

2009 Year Financial Summary

14 May, 2010

Listed Company Name: Xinhua Finance Limited **Listed Section:** Mothers
Code No. : 9399 **URL:** <http://www.xinhuafinance.com>
Representative-Title: Chief Executive Officer; **Name:** Jae Lie
Inquiry-Title: Chief Financial Officer; **Name:** Yvonne Wang ; Tel: Shanghai (86) 3865-4500
Title: Manager, Investor Relations; **Name:** Takuo Hamada; Tel: Tokyo (81) 3 5403 4832
Scheduled Date of Annual General Meeting of Shareholders: 23 July, 2010
Scheduled Date of Annual Securities Report: 18 May, 2010 **Schedule of dividends:** -

(Note: Figures are rounded to the nearest thousand of US dollar (US\$) or the nearest million of Japanese Yen (JP¥))

1. Consolidated Results for the period ended December 31, 2009 (from January 1, 2009 to December 31, 2009) under Japan GAAP

(1) Consolidated Operating Results

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

	Turnover		Operating Income / Δ Loss		Ordinary Income / Δ Loss		Net Income / Δ Loss	
	US\$ thousand (JP¥ million)	%	US\$ thousand (JP¥ million)	%	US\$ thousand (JP¥ million)	%	US\$ thousand (JP¥ million)	%
December, 2009	32,717 (3,013)	Δ88.3	Δ4,173 (Δ384)	-	Δ85,360 (Δ7,862)	-	Δ113,454 (Δ10,449)	-
December, 2008	279,351 (25,728)	8.4	Δ44,838 (Δ4,130)	-	Δ54,789 (Δ5,046)	-	Δ268,322 (Δ24,712)	-

	Basic Earnings per share	Diluted Earnings per Share	Net Income to Average of Adjusted Shareholders' Equity (%)	Ordinary Income to Total Assets (%)	Operating Income to Turnover (%)
	US\$ (JP¥) 2 decimal places	US\$ (JP¥) 2 decimal places	%	%	%
December, 2009	Δ75.56 (Δ6,958.75)	- (-)	Δ203.3	Δ66.8	Δ12.8
December, 2008	Δ212.89 (Δ19,606.87)	- (-)	Δ113.8	Δ9.3	Δ16.1

(Notes)

- 1) P/L from applying Equity Method: December, 2009: US\$ Δ80,448 thousand (JP¥ Δ7,409 million); December, 2008: US\$ Δ64 thousand (JP¥ Δ6 million)
- 2) Exchange rate used US\$1 = JP¥92.10; the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), from the quotations by The Bank of Tokyo-Mitsubishi UFJ, Ltd. for buying and selling spot US\$ by telegraphic transfer against yen as of December 30, 2009.

(2) Consolidated Financial Status

	Total Assets	Total Net Assets	Adjusted Shareholders' Equity to Total Assets (%)	Net Assets per Share
	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	%	US\$ (JP¥) 2 decimal places
December, 2009	39,434 (3,632)	1,742 (160)	Δ0.2	Δ0.05 (Δ4.61)

December, 2008	216,113 (19,904)	119,592 (11,014)	51.7	75.15 (6,921.32)
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(Notes) Adjusted shareholders' equity: December 31, 2009: US\$△83 thousand (JP¥△8 million)
December 31, 2008: US\$111,674 thousand (JP¥10,285 million)

(3) Consolidated Cash flow results

	Cash flow from Operating Activities	Cash flow from Investing Activities	Cash flow from Financing Activities	Cash and Cash Equivalent at the end of the period
	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)
December, 2009	△4,834 (△445)	9,984 (920)	△47,308 (△4,357)	5,428 (500)
December, 2008	57,491 (5,295)	△82,347 (△7,584)	△27,302 (△2,514)	57,624 (5,307)

2. Condition of Dividends

(Recorded Date)	Dividend per Share				
	For the First Quarter	For the Second Quarter	For the Third Quarter	For the Fourth Quarter	For the year
	US\$ (JP¥) 2 decimal places	US\$ (JP¥) 2 decimal places	US\$ (JP¥) 2 decimal places	US\$ (JP¥) 2 decimal places	US\$ (JP¥) 2 decimal places
For the year of 2008	- (-)	- (-)	- (-)	- (-)	- (-)
For the year of 2009	- (-)	- (-)	- (-)	- (-)	- (-)
For the year of 2010 (Forecast)	- (-)	- (-)	- (-)	- (-)	- (-)

3. Forecast on Consolidated Results for the period ended December 31, 2010 (from January 1, 2010 to December 31, 2010) under Japan GAAP

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

	Turnover	Operating Income/ △ Loss	Ordinary Income/ △ Loss	Net Income/ △ Loss	Basic Earnings per share
	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	US\$ (JP¥) 2 decimal places
Interim	9,400 (866) △46.5	△5,676 (△523) -	△2,143 (△197) -	△2,116 (△195) -	△1.40 (△128.73)
For a year	22,510 (2,073) △31.2	△8,688 (△800) -	△1,610 (△148) -	△1,676 (△154) -	△1.11 (△101.97)

(Notes)

- Exchange rate used: US\$1 = JP¥92.10
- Performance estimates are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates.

4. Miscellaneous

- Changes of significant subsidiaries during reporting period (with changes in scope of specified consolidated entities): Yes

Newly consolidated subsidiaries: 0, excluded: 2 (Shanghai Far East Credit Ratings Co. Ltd. and Market News International, Inc.)

(Note) Please refer to "2. Outline of the group" on page 21 for details.

- (2) Changes in basis, procedures or representing method of accounting treatments, for the consolidated financial statements (significant matters as basis for the consolidated financial statements)
- (i) Changes arising from changes in accounting standards: Yes
 - (ii) Other changes, except for (i): None
- (Note) Please refer to “Change in basis of presenting consolidation financial statements” on page ● for details.
- (3) Issued Shares (Common stock)
- (i) Total issued shares at the end of period (including treasury):
 - The fiscal year ending December 31, 2009: 1,513,943.79 shares
 - The fiscal year ended December 31, 2008: 1,486,051.79 shares
 - (ii) Treasury stocks at the end of period:
 - The fiscal year ending December 31, 2009: 0 shares
 - The fiscal year ended December 31, 2008: 0 shares
 - (iii) Average number of shares during the period:
 - The fiscal year ending December 31, 2009: 1,501,582.51 shares
 - The fiscal year ended December 31, 2008: 1,260,396.77 shares

(Reference Information I) Individual Financial Statement Summary

Individual Results for the period ended December 31, 2009 (from January 1, 2009 to December 31, 2009) under Japan GAAP

1. Individual Operating Results

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

	Turnover		Operating Income/ Δ Loss		Ordinary Income/ Δ Loss		Net Income/ Δ Loss	
	US\$ thousand (JP¥ million)	%	US\$ thousand (JP¥ million)	%	US\$ thousand (JP¥ million)	%	US\$ thousand (JP¥ million)	%
December, 2009	982 (90)	△65.8	△13,227 (△1,218)	-	△16,485 (△1,518)	-	△22,499 (△2,072)	-
December, 2008	2,872 (264)	△33.0	△12,954 (△1,193)	-	△22,467 (△2,069)	-	△204,178 (△18,805)	-

	Basic Earnings per share	Diluted Earnings per share
	US\$ (JP¥) 2 decimal places	US\$ (JP¥) 2 decimal places
December, 2009	△14.98 (△1,379.98)	- (-)
December, 2008	△162.00 (△14,919.75)	- (-)

2. Individual Financial Status

	Total Assets	Total Net Assets	Adjusted Shareholders' Equity to Total Assets (%)	Net Assets per Share
	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	%	US\$ (JP¥) 2 decimal places
December, 2009	274,409 (25,273)	34,011 (3,132)	11.8	21.37 (1,968.18)
December, 2008	288,956 (26,613)	54,379 (5,008)	18.2	35.38 (3,258.50)

(Notes) Adjusted shareholder's equity: December 31, 2009: US\$32,352 thousand (JP¥ 2,980 million)
December 31, 2008: US\$52,582 thousand (JP¥ 4,843million)

(Reference Information II) Consolidated Results under IFRS (from January 1, 2009 to December 31, 2009)

1. Consolidated Operating Results for the period ended December 31, 2009 (from January 1, 2009 to December 31, 2009) under IFRS

	Turnover	Proforma EBITDA	EBITDA	Net Income/ △ Loss	Proforma Net Income/ △Loss	Basic Earnings per share	Diluted earnings per share
	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	US\$ (JP¥) 2 decimal places	US\$ (JP¥) 2 decimal places
December, 2009	32,717 (3,013)	4,004 (369)	△19,016 (△1,751)	△111,763 (△10,294)	△10,148 (△935)	△74.43 (△6,855.00)	- (-)
December, 2008	279,351 (25,728)	34,350 (3,164)	△457,315 (△42,119)	△341,707 (△31,471)	2,854 (263)	△271.11 (△24,969.23)	- (-)

(Notes)

- 1) P/L from applying Equity Method: December 31, 2009: US\$△79,839 thousand (JP¥△7,353 million); December 31, 2008: US\$△64 thousand (JP¥△6 million)
- 2) Average number of shares during the period: December 2009: 1,501,582.51 shares; December 2008:1,260.396.77 shares
- 3) Exchange rate used US\$1 = JP¥ 92.10. The amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), from the quotations by The Bank of Tokyo – Mitsubishi UFJ, Ltd. For buying and selling spot US\$ by telegraphic transfer against yen as of December 30, 2009.
- 4) We define EBITDA in relation to our IFRS financial statements as profit (loss) before interest expense, tax, depreciation and amortization.
- 5) We define Proforma EBITDA in relation to our IFRS financial statements as EBITDA excluding non cash share based payments and one time items.
- 6) Proforma EBITDA for December, 2008 has been adjusted to exclude US\$15,926 thousand (JP¥1,467 million) in other income previously classified as recurrent in nature.
- 7) We define Proforma Net Income in relation to our IFRS financial statements as net income excluding non cash share based payments, one time items and amortization arising from acquisitions.

2. Forecast on Consolidated Results for the period ended December 31, 2010 (from January 1, 2010 to December 31, 2010) under IFRS

	Turnover	EBITDA	Net Income/ △ Loss
	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)
Interim	9,400 (866)	△5,103 (△470)	△2,138 (△197)
For a year	22,510 (2,073)	△7,524 (△693)	△1,721 (△159)

(Notes)

- 1) Exchange rate used: US\$1 = JP¥92.10
- 2) We define EBITDA in relation to our IFRS financial statements as profit (loss) before interest expense, tax, depreciation and amortization.
- 3) Performance estimates are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates.

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

The forward-looking statements in this document (including but not limited to performance estimates) are determined based on information currently available. Due to various unforeseen factors, actual performance may differ from estimates. Please see "1. Consolidated Operating Results (1) Consolidated Operating Results Analysis

(b) Outlook for the next fiscal year” on page 9 for the details of such factors.

Difference in net results under IFRS and Japan GAAP

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

1) Consolidation Goodwill

Japanese GAAP requires consolidation goodwill to be amortized within 20 years. The consolidation goodwill of the Group has been amortized by the straight-line method over a period of 20 years.

Under International Accounting Standard 36, consolidation goodwill in connection with a subsidiary acquired on or after March 31, 2004 is not to be amortized but to be assessed at least annually.

2) Impairment and one time amortization of goodwill

Under Japanese GAAP, on top of the discounted cash flow methodology carried out under IFRS for impairment assessment of non current assets (including goodwill and intangible assets), additional review on the recoverability of the net assets of the acquired subsidiary is carried out. As such, this has resulted in additional one-time amortization of goodwill under Japanese GAAP.

3) Share Issuance Costs

Japanese GAAP requires share issuance costs to be charged to income when paid or deferred and amortized within a three-year period. Under IFRS, external costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

4) Listing Related Costs

Japanese GAAP requires listing related costs to be charged to income when paid.

Under IFRS, external costs directly attributable to the listing are shown as a deduction, in equity from the proceeds.

1. Consolidated Operating Results

(1) Consolidated Operating Results Analysis

(a) Operating results of this fiscal year

During 2008 the Company engaged a financial advisor to conduct a review of its strategic positioning. The purpose of the review was to evaluate opportunities for the Company to unlock shareholder value with the goal of focusing resources on its core competency on providing valuable information on China's financial information sector. As a result, in 2009 the Company committed itself to streamlining its operations and focusing on growing its core businesses in China. In January 2009, the Company completed the sale of Market News International, Inc. as part of the Company's continued effort to focus resources on our core businesses in China

The Company has been much reduced in size in 2009 as compared to 2008. This is the result of the deconsolidation of Xinhua Sports and Entertainment Limited ("XSEL"), sale of non-core businesses such as Mergent and Washington Analysis and closure of the Company's Asia news business in 2008, and the sale of Market News International, Inc. ("MNI") and Shanghai Far East Credit Ratings Co., Ltd ("SFE") in 2009. The Company sold its equity interests in SFE in January 2009 due to changes in PRC regulations. As a result the whole Credit Ratings team was dissolved in December 2009.

Our Indices business line continues to provide real-time indices for measuring China's equity markets via our Xinhua FTSE Index ("XFI") joint alliance. XFI leverages FTSE's proven track record of over forty years in developing equity market indices. First introduced in April 2001, our XFI equities indices offer unique coverage of China equities, combining domestic A and B shares with China stocks listed overseas, such as H shares and red chips on the Hong Kong Stock Exchange. XFI's A Share Series, B Share Series and the International Series provide diverse tradable and benchmark indices based upon market capitalization, broad-based benchmarks (reflecting the movement of the entire market) and various sector and regional indices. Tradable indices typically track a basket of companies, which represents a certain segment of the market. Fund managers and other users can create products based on these indices because the number of companies to track is more manageable. Tradable indices may be used as a basis for index tracking products, derivative trading instruments, and over-the-counter (OTC) products. Benchmark indices typically cover a more comprehensive number of companies than tradable indices to better represent the total market. Benchmark indices are typically used as a standard against which the performance of investment funds can be measured. XFI's index range also includes bond and composite indices in order to provide investors with an across-the-board view of China's capital markets. Total assets tracking XFI indices in China's domestic market alone are approximately US\$89 billion (JP¥8 trillion) as of March 31, 2010.

In December 2009, the Company deconsolidated FTSE/Xinhua Index Limited ("FXI"). FXI is 50% owned by the Company and 50% by FTSE. Previously, due to the fact that the Managing Director of FXI was appointed by the Company, FXI was considered as a consolidated subsidiary because the Company controlled the management of FXI. As from 1 December 2009, as a result of the resignation of the Managing Director of FXI and no appointment of a replacement, FXI was classified as an affiliate of the Group as from 1 December 2009 and we account for its financial results by equity method since then.

Our Solutions business line continues to provide comprehensive market data and research to institutions, funds, government units and individuals. We provide real time content to top 115 commodity brokers in China with approximately 80,000 terminals. Our financial terminals business provides another key medium for our financial information. We are currently focused on commodities and futures data and intend to expand into other key asset classes such as equities, fixed income and foreign exchange.

As well, through our Solutions business line we are expanding our efforts into Financial Research, Value Added Services and Risk Analysis and Reporting. Our subsidiary, Beijing Orient Agribusiness Consultants Co., Ltd., ("BOABC") provides in-depth analysis on government policies, production, industrial chains and other industries impacted by Agriculture. With our Value Added Services we provide cash commodities pricing information via

SMS and mobile applications to approximately 35,000 customers. Our Risk analysis and reporting division helps financial institutions to generate investment risk analysis reports for mainly stock markets and fund managers.

During 2009, the Company purchased and cancelled US\$42,054 thousand (JP¥3,873 million) principal amount of its 10% Senior Guaranteed Notes due 2011 (the “Notes”) by using the proceeds from the sale of non-core businesses, leaving US\$9,207 thousand (JP¥848 million) principal amount of the Notes outstanding as at the end of December 2009.

Net Sales

Net Sales was US\$32,717 thousand (JP¥3,013 million) for the year ended December 31, 2009, as compared to US\$279,351 thousand (JP¥25,728 million) for the year ended December 31, 2008. Lower net sales in 2009 are primarily due to the Company’s much reduced size in 2009 as compared to 2008. This is the result of the deconsolidation of XSEL, sale of non-core businesses such as Mergent and Washington Analysis and closure of the Company’s Asia news business in 2008, and the sale of MNI and SFE in 2009.

Cost of sales

Cost of sales was US\$10,949 thousand (JP¥1,008 million) for the year ended December 31, 2009, as compared to US\$150,522 thousand (JP¥13,863 million) for the year ended December 31, 2008.

Lower cost of sales in 2009 is primarily due to the Company’s much reduced size in 2009 as compared to 2008. This is the result of the deconsolidation of XSEL, sale of non-core businesses such as Mergent and Washington Analysis and closure of the Company’s Asia news business in 2008, and the sale of MNI and SFE in 2009.

Gross profit margin

Gross profit margin was 66.53% for the year ended December 31, 2009 versus 46.12% for the year ended December 31, 2008. The higher gross profit margin in 2009 was mainly the result of the deconsolidation of XSEL, as XSEL has a lower gross profit margin.

Selling, general and administrative expenses

Selling, general and administrative expenses were US\$25,941 thousand (JP¥2,389 million) for the year ended December 31, 2009, versus US\$173,666 thousand (JP¥15,995 million) for the year ended December 31, 2008.

Lower selling, general and administrative expenses in 2009 are primarily due to the Company’s much reduced size in 2009 as compared to 2008. This is the result of the deconsolidation of XSEL, sale of non-core businesses such as Mergent and Washington Analysis and closure of the Company’s Asia news business in 2008, and the sale of MNI and SFE in 2009.

Operating income

Operating loss was US\$4,173 thousand (JP¥384 million) for the year ended December 31, 2009, versus operating loss of US\$44,838 thousand (JP¥4,130 million) for the year ended December 31, 2008.

The smaller operating loss in 2009 is primarily due to the Company’s lower selling, general and administrative expenses, and lower depreciation, as a result of the Company’s much reduced size in 2009 as compared to 2008. This is the result of the deconsolidation of XSEL, sale of non-core businesses such as Mergent and Washington Analysis and closure of the Company’s Asia news business in 2008, and the sale of MNI and SFE in 2009. The improvement is also attributable to reductions in corporate costs from a year ago.

Ordinary income

Ordinary loss was US\$85,360 thousand (JP¥7,862 million) for the year ended December 31, 2009, versus ordinary loss of US\$54,789 thousand (JP¥5,046 million) for the year ended December 31, 2008.

The ordinary loss in 2009 is primarily due to the sharing of XSEL’s losses in 2009. In 2009, XSEL is accounted for as an associated company instead of a consolidated subsidiary.

Net income for the period

Net loss was US\$113,454 thousand (JP¥10,449 million) for the year ended December 31, 2009, versus net loss of US\$268,322 thousand (JP¥24,712 million) for the year ended December 31, 2008.

The net loss for the year ended December 31, 2009 includes:

- 1) deemed loss on change in equity of US\$7,941 thousand (JP¥731 million) due to the Company's reduced shareholding in XSEL;
- 2) impairment loss on goodwill and intangible assets of US\$5,433 thousand (JP¥500 million)
- 3) bad debt expense of US\$4,263 thousand (JP¥393 million); and
- 4) provision of allowance for doubtful accounts of US\$2,196 thousand (JP¥202 million)

Non-Japan GAAP Financial Measures

To supplement XFL's consolidated financial results under Japan GAAP, XFL also provides the following non-Japan GAAP financial measures:

- 1) "EBITDA", defined as operating income or loss plus depreciation and amortization of goodwill.
- 2) "Proforma EBITDA", defined as EBITDA excluding non-cash share based payments, one time items such as legal fees incurred outside the ordinary course of business and discontinued operations in 2009 such as MNI and SFE and including recurring non-operating income.
- 3) "Proforma Net Income", defined as net income (loss) excluding non-cash share based payments, one time items such as legal fees incurred outside the ordinary course of business, and goodwill impairments, bad debt expenses and discontinued operations in 2009 such as MNI and SFE, and amortization arising from acquisition.

XFL believes that these non-Japan GAAP financial measures provide investors with another method for assessing XFL's underlying operational and financial performance. These non-Japan GAAP financial measures are not intended to be considered in isolation or as a substitute for the financial results under Japan GAAP.

	Proforma EBITDA		EBITDA		Proforma Net Income / Δ Loss	
	US\$ thousand (JP¥ million)	%	US\$ thousand (JP¥ million)	%	US\$ thousand (JP¥ million)	%
31 December, 2009	4,011 (369)	Δ 88.5	Δ 2,846 (Δ 262)	-	Δ 14,062 (Δ 1,295)	-
31 December, 2008	34,977 (3,221)	-	Δ 160 (Δ 15)	-	714 (66)	-

EBITDA

For the year ended December 31, 2009, EBITDA was a loss of US\$2,846 thousand (JP¥262 million), versus a loss of US\$160 thousand (JP¥15 million) for the year ended December 31, 2008.

Proforma EBITDA

For the year ended December 31, 2009 Proforma EBITDA was US\$4,011 thousand (JP¥369 million) compared to US\$34,977 thousand (JP¥ 3,221 million) for the year ended December 31, 2008.

Proforma Net Income

For the year ended December 31, 2009 Proforma Net Income was a loss of US\$14,062 thousand (JP¥1,295 million) compared to profit of US\$714 thousand (JP¥66 million) for the year ended December 31, 2008.

(b) Outlook for the next fiscal year

Forecasted results are as follows:–

Units: US\$ thousand (JP¥ million)

	FY 2009 Actual	FY 2010 Forecast
Net Sales	32,717 (3,013)	22,510 (2,073)
EBITDA	△2,846 (△262)	△7,948 (△732)
Operating income / △ loss	△4,173 (△384)	△8,688 (△800)
Ordinary income / △ loss	△85,360 (△7,862)	△1,610 (△148)
Net Income / △ loss	△113,454 (△10,449)	△1,676 (△154)

Exchange rate used: US\$1 = JP¥92.10

Net sales for the year ended December 31, 2010 are expected to be US\$22,510 thousand (JP¥2,073 million), as compared to US\$32,717 thousand (JP¥3,013 million) for the year ended December 31, 2009. The lower net sales are the net result of deconsolidation of FXI in late 2009, growth in the Solutions business line and inception of new business lines in 2010.

EBITDA for the year ended December 31, 2010 is expected to be negative US\$7,948 thousand (JP¥732 million), as compared to negative US\$2,846 thousand (JP¥262 million) for the year ended December 31, 2009. Higher forecasted EBITDA loss is the net result of deconsolidation of FXI in late 2009, expansion of the Solutions business line, inception of new business lines and reductions in corporate costs in 2010.

Operating loss for the year ended December 31, 2010 is expected to be US\$8,688 thousand (JP¥800 million), as compared to US\$4,173 thousand (JP¥384 million) for the year ended December 31, 2009. Higher forecasted operating loss is the net result of deconsolidation of FXI in late 2009, expansion of the Solutions business line, inception of new business lines and reductions in corporate costs in 2010.

Ordinary loss for the year ended December 31, 2010 is expected to be US\$1,610 thousand (JP¥148 million), as compared to US\$85,360 thousand (JP¥7,862 million) for the year ended December 31, 2009. The ordinary loss for 2009 is primarily due to the sharing of XSEL's losses in 2009. The forecast for ordinary loss is lower as there will be no foreseeable loss sharing of XSEL in 2010 since all the amount invested in XSEL has been recognized as a loss by the end of this consolidated fiscal year.

Net loss for the year ended December 31, 2010 is expected to be US\$1,676 thousand (JP¥154 million), as compared to US\$113,454 thousand (JP¥10,449 million) for the year ended December 31, 2009. The lower forecasted net loss is mainly due to the lower forecasted ordinary loss and the exclusion of several extraordinary items that were factors in 2009 such as loss in change in equity of XSEL, provision of allowance for doubtful accounts, bad debt expense and impairment loss.

With a cost cutting, restructuring and reorganizing strategy in place, the Company reduced its overall corporate costs which are a part of sales, general and administrative cost by 50% from 2008 to 2009. The measures taken to reduce overall corporate costs included the closing of loss making operations, disposal of non-core businesses, cutting of travel and entertainment expenses, office relocations and the negotiated reduction of audit and professional fees.

In 2010 we will continue to streamline the Company and focus our resources on our core competency of providing valuable information on China's financial information sector. We will focus on Indices and Solutions as well as explore other new business opportunities. We will continue to diversify out of non-core assets which no longer fit with the Company's overall focus on China's markets.

(2) Consolidated Financial Status Analysis

(a) Total Assets, Net Assets, Liabilities and Cashflow Analysis

Total Assets

Total Assets as at December 31, 2009, was US\$39,434 thousand (JP¥3,632 million) compared to US\$216,113 thousand (¥19,904 million) as at December 31, 2008. Lower Total Assets as at December 31, 2009 compared to those as at December 31, 2008 is mainly due to the reduced size of the Company in 2009 as compared to 2008. This is the result of bond redemption, share of loss of XSEL, deemed disposal loss due to the Company's reduced shareholding in XSEL, deconsolidation of FXI and the sale of MNI and SFE in 2009.

Total Net Assets

Total Net Assets as at December 31, 2009, was US\$1,742 thousand (JP¥160 million) compared to US\$119,592 thousand (JP¥11,014 million) as at December 31, 2008. Lower Total Net Assets as at December 31, 2009 compared to those as at December 31, 2008 is mainly due to the reduced size of the Company in 2009 as compared to 2008. This is the result of share of loss of XSEL, deemed disposal loss due to the Company's reduced shareholding in XSEL, and the sale of MNI and SFE in 2009.

Total Liabilities

Total Liabilities as at December 31, 2009, was US\$37,692 thousand (JP¥3,471 million) compared to US\$96,521 thousand (JP¥8,890 million) as at December 31, 2008. Lower Total Liabilities as at December 31, 2009 compared to those as at December 31, 2008 is mainly due to the reduced size of the Company in 2009 as compared to 2008. This is the result of bond redemption, deconsolidation of FXI and the sale of MNI and SFE in 2009.

Cashflow analysis

Operating activities

Net cash used in operating activities amounted to US\$4,834 thousand (JP¥445 million) for the year ended December 31, 2009 was mainly due to decrease in accounts receivable of US\$1,784 thousand (JP¥ 164 million), decrease in accounts payable of US\$905 thousand (JP¥ 83 million), decrease in other current assets of US\$3,885 thousand (JP¥ 358 million) and decrease in other current liabilities of US\$8,847 thousand (JP¥ 815 million).

Investing activities

Net cash obtained in investing activities amounted to US\$9,984 thousand (JP¥920 million) for the year ended December 31, 2009 was mainly due to proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation of US\$7,740 thousand (JP¥713 million) and interest and dividend income of US\$1,154 thousand (JP¥106 million).

Financing Activities

Cash flow used in financing activities amounted to US\$47,308 thousand (JP¥4,357 million) for the year ended December 31, 2009 which mainly consisted of bond redemption of US\$42,054 thousand (JP¥3,873 million) and

interest expense payment of US\$2,950 thousand (JP¥272 million) and cash dividends paid to minority shareholders of US\$2,500 thousand (JP¥230 million).

Cash and cash equivalents at end of year

As a result of the above activities and decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation of US\$9,679 thousand (JP¥891 million), the net cash and cash equivalents was US\$5,428 thousand (JP¥500 million) as at December 31, 2009. The ending cash and bank balance was US\$23,688 thousand (JP¥2,182 million) as at December 31, 2009, as shown on the balance sheet. After taking into account of deposits pledged as collateral of US\$18,222 thousand (¥1,678 million), and deducting bank overdraft of US\$38 thousand (¥3 million), the net cash and cash equivalents was US\$5,428 thousand (¥500 million).

(b) Change of indexes related to the Cashflow

(Reference) Change of indexes related to Cashflow

	December 2008	December 2009
Shareholders' Equity Ratio	51.7%	△0.2%
Ratio of Market Capitalization to Total Assets	18.3%	57.1%
Ratio of Interest-bearing Debts to Cashflow	1.2	△5.4
Interest Coverage Ratio	3.4	△1.6

Shareholders' Equity Ratio: Adjusted Shareholders' Equity/Total Assets

Ratio of Market Capitalization to Total Assets: Ratio of Total Market Capitalization/Total Assets

Ratio of Interest-bearing Debts to Cashflow: Interest-bearing Debts/Cashflow

Interest Coverage Ratio: Cashflow/Interest Payable

(Note)

1. Each of Indexes is calculated based on the Consolidated Financial Information.
2. Market Capitalization is calculated with: [the number of issued shares excluding treasury stock as of each fiscal year end] x [closing share price of each fiscal year end]. The exchange rate used is US\$1 = JP¥92.10, which is the exchange rate as set forth above.
3. Cashflow means Operating Cashflow in this sub-section.
4. Interest-bearing Debt includes all of interest-bearing Liability stated on the Consolidated Financial Statements.
5. Interest Payable is the figure of interest paid in financing cashflow.

(3) Basic policy about profit distribution

Since we have a relatively short operating history, dividends have not yet been declared and paid. In order to be competitive in our business sectors and maximize the value of our company, we have thus far considered funding the growth of our business paramount to the distribution of dividends. Currently, we are making efforts to strengthen our profit profile while growing our current core business.

(4) Risk Factors

Risks Related to the Business

We may not be profitable in the future.

We cannot assure you that we can avoid net losses or achieve profitability in the future. We have accounted for a significant amount of goodwill from acquisitions which we amortize over a period not exceeding 20 years in accordance with Japanese GAAP. In addition, share issuance and related costs incurred in connection with our initial public offering and private placements of our shares made after December 31, 2003 are accounted for as an expense under Japanese GAAP. Furthermore, any additional acquisitions giving rise to increased goodwill, any decrease or delay in generating additional sales volume and revenue or unsuccessful integration of acquired companies could result in substantial operating and net losses in future periods.

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

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

Future acquisitions may have an adverse effect on our ability to manage our business.

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

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

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

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

We rely on a number of on-line third party networks to redistribute certain of our products and services to

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

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

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

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

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

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

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

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

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

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

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

Our future success heavily depends upon the continued services of our key executives. We rely on their expertise in business operations, finance and financial information and the media industry and on their relationships with our shareholders, strategic partners, and regulators. If one or more of our key executives are unable or unwilling to continue in their present positions, we may not be able to easily replace them or at all. Therefore, our business may be severely disrupted, our financial conditions and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit and train personnel.

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

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

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

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

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

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

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

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

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

attention and resources.

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

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

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

We are a holding company with no significant assets other than our equity interests in our wholly-owned operating companies and affiliated entities. As a result, we rely on payments of dividends and consulting and other fees from our subsidiaries to make dividend payments to our shareholders. If our subsidiaries were to incur debt in the future, the agreements governing the debt may contain provisions restricting their ability to make dividend or other payments to us. Regulatory requirements in the jurisdiction of incorporation of our subsidiaries may also restrict or limit their ability to make payments to us. For a discussion of the regulatory requirements governing our subsidiaries in China, please see “Risks Related to Doing Business in China”—Payments from China are subject to restrictions and controls.”

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

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

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

We derive our revenues primarily from the provision of financial information and other related services, and our customer base primarily comprises financial institutions and other global market participants. Our customers’ demand for our products and services is affected by the conditions of the global economy and in particular the global financial markets. Unfavourable financial or economic conditions that either reduce investor demand for securities or reduce issuers’ willingness or ability to issue securities could reduce the level of activity in the global financial markets, the business performance of our clients and the demand for our products and services. Due to the recent unfavourable conditions of the global financial markets, our business and operating results in 2009 were adversely affected.

We are exposed to increased risk from multinational operations.

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

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

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

Restrictions imposed on the Company by the 10% Senior Guaranteed Notes may adversely affect our business operations.

In November 2006, we issued US\$ 100,000 thousand (¥9,210 million) 10% Senior Guaranteed Notes due 2011. In September 2008, we redeemed US\$ 48,739 thousand (¥4,489 million) of the Notes leaving US\$ 51,261 thousand (¥4,721 million) of the Notes outstanding as at December 31, 2008. In 2009, we redeemed US\$ 42,054 thousand (¥3,873 million) of the Notes outstanding leaving US\$9,207 thousand (¥848 million) of the Notes outstanding as at December 31, 2009. The Notes are governed by the Indenture, which includes a number of significant restrictive covenants that could limit our ability to plan for or to react to market conditions or meet our capital needs. These covenants restrict among other things, our ability, to: incur additional debt; make restricted payments, pay dividends or distributions on our capital stock, repurchase our capital stock, pay existing indebtedness, make or repay intercompany loans or advances or sell or transfer property or assets; issue or sell capital stock; guarantee indebtedness, enter into transactions with affiliates, create liens on assets to secure debt; enter into sale and leaseback transactions; sell assets; make investments; merge or consolidate with another company; and engage in a different business activity. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance with the covenants.

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

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

Risks Related to Doing Business in China

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

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

A sizeable part of our business is conducted in China. China has liberalized its laws on foreign and domestic investments including promulgating regulations permitting qualified foreign institutional investors to invest in Chinese listed companies. We expect that demand for our products would generally

increase as the markets are liberalized. Restrictions imposed on the Chinese markets which have the effect of restricting its growth and development may have an adverse effect on the continued growth of our business in China.

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

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

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

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

Payments from China are subject to restrictions and controls.

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

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

We have limited business insurance coverage in China.

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

Third party facts and statistics included in this document may be inaccurate.

Third party facts and statistics in this document, including those relating to the Chinese financial services and media industry and economy, are derived from various government and institute research publications and news articles. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us. Due to possibly flawed or ineffective collection methods used by third parties, the statistics in this document may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon.

Risks Related to the Shares

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

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

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

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

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

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

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

In accordance with our Memorandum and Articles of Association, our directors, officers, auditors, etc. are

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

The timing of the filing of the Company's financial results announcements, annual securities reports and quarterly reports depends on, among other things, the timing of financial results announcements of its equity method affiliate.

According to the Securities Listing Regulation of Tokyo Stock Exchange (the "TSE Regulation"), the Company is required to make annual and quarterly financial results announcements (the "Financial Results Announcements") upon the settlement of the financial results of the Company. However, since the Company needs to account for the results of its subsidiaries and equity method affiliates, it cannot make the Financial Results Announcements before financial results announcements by its subsidiaries or equity method affiliates, hence there is a possibility that the Company may not be able to disclose the Financial Results Announcements, in a timely manner due to any unexpected delay in the results announcement of any of the Company's subsidiaries or equity method affiliates.

Furthermore, under the FIEL, the Company is required to file Quarterly Reports within 45 days after the end of each quarter, and Annual Securities Reports within 6 months from the end of each business year with the KLF. Since Annual Securities Reports and Quarterly Reports (collectively the "Statutory Reports") need to reflect the financial result of the Company's equity method affiliates, there is a possibility the Company may not be able to meet the said deadline due to any unexpected delay of the announcement of the financial results of its subsidiaries or equity method affiliates. If the Company fails to meet the said deadlines of the Statutory Reports, the Company may be subject to the administrative and criminal sanction imposed by the relevant authorities. In addition, in the case that the Company (a) fails to meet the said deadline of the Statutory Reports or (b) make disclosure that it is unlikely that it can meet the said deadline of the Statutory Reports, the Tokyo Stock Exchange may designate the Company's shares as securities under supervision, and as of this date, the shares of the Company are designated as securities under supervision (under confirmation)". Moreover, if the Company cannot file the Statutory Reports within one month from the said deadline (or within three months in the event that such delay is due to reasons not attributable to the Company such as acts of providence), the Company's shares will be delisted from the Tokyo Stock Exchange.

The Company's shares will be delisted from the Tokyo Stock Exchange in case where it continues having liabilities in excess of assets.

According to the TSE Regulation, a listed company's shares will be delisted from the Tokyo Stock Exchange in case where such company has "liabilities in excess of assets" (defined under the TSE Regulation) as of the end of a business year and the liabilities in excess of assets does not cease within a year. Though the total net assets of the Company are not negative in its financial statement, it has liabilities in excess of assets as of December 31, 2009 from the perspective of the TSE Regulation in the amount of negative US\$ 83 thousand (JP¥ 8 million) and therefore it is decided that the Company's shares will be delisted from the Tokyo Stock Exchange if such status will not cease as of December 31, 2010.

(5) Material phenomena regarding its ability to continue as a going concern

Substantial doubt about its ability to continue as a going concern

The Group incurred operating loss of US\$ 44,838 thousand (JP¥ 4,130 million) and net loss of US\$ 268,322 thousand (JP¥ 24,712 million) for the consolidated fiscal year ended December 31, 2008, and operating loss of US\$ 4,173 thousand (JP¥ 384 million) and net loss of US\$ 113,454 thousand (JP¥ 10,449 million) for the consolidated fiscal year ending December 31, 2009. Net cash used in operating activities for the consolidated fiscal year ending December 31, 2009 was US\$ 4,834 thousand (JP¥ 445 million). In addition, bonds payable of US\$ 3,800 thousand (JP¥ 350 million) become due within one year after the end of this fiscal year.

This is primarily due to the equity loss of affiliates as a result of XSEL incurred huge amount of loss, and worldwide economic downturn after the subprime financial crisis hit the profitability of the Group's existing business. These conditions raise substantial doubt about the Group's ability to continue as a going concern.

The Group is continuing the repositioning of its business and moving ahead. At same time, the management team is taking a number of actions. Going forward, the Group will be seeking to raise funds by selling certain assets and provide the proceeds for the redemption of the bond and making investments in the new ventures to diversify the business portfolio. In parallel, the Group will further cut overall corporate costs to improve profitability of the existing business and cut finance cost by the redemption of bond for the future sustainable growth. In addition, the Group will take advantage of its presence in the fast growing Chinese market, especially in light of the improving conditions in the global financial markets, and leverage its unique core competencies in China to capture local opportunities. There will be no additional loss expected with regards to the equity loss of XSEL since all the amount invested in XSEL has been recognized as a loss by the end of this consolidated fiscal year.

However, as the Group's ability to continue as a going concern is heavily pending on success of divestment of certain assets raise funds, and the growth of its existing business and new ventures, there exist material uncertain related to substantial doubt about the Group's ability to continue as a going concern. The accompanying consolidated financial statements have been prepared assuming that the Group will continue as going concern, and the effect of the material uncertainties is not reflected in the consolidated financial statements.

2. Outline of the group

There is no material change from the annual securities report filed on 11 May, 2009 without changes of significant subsidiaries (with changes in scope of specified consolidated entities). These subsidiaries are as follows.

- ① Company that newly became specified subsidiaries - nil
- ② Company that ceased to be a specified subsidiary

Due to changes in PRC regulations, the Company sold its equity interests in SFE in January 2009 and the whole Credit Ratings team was dissolved in December 2009.

In January 2009, the Company completed the sale of MNI as part of the Company's continued effort to focus resources on our core businesses in China.

3. Management Policy

(1) Basic policy of company management

We are a provider of financial information products focused on China's financial markets. We are an integrated provider of market indices and solution services. As a company providing these services to China's financial markets, we have established the information infrastructure for making investment decisions in China. Investors can make more well-informed investment decisions on China's financial markets through our services.

We offer the following two principal services:

- Market Indices
We provide equity indices and bond indices measuring the performance of China's stock and bond markets. We follow the China *markets* with more than 100 equity indices covering domestic and international China-related stocks, 35 bond indices, 4 style indices (equity indices customized to track more specific investment criteria) and 23 fund indices. These indices are all developed according to methodology generally used in international markets.
- Solutions
Our Solutions business line provides comprehensive market data and research to institutions, funds, government units and individuals. We provide real time content to top 115 commodity brokers in China with approximately 80,000 terminals. Our financial terminals business provides another key medium for our financial information. We are currently focused on commodities and futures data and intend to expand into other key asset classes such as equities, fixed income and foreign exchange.

As well, through our Solutions business line we are expanding our efforts into Financial Research, Value Added Services and Risk Analysis and Reporting. Our subsidiary, BOABC, provides in-depth analysis on government policies, production, industrial chains and other industries impacted by Agriculture. With our Value Added Services we provide cash commodities pricing information via SMS and mobile applications to approximately 35,000 customers. Our Risk analysis and reporting division helps financial institutions to generate investment risk analysis reports for mainly stock markets and fund managers.

Our office locations include Hong Kong, Beijing, Shanghai, Shenzhen, Taipei, Tokyo, Seoul, Singapore, London, New York and Princeton. As at December 31, 2009 we had 303 employees worldwide.

(2) Management index to aim for

The Group places great importance on results and the rates of change in the following operating metrics as the Group monitors and measures its performance against these metrics: turnover, operating income, ordinary income, net income, cash flows, and EBITDA* and Proforma EBITDA**.

*We define EBITDA in relation to our Japan GAAP financial statements as operating income or loss plus depreciation and amortization of goodwill..

**We define Proforma EBITDA in relation to our Japan GAAP financial statements as EBITDA excluding non cash share based payments and one time items and including recurring non operating income.

(3) Corporate strategy of a long-medium term

The Group is continuing to repositioning its business to focus on its core competencies as well as making investments in new ventures to diversify the business its portfolio. In parallel, the Group will continue cost cutting and improving operational efficiencies. As a premier financial information provider in the fast growing Chinese markets, we will utilize our unique market position to further our attempts to improve profitability and shareholder value. In addition, the Group will take advantage of its presence in the fast growing Chinese market, especially in light of the improving conditions in the global financial markets, and leverage its unique core competencies in China to capture local opportunities.

(4) Problems that should be dealt with

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

Going Concern Primarily due to the equity loss of affiliates as a result of XSEL incurred huge amount of loss, and the worldwide economic downturn after the subprime financial crisis hit the profitability of the Group's existing business, there is a substantial doubt about the Group's ability to continue as a going concern.

Mitigating factors:

- *Seek to raise funds.* The Group is seeking to raise funds by selling certain assets and provide the proceeds for the redemption of the bond and making investments in the new ventures to diversify the business portfolio. There will be no additional loss expected with regards to the equity loss of XSEL since all the amount invested in XSEL has been recognized as a loss by the end of this consolidated fiscal year.
- *Cut overall corporate costs.* The Group will further cut overall corporate costs to improve profitability of the existing business and cut finance cost by the redemption of bond for the future sustainable growth.
- *Diversify portfolio.* The Company will make investments in new ventures to diversify its business portfolio.

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

Mitigating factors:

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

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

Mitigating factors:

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

Liabilities in excess of assets Liabilities in excess of assets was US\$83 thousand (JP¥8 million) as at December 31, 2009 according to regulations of TSE. This is primarily due to the huge loss sharing of XSEL and the worldwide economic downturn after the subprime financial crisis that hit the profitability of the Group's existing business.

Mitigating factors:

- *Reduce liabilities and associated finance cost.* The Group is seeking to raise funds by selling certain assets and provide the proceeds for the redemption of the bond and its associated financing cost.

- *Improve profitability.* The Group will further streamline current operation and reduce overall corporate costs to improve profitability of the existing business. In addition, the Group will apply the proceeds from assets divestments towards investment in new ventures to diversify business portfolio. The Group will take advantage of its presence in the fast growing Chinese market, especially in light of the improving conditions in the global financial markets, and leverage its unique core competencies in China to capture local opportunities.
- *No additional loss sharing from XSEL expected.* There will be no additional loss expected with regards to the equity loss of XSEL since all the amount invested in XSEL has been recognized as a loss by the end of this consolidated fiscal year.

(5) Other important matters for the management of the Company

The Company issued shares and option to its directors in 2009

<u>Name of Director</u>	<u>No. of Shares</u>	<u>Issue Date</u>
Fredy Bush (Beneficiary Name: Fredy Bush Family Trust)	15,000	3 July 2009
Jae Lie	5,075	3 July 2009
Chen Xiao Lu	75	3 July 2009
Aloysius T. Lawn	750	3 July 2009
Wu Ji Guang	150	3 July 2009
Jeanne Murtaugh	75	3 July 2009

(Note)

Fredy Bush resigned as a director of XFL in January 2009.

<u>Name of Director</u>	<u>No. of Options</u>
Jae Lie	75,255
The Core Strength Group	22,575
Aloysius T. Lawn	1,500
Chen Xiao Lu	1,500
Wu Ji Guang	1,500
Jeanne Murtaugh	1,500

(Note)

The principal of the Core Strength Group is Aloysius T. Lawn.

4. Consolidated financial statements

Please refer to separate documents.

5. Individual financial statements

Please refer to separate documents.

6. Miscellaneous

(1) Change of Directors or Officers

Not applicable.

(2) Miscellaneous (useful information)

For presentation and other related financial documents please visit:

<http://www.xinhuafinance.com/en/for-investors/reporting/quarterly-results/>