



[For Immediate Release]

Xinhua Finance/MNI China Business Survey: Conditions Improve

Shanghai, November 24, 2006 – Xinhua Finance (TSE Mothers: 9399) and Market News International (MNI), a part of the news service line of Xinhua Finance, today announced the November Xinhua Finance/MNI China business sentiment survey. The results of the survey suggest Chinese companies have weathered government-imposed investment and credit controls and are now benefiting from slowing input price rises and an improved bottom line.

The survey was carried out November 6-21 with 150 listed companies responding. A result greater than 50 implies growth or improving conditions (See accompanying story for more on the survey methodology). The full survey results can be found at

<http://www.xinhuafinance.com/en/main/chinabizsurvey.html>

While the indexes for current conditions have mostly improved and are well off their lows from the middle of the year, some of the key indexes showing the outlook for conditions in three months fell, most likely due to a combination of seasonal factors and expectations of slower growth next year.

"While the survey indicates conditions are generally quite positive, it's clear from the results that there are expectations of a general slowdown going into next year," said Logan Wright, Beijing-based analyst with Stone & McCarthy Research Associates, a sister company of Market News International.

The index for current overall conditions hit 75.67 in November, up from 68.44 in October and the second highest result for the index after the first quarter of 2005, which was the first survey in the series.

"Business sentiment regarding current economic conditions has recovered considerably since the summer, when the government's macroeconomic controls began to take effect," noted Wright.

With raw materials prices either falling or moderating because of government measures amid a general global price decline for things like oil and steel, the index for input prices fell to 57.19

from 64.23 in October, the lowest ever result.

At the same time, the index for prices received suggests more companies were able to increase their prices. That index rose to 57.43 from 55.80 in November.

According to the survey result, the index for companies' current financial position hit the highest mark ever, at 71.72 in November from 67.63 in October.

"With coal prices remaining stable, we were able to increase profits, said one power producer. A maker of metal products had a similar story, saying that the prices of his products were increasing while prices of his main raw material was falling "which contributed to an increase in the company's gross profit."

Companies also continued drawing down inventories, with that index falling to the lowest-ever level at 40.88, down from 42.80 in October.

The index for productive capacity increased to 71.38 in November, the first increase since the first quarter of the year and up from 62.59 in October. The index for production also rose, to 70.63 from 68.75 last month.

On one of the few negative notes for current conditions, the survey suggested that companies were seeing the growth of order backlogs slowing, with the index falling to 51.88 in November from 55.08 in October.

There were more negatives seen in the indexes for expectations of conditions in three months.

Some of the decreases in index levels matched results seen in the expectation indexes for the fourth quarter last year, suggesting that the results may be partially explained by a seasonal slowdown in the first part of the year.

But at least some of the decline in sentiment must be due to expectations that Chinese growth and business activity will slow next year.

The index for new orders in three months fell to 69.72, its lowest ever. The index for



productive capacity growth fell to 65.52, close to the lowest-ever mark for that index.

"The results suggest that companies are preparing for a slowdown next year from the very fast growth seen this year," said Wright.

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Xinhua Finance/MNI China Business Survey Methodology

The Xinhua Finance/MNI China Business Sentiment Survey was conducted November 6-21 with 150 listed companies taking part.

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

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

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

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

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

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Notes to Editors:

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

About Market News International

Market News International (MNI), a Xinhua Finance company (www.xinhuafinance.com), is a



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