

Financial Summary for the Second Quarter of Fiscal Year ending December 31, 2010
[Japan GAAP] (Consolidated)

13 August, 2010

Listed Company Name: Xinhua Finance Limited

Listed Section: Mothers

Code No. : 9399

URL: <http://www.xinhuafinance.com>

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Schedule of filing quarterly report: 13 August, 2010

Schedule of dividends: -

Preparation of a supplemental explanation of Financial Summary for the second quarter of fiscal year ending December 31, 2010: None

Holding an explanatory meeting of a quarterly result: None

(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 Six Months (from January 1, 2010 to June 30, 2010) of Fiscal Year ending December 31, 2010

(1) Consolidated Operating Results (Accumulated)

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

	Net Sales		Operating Income / Δ Loss		Ordinary Income / Δ Loss	
	US\$ thousand (JP¥ million)	%	US\$ thousand (JP¥ million)	%	US\$ thousand (JP¥ million)	%
30 June, 2010	7,245 (641)	Δ 58.7	Δ 6,220 (Δ 550)	-	Δ 1,675 (Δ 148)	-
30 June, 2009	17,555 (1,553)	-	Δ 1,885 (Δ 167)	-	Δ 12,053 (Δ 1,066)	-

	Net Income / Δ Loss		Basic Earnings per share		Diluted Earnings per Share	
	US\$ thousand (JP¥ million)	%	US\$ (JP¥) 2 decimal places		US\$ (JP¥) 2 decimal places	
30 June, 2010	Δ 1,994 (Δ 176)	-	Δ 1.32 (Δ 116.44)		- (-)	
30 June, 2009	Δ 18,507 (Δ 1,638)	-	Δ 12.43 (Δ 1,099.43)		- (-)	

(Notes)

Exchange rate used US\$1 = JP¥88.48; 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 June 30, 2010.

(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
30 June, 2010	35,837 (3,171)	Δ 1,174 (Δ 104)	Δ 9.1	Δ 2.14 (Δ 189.35)
31 December, 2009	39,434 (3,489)	1,742 (154)	Δ 0.2	Δ 0.05 (Δ 4.42)

(Notes)

Exchange rate used US\$1 = JPY88.48; 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 June 30, 2010.

(Reference)

Adjusted shareholders' equity: June 30, 2010: US\$ Δ 3,245 thousand (JP¥ Δ 287 million)
December 31, 2009: US\$ Δ 83 thousand (JP¥ Δ 8 million)

2. Condition of Dividends

(Recorded Date)	Dividends For the year				
	For the First Quarter	For the Second Quarter	For the Third Quarter	For the Fourth Quarter	Total
	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 2009	- (-)	- (-)	- (-)	- (-)	- (-)
For the year of 2010	- (-)	- (-)			
For the year of 2010 (Forecast)			- (-)	- (-)	- (-)

(Note)

Revisions to forecast on dividends in the first quarter: None

3. Forecast on Consolidated Results for Fiscal Year ending December 31, 2010 (from January 1, 2010 to December 31, 2010)

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

	Net Sales		Operating Income /Δ Loss		Ordinary Income /Δ Loss	
	US\$ thousand (JP¥ million)	%	US\$ thousand (JP¥ million)	%	US\$ thousand (JP¥ million)	%
For the year	17,593 (1,557)	46.2	Δ 10,469 (Δ 926)	—	Δ 4,550 (Δ 403)	—

	Net Income /Δ Loss		Basic Earnings per share	
	US\$ thousand (JP¥ million)	%	US\$ (JP¥) 2 decimal places	
For the year	26,844 (2,375)	—	17.72 (1,567.44)	

(Notes)

- Revisions to forecast on consolidated results in the first quarter: Yes
- Exchange rate used: US\$1= JPY88.48; 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 June 30, 2010.

4. Miscellaneous (For more details, please see "Miscellaneous" on page 2 in the attached document.)

- Changes of significant subsidiary during the period: None

Newly consolidated subsidiaries: 0, excluded: 0

(Note) Any change of specified subsidiaries accompanying a change in scope of consolidation during the period.

- Application of simplified accounting policies or specific accounting policies: not applied

(Note) Any application of simplified accounting policies or accounting policies specific to the preparation of quarterly consolidated financial statements.

(3) Changes in basis, procedures or representing method of accounting treatments

1) Changes associated with the revision of accounting principles, etc.: None

2) Changes other than 1): None

(Note) Any changes in basis, procedures or representing method of accounting treatments described in “Changes in significant matters as basis for preparing the quarterly consolidated financial statements”.

(4) Issued Shares (common stock)

1) Total issued shares at the end of the period (including treasury shares)

The second quarter of fiscal year ending December 31, 2010: 1,515,305.79 shares

The fiscal year ended December 31, 2009: 1,513,943.79 shares

2) Total treasury shares at the end of the period

The second quarter of fiscal year ending December 31, 2010: 0 shares

The fiscal year ended December 31, 2009: 0 shares

3) Average number of shares during the period (accumulative consolidated six month period)

The second quarter of fiscal year ending December 31, 2010: 1,514,891.92 shares

The second quarter of fiscal year ended December 31, 2009: 1,489,430.12 shares

***Explanation of Status in operating procedures of the Quarter Review.**

This Summary is inapplicable to the Quarter Review, which stands on Financial Instruments and Exchange Law. At the date of the disclosure of this summary, the Quarter Review is not finished.

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

<Concerning the forward-looking statements>

The forward-looking statements in this document (including but not limited to performance forecast) are based on the information currently available to the Company and the assumptions the Company believes reasonable and actual performance may significantly differ from estimates due to various unforeseen factors.

(For reference only)
Consolidated Results under IFRS

1. Consolidated Operating Results for the First Six Months (from January 1, 2010 to June 30, 2010) of the Fiscal Year ending December 31, 2010 under IFRS

	Net Sales	Net Income / Δ Loss	Basic Earnings per share	Diluted earnings per share	EBITDA
	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	US\$ (JP¥) 2 decimal places	US\$ (JP¥) 2 decimal	US\$ thousand (JP¥ million)
30 June, 2010	7,245 (641)	Δ 2,000 (Δ 176)	Δ 1.32 (Δ 116.78)	- (-)	Δ 4,266 (Δ 377)
30 June, 2009	17,555 (1,553)	Δ 8,743 (Δ 774)	Δ 5.87 (Δ 519.38)	- (-)	485 (43)

(Notes)

- 1) Exchange rate used US\$1 = JP¥88.48 ;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 June 30, 2010.
- 2) We define EBITDA in relation to our IFRS financial statements as profit or loss before interest expense, tax, depreciation and amortization.

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

	Net Sales	Net Income / Δ Loss	EBITDA
	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)	US\$ thousand (JP¥ million)
For a year	17,593 (1,557)	26,833 (2,374)	25,411 (2,248)

(Notes)

- 1) Exchange rate used: US\$1 = JP¥88.48;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 June 30, 2010.
- 2) We define EBITDA in relation to our IFRS financial statements as profit or 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.

Difference in net results under IFRS and Japan GAAP

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

- 1) Embedded Derivatives

Japanese GAAP does not require the early redemption option embedded in the bond to be measured at fair value. Under IFRS, the early redemption option is measured at fair value initially and remeasured at subsequent reporting dates.

- 2) 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.

3) 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.

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1. Miscellaneous

- (1) Changes of significant subsidiary during the period: None
- (2) Application of simplified accounting policies or specific accounting policies: not applied
- (3) Changes in basis, procedures or representing method of accounting treatments
 - 1) Changes associated with the revision of accounting principles, etc.: None
 - 2) Changes other than 1): None
- (4) Material phenomena regarding its ability to continue as a going concern

The Group year to date incurred operating loss of US\$ 6,220 thousand (JP¥ 550 million) and net loss of US\$ 1,994 thousand (JP¥ 176 million) for the consolidated fiscal period ended June 30, 2010 (for the six months ended June 30, 2010). Net cash used in operating activities for the consolidated fiscal period ended June 30, 2010 (for the six months ended June 30, 2010) was US\$ 4,110 thousand (JP¥ 364 million). This is primarily due to the worldwide economic downturn after the subprime financial crisis hit the profitability of the Group's existing business and China's constantly changing regulations and guidance in financial industry. In addition, bonds payable (Principal) of US\$ 3,800 thousand (JP¥ 336 million) become due within one year after the end of this 2nd quarter consolidated fiscal period.

According to the Consolidated Financial Statements Rule and the Quarterly Consolidated Financial Statements Rule, liabilities in excess of net assets of the Group were US\$1,174 thousand (JP¥ 104 million) as at June 30, 2010. The Group had liabilities in excess of assets as of December 31, 2009 from the perspective of the TSE Regulations in the amount of US\$ 83 thousand (JP¥ 8 million) and as of June 30, 2010 from the perspective of the TSE Regulations in the amount of negative US\$ 3,245 thousand (JP¥ 287 million).

These conditions raise substantial doubt about the Group's ability to continue as a going concern.

The Group is continuing the strategic 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 and will continue to implement the strategic repositioning and reorganization of the company with the goal of transitioning the Company from a Financial Information Provider to that of a Financial Solutions & Services Company. At same time, we will also look to capture investment opportunities in the areas of high demand with great potential such as Environmental Protection related opportunities in China.

However, as the Group's ability to continue as a going concern is heavily pending on the success of divestment of certain assets to raise funds, and the growth of its existing business and new ventures, there exist material uncertainties related to the substantial doubt about the Group's ability to continue as a going concern. The accompanying quarterly 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 quarterly consolidated financial statements.

- (5) Miscellaneous

Liabilities in excess of assets

According to the Consolidated Financial Statements Rule and the Quarterly Consolidated Financial Statements Rule, liabilities in excess of net assets of the Group were US\$1,174 thousand (JP¥ 104 million) as at June 30, 2010.

According to the TSE Regulations, a listed company's shares will be delisted from the TSE in case where such company has "liabilities in excess of assets" (defined under the TSE Regulations) as of the end of a business year and the liabilities in excess of assets does not cease within a year. The Group had liabilities in excess of assets as of December 31, 2009 from the perspective of the TSE Regulations in the amount of negative US\$ 83 thousand (JP¥ 8 million) and as of June 30, 2010 from the perspective of the TSE Regulations in the amount of negative US\$ 3,245 thousand (JP¥ 287 million), therefore it is decided that the Company's shares will be delisted from the TSE if such status will not cease as of December 31, 2010.

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 the last consolidated fiscal year.

- Divest in assets.

As many of the Group's assets have already been fully impaired per Japanese GAAP requirement we intend to divest in them and expect to have gain to recover the negative excess of liabilities. In particular, at the board of directors of the Company held on July 7, 2010, the Company has decided to sell shares of FXI, representing the entire interest of the Company in FXI subject to the approval of the extraordinary general meeting of the Company to be held on September 10, 2010. After the transaction, the Company's financial condition and liquidity position will be improved and the Company will no longer have liabilities in excess of assets pursuant to the TSE regulations. (Please note that the above opinion of the Company is as of August 13, 2010.)

2. Consolidated financial statements

Please refer to separate documents.

3. Other information

For more information please visit: <http://www.xinhuafinance.com/en/for-investors/reporting/quarterly-results/>