866 (723)	1,262 (156)	△ 2,816 (△347)	4,108 (506)	△ 1,847 (△228)	2,261 (279)

Note

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

1st half - consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)

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

	Japan	Asia	North America	Others	Total	Eliminated or unallocated	Consolidated
Sales and operating income / loss							
Sales							
(1) Outside customer	932 (115)	59,490 (7,333)	48,937 (6,032)	116 (14)	109,475 (13,494)	- (-)	109,475 (13,494)
(2) Inter segment or transfer	- (-)	5,792 (714)	189 (23)	2,616 (322)	8,597 (1,060)	△ 8,597 (△1,060)	- (-)
Total	932 (115)	65,282 (8,047)	49,126 (6,055)	2,732 (337)	118,072 (14,554)	△ 8,597 (△1,060)	109,475 (13,494)
Operating expenses	711 (88)	64,963 (8,007)	55,110 (6,793)	7,560 (932)	128,345 (15,820)	△ 7,817 (△963)	120,528 (14,856)
Operating income (△ loss)	221 (27)	319 (39)	△ 5,985 (△738)	△ 4,828 (△595)	△ 10,273 (△1,266)	△ 780 (△96)	△ 11,053 (△1,362)

Note

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

Consolidated fiscal year - prior year (From January 1, 2006 to December 31, 2006)

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

	Japan	Asia	North America	Others	Total	Eliminated or unallocated	Consolidated
Sales and operating income / loss							
Sales							
(1) Outside customer	1,366 (168)	84,982 (10,475)	84,824 (10,455)	3,791 (467)	174,963 (21,566)	- (-)	174,963 (21,566)
(2) Inter segment or transfer	- (-)	8,880 (1,095)	36 (4)	228 (28)	9,144 (1,127)	△ 9,144 (△1,127)	- (-)
Total	1,366 (168)	93,862 (11,569)	84,860 (10,460)	4,019 (495)	184,107 (22,693)	△ 9,144 (△1,127)	174,963 (21,566)
Operating expenses	1,533 (189)	67,997 (8,381)	84,559 (10,423)	26,414 (3,256)	180,502 (22,249)	△ 6,674 (△823)	173,829 (21,426)
Operating income (△ loss)	△ 167 (△21)	25,865 (3,188)	301 (37)	△ 22,395 (△2,760)	3,604 (444)	△ 2,470 (△304)	1,134 (140)

Note

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

【Overseas sales】

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

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

	Asia	North America	Europe	Others	Total
I Oversea sale	25,722 (3,171)	35,149 (4,333)	10,234 (1,261)	1,063 (131)	72,169 (8,896)
II Consolidated sale	- (-)	- (-)	- (-)	- (-)	75,026 (9,248)
III Ratio of overseas sales which accounts for consolidated sale (%)	34.3%	46.9%	13.6%	1.4%	96.2%

Note

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

1st half - consolidated fiscal period - current year (From January 1, 2007 to June 30, 2007)

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

	Asia	North America	Europe	Others	Total
I Oversea sale	57,362	37,206	11,101	1,484	107,153
	(7,070)	(4,586)	(1,368)	(183)	(13,208)
II Consolidated sale	-	-	-	-	109,475
	(-)	(-)	(-)	(-)	(13,494)
III Ratio of overseas sales which accounts for consolidated sale (%)	52.4%	34.0%	10.1%	1.4%	97.9%

Note

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

Consolidated fiscal year – prior year (From January 1, 2006 to December 31, 2006)

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

	Asia	North America	Europe	Others	Total
I Oversea sale	74,430	73,608	19,631	1,889	169,558
	(9,174)	(9,073)	(2,420)	(233)	(20,900)
II Consolidated sale	-	-	-	-	174,963
	(-)	(-)	(-)	(-)	(21,566)
III Ratio of overseas sales which accounts for consolidated sale (%)	42.5%	42.1%	11.2%	1.1%	96.9%

Note

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

(Per share information)

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

Item	1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
Net assets per Share	314.20 (38,728.29)	425.02 (52,387.97)	326.93 (40,297.39)
	Suspense account of share exchange included in share premium is excluded from the process of calculation of net assets per share.		
Net income per share	2.38 (293.36)	90.93 (11,208.03)	12.23 (1,507.18)
Diluted net income per share	2.33 (287.20)	88.41 (10,897.42)	11.57 (1,426.73)

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

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

Item	1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
Net income per share			
Net income for the period / year	2,012 (248)	89,427 (11,023)	10,760 (1,326)
Net income NOT attributed to ordinary shareholders	— (—)	— (—)	— (—)
Net income attributed to ordinary shares	2,012 (248)	89,427 (11,023)	10,760 (1,326)
Average number of ordinary shares during the period / year (shares)	846,593.87	983,440.66	880,001.21
Diluted net income per share			
Adjustment on net income for the period / year	— (—)	— (—)	— (—)
Number of ordinary shares to be increased (shares)	16,332.80	28,062.07	50,115.66
(increased by share subscription rights)	(16,332.80)	(28,062.07)	(50,115.66)
Overview of potential shares without dilutive effect excluded from the formula of diluted income per share for the period / year	2 types of share subscription rights (Number of shares to be issued upon exercise : 76,964 shares)	—	1 type of share subscription rights (Number of shares to be issued upon exercise : 114 shares)

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(Significant subsequent events)

1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
<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, 2005) Total assets : USD 1,705 thousand (For the year ended December 31, 2005) Business : Development of enterprise software for automated data extraction</p> <p>(3) Outline of the acquisition 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 July 2, 2007, Xinhua Finance Media Limited, a subsidiary of the Company, has acquired control of Convey Advertising Company through the purchase of 100% of the shares of its holding company, namely, Good Speed Holdings Limited.</p> <p>(1) Purpose of the acquisition The acquisition expands Xinhua Finance Media Limited's outdoor advertising network to seven additional cities and includes significant high traffic and key transit routes linking mainland China with Hong Kong and Macau.</p> <p>(2) Outline of Convey Advertising Company Address: Hong Kong Sales of the group: USD 4,555 thousands (March 2007) Total assets of the group : USD 11,300 thousands (March 2007) Total net assets of the group : USD 5,500 thousands (March 2007) Business : outdoor advertising</p> <p>(3) Outline of the acquisition ① Method of acquisition Xinhua Finance Media Limited has acquired control of Convey Advertising Company through the purchase of 100% of the shares (50,000 shares) of its holding company Good Speed Holdings Limited.</p> <p>② Acquisition cost and payment term Xinhua Finance Media Limited has made an initial cash payment of USD 33 million, and may make further payments in cash and Class A common shares of Xinhua Finance Media Limited depending on Convey Advertising Company's financial performance in 2007 and 2008, with limits of USD 113 million of total acquisition costs.</p> <p>③ Name of Sellers Pariya Holding Limited</p> <p>④ Date of acquisition July 2, 2007</p>	<p>1. On January 9, 2007, the Company has acquired entire remaining equity stake (80.1%) in Glass Lewis & Co., LLC and completed the entire acquisition.</p> <p>(1) Purpose of the acquisition The acquisition advances the Company to expand its business into the services helping investors make more informed investment and proxy voting decisions.</p> <p>(2) Outline of Glass Lewis & Co. Address : San Francisco, U.S.A. Sales : USD 5,600 thousands (December 2005) Total assets : USD 6,059 thousands (December 2005) Business : Investment research and global proxy advisory services for institutional investors</p> <p>(3) Outline of the acquisition ① Method of acquisition Purchased an initial 19.9% equity stake on August 9, 2006, and acquired the entire remaining equity stake 80.1% on January 9, 2007.</p> <p>② Acquisition cost and payment term Consideration of equity stake of 80.1% is USD 38,095 thousands. USD 13,756 thousands was paid by cash and the remaining USD 24,339 thousands was paid by 43,975 common shares of the Company. The number of shares was calculated based on the average market price of the Company's common shares during 15 trading days ending December 29, 2006 on the Tokyo Stock Exchange.</p> <p>③ Name of Sellers Mr. Gregory P. Taxin Mr. Kevin J. Cameron Rustic Canyon Ventures SBIC, LP Abigail E. Disney Living Trust Susan Disney Lord Living Trust Shamrock Estates Limited LLC Ojibawa Investment Partners</p> <p>④ Date of acquisition January 9, 2007</p>

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1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
<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 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 August 23, 2007, Xinhua Finance Media Limited ("XFMedia"), a subsidiary of the Company, has acquired a 70% interest in Small World Television, Ltd. ("SWTL") and Small World Television, LLC ("SWLLC")</p> <p>(1) Purpose of the acquisition The acquisition strengthens XFMedia's television programming and production consulting capabilities.</p> <p>(2) Outline of Small World Television, LLC Address: 1632 Pine Street, Philadelphia, PA 19103, USA Total assets: USD447,389 (unaudited as of December 31, 2006) Total net assets: USD447,389 (unaudited as of December 31, 2006) Business: Television programming and consulting company</p> <p>(3) Outline of the acquisition ① Method of acquisition XFMedia has purchased 70% of the membership interests of SWLLC and contributed these interests to SWTL while the seller has contributed his 30% membership interest in SWLLC in exchange for 30% of the shares of SWTL, so that SWLLC has become a wholly-owned subsidiary of SWTL and XFMedia owns 70% of the total issued and outstanding shares of SWTL on the closing date. ② Acquisition cost and payment term Cash payment of USD 5 million and 546,248 Class A common shares of XFMedia were issued to the seller within 5 days from the closing date.</p> <p>③ Name of Seller Jonathan Goodman</p> <p>④ Date of acquisition August 23, 2007</p>	<p>2. On January 3, 2007, the Company's subsidiary, Mergent Inc. completed the acquisition of Kinetics Information Systems Services Limited.</p> <p>(1) Purpose of the acquisition The acquisition advances the Company's strategy of providing real time index calculation services.</p> <p>(2) Outline of Kinetics Information Systems Services Limited Address : London, England Sales : GBP 955 thousands Total Assets : GBP 392 thousands Business : providing real time index calculation services and portfolio index analysis.</p> <p>(3) Outline of the acquisition ① Method of acquisition Acquired ordinary shares 100% (106,383shares) of Kinetics Information Systems Services Limited ② Acquisition costs and payment terms GBP 4,000 thousands of consideration settled by cash. GBP 1,000 thousands paid into escrow. GBP 500 thousands to be released to sellers on December 31 2007 if certain key employees remain employed by Kinetics. Up to GBP 500 thousands to be released to sellers on December 31, 2007 if certain key customers have not terminated their contracts.</p> <p>③ Name of Sellers David J. Goodman Keith R. Frewin, Gavin Casey Lesley Casey Dawnay Bay Corporate Finance Limited Beverley Goodman The Estate of Sir Michael Richardson</p> <p>④ Date of acquisition January 3, 2007</p>

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1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
<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 August 31, 2007, the Board of Directors resolved that the Company would issue shares as follows:</p> <p>(1) Outline of issuance The Company determined to issue restricted shares to certain directors, officers and employees of the Group under the Company's Share Option Plan.</p> <p>(2) Class of share common stock</p> <p>(3) Number of shares Up to a maximum of 27,000 shares</p> <p>(4) Issue price per share Par value of HKD20. The shares will be issued as part of compensation to the entitled directors, officers and employees of the Group and the entitled directors, officers and employees will not pay the issue price of the granted shares in cash.</p> <p>(5) Issue price in total Up to a maximum of HKD 540,000.</p> <p>(6) Amount to be credited to share capital HKD 20 per share</p> <p>(7) Schedule of issuance Up to 10,753 shares will be issued in three separate tranches at the end of 2007, 2008 and 2009 and up to 16,247 shares have been set aside for issuance from time to time.</p>	<p>3. The Company's subsidiary, Xinhua Finance Media Limited, filed the registration form for the initial public offering on the Nasdaq Global Market in the United States. The registration statement was declared effective on March 8, 2007 and the listing of shares commenced on March 9, 2007. This is an initial public offering of American depository shares (ADS) and the three selling shareholders other than the Company are offering an additional ADSs. Each ADS represents two common shares.</p> <p>(1) Number of shares To be issued: 17,307,923 ADSs represent 34,615,846 A Common Shares To be sold: 5,769,000 ADSs represent 11,538,000 A Common Shares</p> <p>(2) Offering price and Sales price: USD13.00 per ADS USD 299,999,999 in total</p> <p>(3) Underwriting discounts and commissions: USD0.91 per ADS USD21,000,000 in total</p> <p>(4) Proceeds to Xinhua Finance Media, before expenses USD12.09 per ADS USD209,252,789 in total</p> <p>(5) Proceeds to the selling shareholders, before expenses USD12.09 per ADS USD69,747,210 in total</p> <p>(6) Amount to be capitalized as the Share capital USD 34,615.85</p> <p>(7) Due date of payment March 13, 2007</p> <p>(8) Purpose for fund</p> <p>(1) Approximately \$50 million to repay certain outstanding indebtedness to parent company and Xinhua Financial Network Limited.</p> <p>(2) An undetermined amount for strategic acquisitions of complementary businesses.</p> <p>(3) The balance to fund working capital and for other general corporate purposes.</p>

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1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
<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 first closing, XFL acquired 19.9% interest in GL. At the second closing, subject to GL meeting certain conditions, a wholly owned subsidiary of the Company will be merged with and into GL with GL as the surviving entity. The Company will then hold 100% of interest in the surviving entity after this group reorganization.</p> <p>② Acquisition cost and payment method Initial consideration of USD 8,955 thousand was settled by cash on August 9, 2006. The Company will purchase the entire remaining equity interests of GL from its shareholders in 2007 subject to GL meeting certain financial targets in 2006 and meeting other conditions, for a further payment of USD 36,045 thousand, to be paid, at the Company's election, either all in cash or in a combination of cash and the Company's shares, with no more than USD 22,500 thousand to be paid in shares.</p>		

1st half - Consolidated fiscal period - prior year (From January 1, 2006 to June 30, 2006)	1st half - Consolidated fiscal period -current year (From January 1, 2007 to June 30, 2007)	Consolidated fiscal year -prior year (From January 1, 2006 to December 31, 2006)
<p>③ Name of Seller</p> <p>Gregory P. Taxin Kevin J. Cameron Lawrence M. Howell Rustic Canyon Ventures SBIC, LP Acorn Partners Ojibawa Investment Partners Certain employees of GL</p> <p>④ Date of acquisition</p> <p>August 9, 2006</p>		

(2) 1st half Financial Statements

① 1st half balance sheets

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

Item	Note	2nd quarter - prior year (As of June 30, 2006)		2nd quarter - current year (As of June 30, 2007)		Fiscal year - prior year (As of December 31, 2006)	
		Amount	(%)	Amount	(%)	Amount	(%)
(Assets)							
I Current assets							
Cash and bank balances		5		5,227		144	
		(1)		(644)		(18)	
Short-term loan		-		3,895		3,587	
		(-)		(480)		(442)	
Loan receivables from related companies		565		10,000		48	
		(70)		(1,233)		(6)	
Other receivables	※4	154,750		18		233,437	
		(19,075)		(2)		(28,773)	
Others	※4	5		566		19	
		(1)		(70)		(2)	
Total current assets		155,326	43.0	19,707	4.1	237,236	51.1
		(19,145)		(2,429)		(29,242)	
II Non-current assets							
Investments and other assets							
Investment in subsidiaries	※2	200,619		450,349		210,324	
		(24,728)		(55,510)		(25,925)	
Securities assets		3,587		-		10,512	
		(442)		(-)		(1,296)	
Loan receivables from related companies		1,849		2,414		2,414	
		(228)		(298)		(298)	
Total investments and other assets		206,055	57.0	452,763	95.1	223,250	48.1
		(25,398)		(55,808)		(27,518)	
Total non-current assets		206,055	57.0	452,763	95.1	223,250	48.1
		(25,398)		(55,808)		(27,518)	
III Deferred assets							
Bond issuance cost		-		3,402		3,721	
		(-)		(419)		(459)	
Total deferred assets		-	-	3,402	0.8	3,721	0.8
		(-)		(419)		(459)	
Total assets		361,380	100.0	475,871	100.0	464,206	100.0
		(44,544)		(58,656)		(57,218)	

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

Item	Note	2nd quarter - prior year (As of June 30, 2006)		2nd quarter - current year (As of June 30, 2007)		Fiscal year - prior year (As of December 31, 2006)	
		Amount	(%)	Amount	(%)	Amount	(%)
(Liabilities)							
I Current liabilities							
Other payables	※4	1,308		733		575	
		(161)		(90)		(71)	
Short-term borrowing	※6	17,600		-		-	
		(2,169)		(-)		(-)	
Accrued expenses		86		777		1,096	
		(11)		(96)		(135)	
Payables to shareholders	※1	6,795		6,758		35,871	
		(838)		(833)		(4,421)	
Provision for directors' bonus		-		679		1,228	
		(-)		(84)		(151)	
Others		-		5,435		-	
		(-)		(670)		(-)	
Total current liabilities		25,790	7.1	14,382	3.0	38,770	8.4
		(3,179)		(1,773)		(4,779)	
II Non-current liabilities							
Bond		-		99,169		99,073	
		(-)		(12,224)		(12,212)	
Long-term other payables	※1	16,846		39,885		38,311	
		(2,076)		(4,916)		(4,722)	
Total non-current liabilities		16,846	4.7	139,054	29.2	137,384	29.6
		(2,076)		(17,140)		(16,934)	
Total liabilities		42,636	11.8	153,435	32.2	176,154	38.0
		(5,255)		(18,912)		(21,713)	
(Net assets)							
I Shareholders' equity							
Share capital		2,284	0.6	2,602	0.6	2,389	0.5
		(282)		(321)		(294)	
Capital surplus							
Share premium		287,363		348,757		302,191	
		(35,420)		(42,988)		(37,248)	
Other capital surplus							
Suspense account of share exchange	※3	40,631		-		-	
		(5,008)		(-)		(-)	
Total capital surplus		327,994	90.8	348,757	73.3	302,191	65.1
		(40,429)		(42,988)		(37,248)	
Earned surplus							
Other earned surplus							
Earned surplus carried forward		△ 11,534		△ 20,037		△ 16,542	
		(△ 1,422)		(△ 2,470)		(△ 2,039)	
Total earned surplus		△ 11,534	△ 3.2	△ 20,037	△ 4.2	△ 16,542	△ 3.6
		(△ 1,422)		(△ 2,470)		(△ 2,039)	
Total shareholders' equity		318,744	88.2	331,323	69.6	288,038	62.0
		(39,288)		(40,839)		(35,504)	
II Valuation and translation adjustments							
Deferred gains / losses (△) on hedges		-		612		-	
		(-)		(75)		(-)	
Foreign currency translation adjustments	※5	-		△ 9,518		-	
		(-)		(△ 1,173)		(-)	
Total valuation and translation adjustments		-	-	△ 8,907	△ 1.8	-	-
		(-)		(△ 1,098)		(-)	
III Share subscription rights		(-)	-	20	0.0	15	0.0
		(-)		(2)		(2)	
Total net assets		318,744	88.2	322,436	67.8	288,053	62.0
		(39,288)		(39,743)		(35,505)	
Total liabilities and net assets		361,380	100.0	475,871	100.0	464,206	100.0
		(44,544)		(58,656)		(57,218)	

*Please note that this document is a translation of the document prepared in the Japanese language and filed with the Kanto Local Finance Bureau.

②1st half income statements

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

Item	Note	2nd quarter -prior year (From January 1, 2006 to June 30, 2006)		2nd quarter -current year (From January 1, 2007 to June 30, 2007)		Fiscal year -prior year (From January 1, 2006 to December 31, 2006)				
		Amount	(%)	Amount	(%)	Amount	(%)			
I Turnover	※1		6,067 (748)	100.0	2,330 (287)	100.0	9,371 (1,155)	100.0		
II Cost of sales										
Group service expenses	※1	3,575 (441)		3,151 (388)		5,709 (704)				
Commissions and service fees		1,050 (129)	4,625 (570)	76.2	- (-)	3,151 (388)	135.2	1,050 (129)	6,759 (833)	72.1
Gross profit / loss (△)			1,442 (178)	23.8		△ 821 (△ 101)	△ 35.2		2,612 (322)	27.9
III Selling, general and administrative expenses										
Directors' emoluments		1,148 (141)		942 (116)		1,026 (126)				
Salaries		334 (41)		402 (50)		560 (69)				
Commissions, fees and charges		830 (102)		1,070 (132)		2,600 (320)				
Provision for directors' bonus		- (-)	2,312 (285)	38.1	679 (84)	3,093 (381)	132.8	1,228 (151)	5,414 (667)	57.8
Operating loss			△ 870 (△ 107)	△ 14.3		△ 3,914 (△ 482)	△ 168.0		△ 2,802 (△ 345)	△ 29.9
IV Non-operating income										
Interest income	※1	48 (6)			577 (71)		97 (12)			
foreign exchange gains		- (-)	48 (6)	0.8	3,472 (428)	4,049 (499)	173.8	- (12)	97 (12)	1.0
V Non-operating expenses										
Interest expenses		86 (11)			- (-)		997 (123)			
Interest expenses for bond		- (-)			3,235 (399)		1,128 (139)			
Share issuance related expenses	※2	103 (13)			- (-)		103 (13)			
Commissions, fees and charges		- (-)			- (-)		958 (118)			
Others		- (-)	189 (23)	3.2	395 (49)	3,630 (447)	155.8	128 (16)	3,314 (409)	35.3
Ordinary loss			△ 1,012 (△ 125)	△ 16.7		△ 3,495 (△ 431)	△ 150.0		△ 6,019 (△ 742)	△ 64.2
Loss before income taxes			△ 1,012 (△ 125)	△ 16.7		△ 3,495 (△ 431)	△ 150.0		△ 6,019 (△ 742)	△ 64.2
Income taxes (current)		- (-)			- (-)		- (-)			
Income taxes (deferred)		- (-)			- (-)		- (-)			
Net loss for the period / year			△ 1,012 (△ 125)	△ 16.7		△ 3,495 (△ 431)	△ 150.0		△ 6,019 (△ 742)	△ 64.2

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③1st half statements of changes in net assets
1st half –prior year (From January 1, 2006 to June 30, 2006)

(Unit: Thousands of U.S. Dollars (Millions 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			Earned surplus carried forward			
Beginning balance at Jan 1, 2006	2,091 (258)	258,620 (31,877)	30,431 (3,751)	289,051 (35,628)	△ 10,523 (△ 1,297)	△ 10,523 (△ 1,297)	280,619 (34,589)	280,619 (34,589)
Changes of items during the period								
Issuance of new shares	13 (2)	1,447 (178)	- (-)	1,447 (178)	- (-)	- (-)	1,459 (180)	1,459 (180)
Share premium increased upon share exchange	180 (22)	16,353 (2,016)	21,143 (2,606)	37,497 (4,622)	- (-)	- (-)	37,677 (4,644)	37,677 (4,644)
Settlement of suspense account of share exchange by issuance of new shares	- (-)	10,943 (1,349)	△ 10,943 (△ 1,349)	- (-)	- (-)	- (-)	- (-)	- (-)
Net loss for the period	- (-)	- (-)	- (-)	- (-)	△ 1,012 (△ 125)	△ 1,012 (△ 125)	△ 1,012 (△ 125)	△ 1,012 (△ 125)
Total changes during the period	193 (24)	28,743 (3,543)	10,200 (1,257)	38,943 (4,800)	△ 1,012 (△ 125)	△ 1,012 (△ 125)	38,125 (4,699)	38,125 (4,699)
Ending balance at Jun 30, 2006	2,284 (282)	287,363 (35,420)	40,631 (5,008)	327,994 (40,429)	△ 11,534 (△ 1,422)	△ 11,534 (△ 1,422)	318,744 (39,288)	318,744 (39,288)

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1st half -current year (From January 1, 2007 to June 30, 2007)

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

	Shareholders' equity					
	Share capital	Capital surplus		Retained earnings		Total shareholders' equity
		Share premium	Total capital surplus	Retained earnings-other than legal reserve	Total retained earnings	
Beginning balance at Jan 1, 2007	2,389	302,191	302,191	△ 16,542	△ 16,542	288,038
	(294)	(37,248)	(37,248)	(△ 2,039)	(△ 2,039)	(35,504)
Changes of items during the period						
Issuance of new shares	3	556	556	-	-	559
	(0)	(69)	(69)	(-)	(-)	(69)
Increased upon share exchange	210	46,010	46,010	-	-	46,221
	(26)	(5,671)	(5,671)	(-)	(-)	(5,697)
Net income for the period	-	-	-	△ 3,495	△ 3,495	△ 3,495
	(-)	(-)	(-)	(△ 431)	(△ 431)	(△ 431)
Net changes of items other than shareholders' equity	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)
Total changes during the period	214	46,566	46,566	△ 3,495	△ 3,495	43,285
	(26)	(5,740)	(5,740)	(△ 431)	(△ 431)	(5,335)
Ending balance at June 30, 2007	2,602	348,757	348,757	△ 20,037	△ 20,037	331,323
	(321)	(42,988)	(42,988)	(△ 2,470)	(△ 2,470)	(40,839)

	Valuation and translation adjustments			Share subscription rights	Total net assets
	Deferred gains / losses (△) on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments		
Beginning balance at Jan 1, 2007	-	-	-	15	288,053
	(-)	(-)	(-)	(2)	(35,505)
Changes of items during the period					
Issuance of new shares	-	-	-	-	559
	(-)	(-)	(-)	(-)	(69)
Increased upon share exchange	-	-	-	-	46,221
	(-)	(-)	(-)	(-)	(5,697)
Net income for the period	-	-	-	-	△ 3,495
	(-)	(-)	(-)	(-)	(△ 431)
Net changes of items other than shareholders' equity	612	△ 9,518	△ 8,907	5	△ 8,901
	(75)	(△ 1,173)	(△ 1,098)	(1)	(△ 1,097)
Total changes during the period	612	△ 9,518	△ 8,907	5	34,384
	(75)	(△ 1,173)	(△ 1,098)	(1)	(4,238)
Ending balance at June 30, 2007	612	△ 9,518	△ 8,907	20	322,436
	(75)	(△ 1,173)	(△ 1,098)	(2)	(39,743)

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Fiscal year - prior year (From January 1, 2006 to December 31, 2006)

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

	Shareholders' equity							Share subscription rights	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		Earned surplus carried forward					
Beginning balance at Jan 1, 2006	2,091	258,620	30,431	289,051	△ 10,523	△ 10,523	280,619	-	280,619
	(258)	(31,877)	(3,751)	(35,628)	(△ 1,297)	(△ 1,297)	(34,589)	(-)	(34,589)
Changes of items during the year									
Issuance of new shares	82	2,267	-	2,267	-	-	2,349	-	2,349
	(10)	(279)	(-)	(279)	(-)	(-)	(290)	(-)	(290)
Share-based payment	48	6,312	-	6,312	-	-	6,361	-	6,361
	(6)	(778)	(-)	(778)	(-)	(-)	(784)	(-)	(784)
Share premium increased upon share exchange	167	22,480	25,608	48,088	-	-	48,256	-	48,256
	(21)	(2,771)	(3,156)	(5,927)	(-)	(-)	(5,948)	(-)	(5,948)
Settlement of suspense account of share exchange by issuance of new shares	-	12,512	△ 12,512	-	-	-	-	-	-
	(-)	(1,542)	(△ 1,542)	(-)	(-)	(-)	(-)	(-)	(-)
Effect of change in accounting policy	-	-	△ 43,527	△ 43,527	-	-	△ 43,527	-	△ 43,527
	(-)	(-)	(△ 5,365)	(△ 5,365)	(-)	(-)	(△ 5,365)	(-)	(△ 5,365)
Net loss for the year	-	-	-	-	△ 6,019	△ 6,019	△ 6,019	-	△ 6,019
	(-)	(-)	(-)	(-)	(△ 742)	(△ 742)	(△ 742)	(-)	(△ 742)
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	15	15
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(2)	(2)
Total changes during the year	298	43,571	△ 30,431	13,140	△ 6,019	△ 6,019	7,419	15	7,433
	(37)	(5,371)	(△ 3,751)	(1,620)	(△ 742)	(△ 742)	(914)	(2)	(916)
Ending balance at Dec 31, 2006	2,389	302,191	-	302,191	△ 16,542	△ 16,542	288,038	15	288,053
	(294)	(37,248)	(-)	(37,248)	(△ 2,039)	(△ 2,039)	(35,504)	(2)	(35,505)

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Basis of presenting the 1st half financial statements

Item	1st half -prior year (From January 1, 2006 to June 30, 2006)	1st half -current year (From January 1, 2007 to June 30, 2007)	Fiscal year -prior year (From January 1, 2006 to December 31, 2006)
1 Valuation basis and method for assets	<p>(1) Securities</p> <p>(a) Investment in subsidiaries Cost method based on the moving-average cost method is applied.</p> <p>(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 a net asset item, and costs of sales are based on the moving-average method is applied.) -With no fair value Cost method based on the moving-average method is applied.</p>	<p>(1) Securities</p> <p>(a) Investment in subsidiaries Same as on the left.</p> <p>(b) Available-for sale securities -With fair value Same as on the left.</p> <p>-With no fair value Same as on the left.</p>	<p>(1) Securities</p> <p>(a) Investment in subsidiaries Same as on the left.</p> <p>(b) Available-for sale securities -With fair value Fair value method base on the fair value information, such as market information, at the year ended balance sheet date is applied. (Unrealized gain or loss is accounted for as a net asset item, and costs of sales are based on the moving-average method.) -With no fair value Cost method based on the moving-average method is applied.</p>
2 Deferred assets	_____	<p>(1) Bond issuance cost Bond issuance cost is amortized by the straight-line method over redemption period.</p>	<p>(1) Bond issuance cost Same as on the left.</p>
3 Allowance, reserve and provision	<p>(1) Allowance for doubtful accounts The allowance has been determined by evaluation of respective potential losses in the receivables outstanding.</p> <p>_____</p>	<p>(1) Allowance for doubtful accounts Same as on the left.</p> <p>(2) Provision for directors' bonus Provision for directors' bonus is provided for payment of bonuses to directors based on the estimated amount applicable to the fiscal period.</p>	<p>(1) Allowance for doubtful accounts Same as on the left.</p> <p>(2) Provision for directors' bonus Provision for directors' bonus is provided for payment of bonuses to directors based on the estimated amount applicable to the fiscal year.</p>
4 Hedge accounting	_____	<p>(1) Policy for hedge accounting -Deferral method is applied.</p> <p>(2) Hedging instruments and hedged items Hedging instruments: -Cross currency swap Hedged items: -Corporate bonds denominated in foreign currencies</p> <p>(3) Hedging policy -In order to manage the interest risk and currency risk, debts are hedged to the extent of the amount of the items to be hedged.</p> <p>(4) Effectiveness testing of hedging -Effectiveness of the hedge should be demonstrated under effectiveness test by comparing the ratio of volatility of hedged item and cumulative change in fair value of the hedging instrument.</p>	_____

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Item	1st half -prior year (From January 1, 2006 to June 30, 2006)	1st half -current year (From January 1, 2007 to June 30, 2007)	Fiscal year -prior year (From January 1, 2006 to December 31, 2006)
5 Other significant items for the preparation of the (1st half) financial statements	<p>Conversion of dollars into yen</p> <p>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=123.26, from the Tokyo Foreign Exchange Market as of June 29, 2007. 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.</p>	<p>Conversion of dollars into yen</p> <p>Same as on the left.</p>	<p>Conversion of dollars into yen</p> <p>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=123.26, from the Tokyo Foreign Exchange Market as of June 29, 2007. 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.</p>

Item	1st half -prior year (From January 1, 2006 to June 30, 2006)	1st half -current year (From January 1, 2007 to June 30, 2007)	Fiscal year -prior year (From January 1, 2006 to December 31, 2006)
		Translation of XFL's functional currency into reporting currency XFL, as a foreign company, adopts Chinese Yuan as functional currency while U.S.dollar is adopted as reporting currency. Translation into reporting currency for preparation of financial statements is based on the Article 21 of International Financial Accounting Standards. Monetary assets and liabilities are translated at the rate of the closing date while non-monetary assets and liabilities are translated at the rate of the transaction date. All revenue and expense accounts are translated at the rate of the transaction date, and differences arising from such translation are shown as "Foreign currency translation adjustments" in net assets.	

Change in accounting policy

1st half -prior year (From January 1, 2006 to June 30, 2006)	1st half -current year (From January 1, 2007 to June 30, 2007)	Fiscal year -prior year (From January 1, 2006 to December 31, 2006)
<p>(Presentation of net assets in the balance sheet)</p> <p>Effective from 1st half 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 is USD 318,744 thousand (JPY 39,288 million). 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)</p> <p>Effective from 1st half 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 Share-based Payment" (Guidance No. 11, announced by Accounting Standard Board of Japan on May 31, 2006).</p> <p>The adoption of new accounting standard had no effect on the income statement.</p>		<p>(Presentation of net assets in the balance sheet)</p> <p>Effective from this year, 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 is USD 288,038 thousand (JPY 35,504 million). For the change of Financial Statements Rules, net assets in the balance sheet is presented in accordance with the revised Financial Statements Rules.</p> <p>(Accounting Standard for Share-based Payment)</p> <p>Effective from the year end 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 Share-based Payment" (Guidance No. 11, announced by Accounting Standard Board of Japan on May 31, 2006).</p> <p>The effect of this change is to decrease operating income and increase ordinary loss and loss before income taxes by USD 15 thousand (JPY 2 million) for the year ended December 31, 2006, respectively.</p>

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1st half -prior year (From January 1, 2006 to June 30, 2006)	1st half -current year (From January 1, 2007 to June 30, 2007)	Fiscal year -prior year (From January 1, 2006 to December 31, 2006)
	<p>(Suspense account of share exchange)</p> <p>Until previous periods, the Company recognized the suspense account of share exchange in the net assets as share premium. In accordance with the ASBJ Guidance No., 10 issued on October 31, 2003 Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (“Business Combination Accounting Standards”), unissued shares for acquisition of its subsidiaries should be treated as liability at the point of determination of the quantity. The Company adopts this concept and recognized in the liabilities as other payables at the previous year end.</p> <p>The suspense account of share exchange which had been included in other capital surplus in accordance with the accounting treatment under the International Financial Reporting Standards (“IFRS”) is recognized as other payables in the liabilities due to change in the accounting treatment under IFRS.</p> <p>The effect of this change is to decrease other capital surplus by USD 29,929 thousand (JPY 3,689 million) and to increase payable to shareholders and long-term other payable by USD 5,941 thousand (JPY 732million) and USD 23,988 thousand (JPY 2,957million), respectively.</p>	<p>(Suspense account of share exchange)</p> <p>Until previous years, the Company recognized the suspense account of share exchange in the net assets as share premium. In accordance with the ASBJ Guidance No. 10 issued on October 31, 2003 Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (“Business Combination Accounting Standards”), unissued shares for acquisition of its subsidiaries should be treated as liability at the point of determination of the quantity. The Company adopts this concept and recognized in the liabilities as other payables at the current year end.</p> <p>The suspense account of share exchange which had been included in other capital surplus in accordance with the accounting treatment under the International Financial Reporting Standards (“IFRS”) is recognized as other payables in the liabilities due to change in the accounting treatment under IFRS.</p> <p>The effect of this change is to decrease other capital surplus by USD 43,527 thousand (JPY 5,365 million) and to increase payable to shareholders and long-term other payable by USD 20,747 thousand (JPY 2,557 million) and USD 22,780 thousand (JPY 2,808 million), respectively.</p> <p>This change in accounting policy was adopted in the second half of the period. Therefore, the Company still recognized the previous accounting policy in the semi-annual consolidated financial statements as at June 30, 2006. As a result, the impact of this change in the accounting after the six-month period ended was to decrease share premium by USD 40,631 thousand (JPY 5,008 million) and to increase other payables and long term other payables by USD 17,852 thousand (JPY 2,200 million) and USD 22,780 thousand (JPY 2,808 million), respectively.</p>

Additional information

1st half -prior year (From January 1, 2006 to June 30, 2006)	1st half -current year (From January 1, 2007 to June 30, 2007)	Fiscal year -prior year (From January 1, 2006 to December 31, 2006)
	<p>(Change in functional currency)</p> <p>Effective January 1, 2007, XFL changes its functional currency from U.S. dollar into Chinese Yuan due to a geographic change of the primary economic environment of the Company. Upon preparation of financial statements, XFL's account are translated into U.S. dollar, the reporting currency.</p>	

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Footnote Information

(1st half balance sheets)

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

1st half - prior year (As of June 30, 2006)	1st half - current year (As of June 30, 2007)	Fiscal year -prior year (As of December 31, 2006)																										
<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>※1 Payables to shareholders and long-term other payables include part of the consideration for the acquisition of shares of certain subsidiaries. The consideration for the acquisition of shares of the companies includes the Company's shares to be issued to sellers and could fluctuate since the final payments are based on the future operating results of the respective company.</p>	<p>※1 Same as on the left.</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>※2 The consideration for the acquisition of shares of some subsidiaries could fluctuate since the final payments are based on the future operating results of the respective company.</p>	<p>※2 Same as on the left.</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>※3 _____</p>	<p>※3 _____</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 (19,075)</td> </tr> <tr> <td>Current liabilities</td> <td></td> </tr> <tr> <td> Other payables</td> <td>312 (38)</td> </tr> </table>	Current assets		Other receivables	154,750 (19,075)	Current liabilities		Other payables	312 (38)	<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>18 (2)</td> </tr> <tr> <td> Other current assets</td> <td>381 (47)</td> </tr> <tr> <td>Current liabilities</td> <td></td> </tr> <tr> <td> Other payables</td> <td>312 (38)</td> </tr> </table>	Current assets		Other receivables	18 (2)	Other current assets	381 (47)	Current liabilities		Other payables	312 (38)	<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>233,437 (28,773)</td> </tr> <tr> <td>Current liabilities</td> <td></td> </tr> <tr> <td> Other payables</td> <td>312 (38)</td> </tr> </table>	Current assets		Other receivables	233,437 (28,773)	Current liabilities		Other payables	312 (38)
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<p>※5 _____</p>	<p>※5 This account represents the difference arising on the translation of functional currency into reporting currency.</p>	<p>※5 _____</p>																										

*Please note that this document is a translation of the document prepared in the Japanese language and filed with the Kanto Local Finance Bureau.

(1st half statements of changes in net assets)

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

Types and numbers of treasury shares

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

1st half - current year (From January 1, 2007 to June 30, 2007)

Types and numbers of treasury shares

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

Fiscal year - prior year (From January 1, 2006 to December 31, 2006)

Types and numbers of treasury shares

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

(Lease transaction)

For the six months ended June 30, 2006 and 2007, and for the year ended December 31, 2006

The Company has no lease transactions, thus none applicable.

(Securities)

For the six months ended June 30, 2006 and 2007, and for the year ended December 31, 2006

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, 2006 and 2007, and for the year ended December 31, 2006

Since the Group prepares the 1st half consolidated financial statement, per share information of the Company is omitted.

(Significant subsequent events)

1st half -prior year (From January 1, 2006 to June 30, 2006)	1st half -current year (From January 1, 2007 to June 30, 2007)	Fiscal year -prior year (From January 1, 2006 to December 31, 2006)
<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 August 31, 2007, the Board of Directors resolved that the Company would issue shares as follows:</p> <p>(1) Outline of issuance The Company determined to issue restricted shares to certain directors, officers and employees of the Group under the Company's Share Option Plan.</p> <p>(2) Class of share common stock</p> <p>(3) Number of shares Up to a maximum of 27,000 shares</p> <p>(4) Issue price per share Par value of HKD20. The shares will be issued as part of compensation to the entitled directors, officers and employees of the Group and the entitled directors, officers and employees will not pay the issue price of the granted shares in cash.</p> <p>(5) Issue price in total Up to a maximum of HKD 540,000.</p> <p>(6) Amount to be credited to share capital HKD 20 per share</p> <p>(7) Schedule of issuance Up to 10,753 shares will be issued in three separate tranches at the end of 2007, 2008 and 2009 and up to 16,247 shares have been set aside for issuance from time to time.</p>	<p>On January 9 2007, the Company has acquired entire remaining equity stake in Glass Lewis & Co., LLC and completed the entire acquisition.</p> <p>(1) Purpose of the acquisition The acquisition advances the Company to expand its business into the services helping investors make more informed investment and proxy voting decisions.</p> <p>(2) Outline of Glass Lewis & Co. LLC Address : San Francisco, U.S.A. Sales : USD 5,600 thousands (December 2005) Total assets : USD 6,059 thousands (December 2005) Business : Investment research and global proxy advisory services for institutional investors</p> <p>(3) Outline of the acquisition ① Method of acquisition Purchased an initial 19.9% equity stake on 9 August, 2006, and acquired the entire remaining equity stake 80.1% on 9 January, 2007.</p> <p>② Acquisition cost and payment term Consideration of equity stake of 80.1% is USD 38,095 thousand. USD 13,756 thousand was paid by cash and the remaining USD 24,339 thousand was paid by 43,975 common shares of the Company. The number of shares was calculated based on the average market price of the Company's common shares during 15 trading days ending December 29, 2006 at Tokyo Stock Exchange.</p> <p>③ Name of Sellers Mr. Gregory P. Taxin Mr. Kevin J. Cameron Rustic Canyon Ventures SBIC, LP Abigail E. Disney Living Trust Susan Disney Lord Living Trust Shamrock Estates Limited LLC Ojibawa Investment Partners</p> <p>④ Date of acquisition January 9, 2007</p>

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1st half -prior year (From January 1, 2006 to June 30, 2006)	1st half -current year (From January 1, 2007 to June 30, 2007)	Fiscal year -prior year (From January 1, 2006 to December 31, 2006)
<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</p> <p>① Method of acquisition At the first closing, XFL acquired 19.9% interest in GL. At the second closing, subject to GL meeting certain conditions, a wholly owned subsidiary of the Company will be merged with and into GL with GL as the surviving entity. The Company will then hold 100% of interest in the surviving entity after the reorganization.</p> <p>② Acquisition cost and payment method Initial consideration of USD 8,955 thousand was settled by cash on August 9, 2006. The Company will purchase the entire remaining equity interests of GL from its shareholders in 2007 subject to GL meeting certain financial targets in 2006 and meeting other conditions, for a further payment of USD 36,045 thousand, to be paid, at the Company's election, either all in cash or in a combination of cash and the Company's shares, with no more than USD 22,500 thousand to be paid in shares.</p> <p>③ Name of Seller Gregory P. Taxin Kevin J. Cameron Lawrence M. Howell Rustic Canyon Ventures SBIC, LP Acorn Partners Ojibawa Investment Partners Certain employees of GL</p> <p>④ Date of acquisition August 9, 2006</p>		

**Please note that this document is a translation of the document prepared in the Japanese language and filed with the Kanto Local Finance Bureau.*

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 2007 (from January 1, 2007 to the date of filing of this document).

(1) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on January 15, 2007 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.

(2) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on March 26, 2007 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.

(3) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on March 26, 2007 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 7, 2007 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.

(5) Extraordinary Report

Filed with the Director of the Kanto Local Finance Bureau on May 29, 2007 pursuant to Article 24-5, Paragraph 4 of the Securities and Exchange Law and Article 19, Paragraph 2, Subparagraph 14 of the Cabinet Ordinance Concerning Disclosure of Corporate Information, etc.

(6) Annual Securities Report

Filed with the Director of the Kanto Local Finance Bureau on June 28, 2007 pursuant to the first clause of Article 24 of the Securities and Exchange Law.

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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.