

QUARTERLY REPORT

Xinhua Finance Limited

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

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To: The Director of Kanto Local Finance Bureau

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Quarterly Fiscal Year: The Third Quarter of the Seventh Fiscal Year of 2010
(From July 1, 2010 to September 30, 2010)

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Notes:

1. As used in this document, and unless otherwise described or the context otherwise requires, references are as follows:
 - **“Company”** or **“XFL”** refers to Xinhua Finance Limited.
 - **“FTSE”** refers to FTSE International Limited.
 - **“FXI”** refers to FTSE/Xinhua Index Limited.
 - **“HK\$”** refers to the Hong Kong Dollar, the lawful currency of the Hong Kong Special Administrative Region.
 - **“Hong Kong”** refers to the Hong Kong Special Administrative Region.
 - **“IFRS”** refers to International Financial Reporting Standards issued by the International Financial Reporting Standards Committee.
 - **“Japanese GAAP”** refers to generally accepted accounting principles in Japan.
 - **“JPY”** refers to Japanese Yen, the lawful currency of Japan.
 - **“TSE”** refers to The Tokyo Stock Exchange.
 - **“TSE Regulations”** refers to the Securities Listing Regulations of The Tokyo Stock Exchange.
 - **“US\$” or “U.S. dollars”** refers to United States Dollar, the lawful currency of United States of America.
 - **“We”** or the **“Group”** refers to the Company and its consolidated subsidiaries.
 - **“XFN”** refers to Xinhua Financial Network Limited, a wholly-owned subsidiary of the Company.
2. For convenience, conversion of U.S. dollars from our financial statements into Japanese yen is calculated by the foreign currency exchange rate (middle rate at US\$1.00 = JP¥83.82 as of September 30, 2010) from the quotations by the Bank of Tokyo-Mitsubishi UFJ, Ltd. for buying and selling spot US\$ by telegraphic transfer against yen, in accordance with Article 88 of the Rules Governing Term, Form and Preparation of Quarterly Financial Statements. Please note that these Japanese yen amounts are stated only for the purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate. Conversion of U.S. dollars from our financial statements into Hong Kong dollars is calculated using the foreign currency exchange rate of US \$1.00 = HK \$7.80.
3. Where figures in tables in this document have been rounded, the totals may not necessarily agree to the sum of the figures.

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PART I CORPORATE INFORMATION

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

There have been no material changes in the Corporate System of the Country and State, the Corporate System as provided for in the Memorandum of Association and Articles of Association of the Company, foreign exchange control system and tax treatment during the third consolidated quarter of the fiscal year 2010 (this “Quarter”).

II. OUTLINE OF THE GROUP

1. Trends in Key Financial Data

Consolidated key financial data

Term		The 3 rd consolidated cumulative quarter of the 6 th fiscal year	The 3 rd consolidated cumulative quarter of the 7 th fiscal year	The 3 rd consolidated quarter of the 6 th fiscal year	The 3 rd consolidated quarter of the 7 th fiscal year	The 6 th consolidated fiscal year
Fiscal period		From January 1, 2009 to September 30, 2009	From January 1, 2010 to September 30, 2010	From July 1, 2009 to September 30, 2009	From July 1, 2010 to September 30, 2010	From January 1, 2009 to December 31, 2009
Turnover	US\$'000 JP¥'m	26,111 (2,189)	12,052 (1,010)	8,556 (717)	4,807 (403)	32,717 (2,742)
Ordinary income / loss (△)	US\$'000 JP¥'m	△17,094 (△1,433)	△3,675 (△308)	△5,041 (△423)	△2,000 (△168)	△85,360 (△7,155)
Net income / loss (△)	US\$'000 JP¥'m	△29,399 (△2,464)	32,440 (2,719)	△10,892 (△913)	34,434 (2,886)	△113,454 (△9,510)
Net assets	US\$'000 JP¥'m	- (-)	- (-)	90,447 (7,581)	33,100 (2,774)	1,742 (146)
Total assets	US\$'000 JP¥'m	- (-)	- (-)	139,205 (11,668)	71,480 (5,991)	39,434 (3,305)
Net assets per share	US\$ JP¥	- (-)	- (-)	55.42 (4,645.30)	20.34 (1,704.90)	△0.05 (△4.19)
Net income / loss (△) per share	US\$ JP¥	△19.63 (△1,645.62)	21.41 (1,794.78)	△7.20 (△603.30)	22.72 (1,904.73)	△75.56 (△6,333.44)
Diluted EPS	US\$ JP¥	- (-)	- (-)	- (-)	- (-)	- (-)
Capital adequacy ratio	(%)	-	-	60.3	43.1	△0.2
Cashflow provided by (△used in) operating activities	US\$'000 JP¥'m	△5,053 (△424)	△5,603 (△470)	- (-)	- (-)	△4,834 (△405)
Cashflow provided by (△used in) investing activities	US\$'000 JP¥'m	2,004 (168)	41,626 (3,489)	- (-)	- (-)	9,984 (837)
Cashflow provided by (△used in) financing activities	US\$'000 JP¥'m	△40,921 (△3,430)	△1,973 (△165)	- (-)	- (-)	△47,308 (△3,965)
Cash and cash equivalents, end of the period / year	US\$'000 JP¥'m	- (-)	- (-)	13,683 (1,147)	37,644 (3,155)	5,428 (455)
Number of employees		-	-	317	295	303
EBITDA	US\$'000 JP¥'m	△1,172 (△98)	△9,683 (△817)	△22 (△2)	△3,704 (△310)	△2,846 (△239)

Notes :

1. Consumption tax is not included in turnover.
2. Regarding information on diluted net earnings per share for the 3rd consolidated (cumulative)/consolidated quarter of

the 6th fiscal year and the 6th consolidated fiscal year, as XFL is in a loss position such information is not stated herein, even if XFL has potential shares. Regarding information on diluted net earnings per share for the 3rd consolidated (cumulative)/consolidated quarter of the 7th fiscal year, such information is not stated herein since there are no potential shares with dilutive effect.

3. The consolidated financial statements of the Group are stated in U.S. dollars. In accordance with Article 88 of the Rules Governing Term, Form and Preparation of Quarterly Financial Statements, the amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1.00=JP¥83.82, from the quotations by the Bank of Tokyo-Mitsubishi UFJ, Ltd. for buying and selling spot US\$ by telegraphic transfer against yen as of September 30, 2010. Please note that these Japanese yen amounts are stated only for the purpose of convenience. Therefore it is not assured that the amounts in U.S. dollars could be exchanged to Japanese yen amounts calculated by the above-mentioned exchange rate.
4. We define EBITDA in relation to our Japanese GAAP financial statements as operating income or loss plus depreciation and amortization of goodwill. EBITDA is presented because we believe that it is an important measure of our financial performance. EBITDA is not a Japanese GAAP measurement and should not be considered in isolation or as a substitute for income or cash flow where information are prepared in accordance with applicable generally accepted accounting principles. It should be understood that items excluded in calculating EBITDA, such as depreciation and amortization of goodwill, are significant components in understanding and assessing the Company's performance.
5. The disclosure documents of the Group included in this Quarterly Report have been prepared in accordance with Disclosure Rules for Financial Statements and in conformity with Japanese GAAP. Additionally, financial statements in accordance with IFRS have been prepared for global investors in accordance with the Company's past practice. Significant differences between Japanese GAAP and IFRS as applied to us include those relating to committed, embedded derivatives, share issuance costs and listing related costs.

2. Business Overview

Since 2009 we have implemented 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 serving China's capital markets, agriculture, commodities and environmental protection industry sectors.

Our Financial Information business in China saw a number of challenges. Regulatory issues, the global economic downturn and intensified competition among other factors created an environment in which the Company had to adapt in order to sustain long-term growth and increase shareholder value. In line with the repositioning we sold our outstanding shares of FXI on September 16, 2010, which were indirectly held via XFN, a wholly-owned subsidiary of the Company, and exited the indices business.

3. Related Companies

Changes in related companies in this Quarter are as follows:

(1) Consolidated Subsidiaries

In this Quarter, the Group sold all of its equity shares in Shanghai Pobo Data and Information Network Consulting Co., Ltd, and as a result, it ceased to be consolidated a subsidiary of the Group in September 2010.

(2) Equity Method Affiliates

In this Quarter, the Group sold all of its equity shares in FXI, and as a result, FXI was excluded from scope of the equity method affiliates.

4. Employees

(1) The Group:

As of September 30, 2010

	Headcount
TOTAL	295

(2) The Company:

As of September 30, 2010

Number of Employees 1

III. CONDITION OF BUSINESS OF THE GROUP

1. Condition of Production, Order Acceptance and Sales

(1) Condition of Production and Order Acceptance:

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

(2) Condition of Sales:

Please see “4. Analysis of financial condition, operating results and cash flow”.

2. Risks related to Business etc.

An occurrence of and a material change to matters in connection with the risks related to business etc. are as follows.

The Group year to date incurred operating loss of US\$ 9,987 thousand (JP¥ 837 million) and net cash used in operating activities was US\$ 5,603 thousand (JP¥ 470 million) for the third consolidated cumulative quarter of fiscal period ending December 31, 2010. In the third consolidated cumulative quarter of fiscal period ending December 31, 2010, because the Group sold shares of FXI in the third consolidated quarter of fiscal period ending December 31, 2010, and recorded a gain on sale of US\$ 35,519 thousand (JP¥ 2,977 million) as extraordinary gain, the year to date net income became US\$ 32,440 thousand (JP¥ 2,719 million). In addition, due to the sale of such shares, bonds payable which will be due in 2011, as described in subsequent events, was redeemed in full on October 18, 2010. As a result, the Group’s overall financial position was significantly improved by eliminating excessive debt in the third consolidated quarter ending December 31, 2010. However, due to continuing net operating loss and cash used in operating activities in the third consolidated quarter ending December 31, 2010, there is substantial doubt about the group’s ability to continue as a going concern.

In order to resolve the going concern, the Group continues to review its business positioning and new business opportunities in China. The Group plans to secure new revenue base by investing in new businesses with the proceeds received from the sale of shares of FXI. In addition, the Group is improving the profitability of existing businesses by further cost reductions. Furthermore, as there are signs of improvement in global financial markets, the Group would like to, while taking advantage of its presence in the rapidly growing Chinese market and leveraging its own core competencies, seize growth opportunities in China.

However, the Group’s ability to continue as a going concern is greatly depended on the growth of existing businesses and new businesses. At the moment, there are significant uncertainties about it.

The quarterly consolidated financial statements have been prepared as a going concern assumption. The impact of significant uncertainties about the Group’s continuity is not reflected in the quarterly consolidated financial statements.

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¥ 7 million), therefore it is decided that the Company’s shares will be delisted from TSE if such status will not cease as of December 31, 2010.

3. Material Contracts Relating to Business

On July 7, 2010, the Company was authorized to sell by a board resolution shares of FXI which were indirectly held via XFN, a wholly-owned subsidiary of the Company, subject to the approval by the shareholders of the Company at an extraordinary general meeting and the Company, XFN, FTSE and FXI entered into a deed for the sale of XFN’s shareholdings in FXI to FTSE. The consideration was US\$40,000 thousand (JP¥ 3,353 million). At the extraordinary general meeting held on September 10, 2010, the shareholders of the Company approved this sale and the transaction was completed on September 16, 2010.

4. Analysis of Financial Condition, Operating Results and Cash Flow

Among the following descriptions, matters related to future events reflect our understanding as of November, 12, 2010.

(1) Operating results analysis

Through our Solutions business line we continue to expand our efforts into Financial Research, Consulting Services and Risk Analysis and Reporting. Our subsidiary, Beijing Orient Agribusiness Consultants Co., Ltd, provides in-depth consulting services and analysis on government policies, production, industrial chains and other industries impacted by Agriculture. 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 Solutions business line continues to provide comprehensive market data and research to institutions, funds, government units and individuals. We provide real time content to 115 top 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.

In the Index service line, we continued to offer a broad series of benchmark and tradable indices, tracking the China equity and bond markets, through our partnerships with FTSE Group and Barclays Capital. Our index series was widely regarded as one of the leading measures of the Chinese market by domestic and international investors. The FTSE/Xinhua China 25 and FTSE/Xinhua China A50 were used as the underlying indices for the largest Chinese themed ETFs globally with total assets at nearly US\$ 14 billion (JP¥ 1 trillion) as at June 30, 2010. However, in line with the repositioning, we sold our outstanding shares of FXI on September 16, 2010, which were indirectly held via XFN, a wholly-owned subsidiary of the Company, and exited the indices business.

Net Sales

Net Sales was US\$ 4,807 thousand (JP¥ 403 million) for the three months ended September 30, 2010, as compared to US\$ 8,556 thousand (JP¥ 717 million) for the three months ended September 30, 2009. Lower net sales in this Quarter are primarily due to the Company's much reduced size as compared to the third consolidated quarter of the fiscal year 2009. This is the result of the deconsolidation of FXI".

Cost of sales

Cost of sales was US\$3,535 thousand (JP¥ 296 million) for the three months ended September 30, 2010, as compared to US\$ 2,392 thousand (JP¥ 200 million) for the three months ended September 30, 2009. The higher cost of sales in this Quarter is primarily due to expansion of the Company's existing businesses.

Gross profit margin

Gross profit margin was 26.5% for the three months ended September 30, 2010 versus 72.0% for the three months ended September, 2009. The lower gross profit margin for this quarter compared to the third consolidated quarter of the fiscal year 2009 was mainly the result of the deconsolidation of FXI, as FXI has a higher gross profit margin.

Selling, general and administrative expenses

Selling, general, and administrative expenses were US\$ 5,039 thousand (JP¥ 422 million) for the three months ended September 30, 2010, versus US\$ 6,485 thousand (JP¥ 544 million) for the three months ended September 30, 2009.

Lower selling, general and administrative expenses is primarily due to the Company's much reduced size and cost-cutting effort as compared to the third consolidated quarter of the fiscal year 2009. Reducing the Company's size is the result of the deconsolidation of FXI.

Operating income

Operating loss was US\$ 3,766 thousand (JP¥ 316 million) for the three months ended September 30, 2010, versus operating loss of US\$ 321 thousand (JP¥ 27 million) for the three months ended September 30, 2009.

The higher operating loss this Quarter compared to the third consolidated quarter of the fiscal year 2009 is primarily due to the deconsolidation of FXI.

Ordinary income

Ordinary loss was US\$ 2,000 thousand (JP¥ 168 million) for the three months ended September 30, 2010, versus ordinary loss of US\$ 5,041 thousand (JP¥ 423 million) for the three ended September 30, 2009.

The lower ordinary loss this Quarter compared to the third consolidated quarter of the fiscal year 2009 is primarily due to the discontinuance of sharing of Xinhua Sports & Entertainment Limited's ("XSEL") losses in 2010.

Net income for the period

Net income was US\$ 34,434 thousand (JP¥ 2,886 million) for the three months ended September 30, 2010, versus net loss of US\$ 10,892 thousand (JP¥ 913 million) for the three months ended September 30, 2009.

The change from net loss in the third consolidated quarter of the fiscal year 2009 to net income in this Quarter is primarily due to the gain on sale of the Company's outstanding shares of FXI of US\$ 35,519 thousand (JP¥ 2,977 million).

The net income for this Quarter includes:

- 1) Operating loss of US\$ 3,766 thousand (JP¥ 316 million); and
- 2) Share of profits of FXI of US\$ 1,608 thousand (JP¥ 135 million); and
- 3) Extraordinary gains of US\$ 36,465 thousand (JP¥ 3,056 million).

(2) Total Assets, Net Assets and Liabilities Analysis

Total Assets

Total Assets as at September 30, 2010, was US\$ 71,480 thousand (JP¥ 5,991 million) compared to US\$ 139,205 thousand (JP¥ 11,668 million) as at September 30, 2009. Lower Total Assets as at September 30, 2010 compared to those as at September 30, 2009 is mainly due to the sharing of XSEL's losses and impairment loss of property, plant and equipment. Also the Company is much reduced size as compared to the third consolidated quarter of the fiscal year 2009 as a result of the deconsolidation of FXI.

Total Net Assets

Total Net Assets as at September 30, 2010, was US\$33,100 thousand (JP¥ 2,774 million) compared to US\$ 90,447 thousand (JP¥ 7,581 million) as at September 30, 2009. Lower Net Assets as at September 30, 2010 compared to those as at September 30, 2009 is mainly due to the sharing of XSEL's losses and impairment loss of property, plant and equipment. Also the Company is much reduced in size as compared to the third consolidated quarter of the fiscal year 2009 as a result of the deconsolidation of FXI.

Total Liabilities

Total Liabilities as at September 30, 2010, was US\$ 38,381 thousand (JP¥ 3,217 million) compared to US\$ 48,758 thousand (JP¥ 4,087 million) as at September 30, 2009. The lower Total Liabilities as at September 30, 2010 compared to those as at September 30, 2009 is mainly due to repayment of short-term borrowings and written off of certain liabilities.

(3) Cashflow analysis

Operating activities

Net cash used in operating activities for the three months ended September 30, 2010 amounted to US\$ 1,493 thousand (JP¥ 125 million). Net cash provided by operating activities was US\$ 2,198 thousand (JP¥ 184 million) for the three months ended September 30, 2009.

Investing activities

Net cash provided by investing activities for the three months ended September 30, 2010 amounted to US\$ 29,788 thousand (JP¥ 2,497 million) as compared to US\$ 49 thousand (JP¥ 4 million) for the three months ended September 30, 2009. Net cash provided by investing activities in this Quarter was primarily due to proceeds from sale of the Company's outstanding shares of FXI.

Financing Activities

Net cash used in financing activities for the three months ended September 30, 2010 amounted to US\$ 654 thousand (JP¥ 55 million) as compared to US\$ 3,245 thousand (JP¥ 272 million) for the three months ended September 30, 2009. The higher cash outflow for financing activities in the third Quarter last year was primarily due to the cash dividends paid to minority shareholders of US\$ 2,500 thousand (JP¥ 210 million).

Cash Balance

As a result of the activities described in "Operating Activities", "Investing Activities" and "Financing Activities" above, the net cash and cash equivalents was US\$ 37,644 thousand (JP¥ 3,155 million) as at September 30, 2010. The ending cash and bank balance was US\$ 54,434 thousand (JP¥ 4,563 million) as at September 30, 2010, shown on the balance sheet. After taking into account of deposits pledged as collateral of US\$16,753 thousand (JP¥ 1,404 million) and bank overdraft of US\$ 37 thousand (JP¥ 3 million), the net cash and cash equivalents was US\$ 37,644 thousand (JP¥ 3,155 million).

(4) Operational or Financial Issues to be dealt with

The Company did not have any material change in, or any material new occurrence of, operational or financial issues to be dealt with during this Quarter.

(5) Research and Development

The Company did not have any research and development during this Quarter.

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

The Group year to date incurred operating loss of US\$ 9,987 thousand (JP¥ 837 million) and net cash used in operating activities was US\$ 5,603 thousand (JP¥ 470 million) for the third consolidated cumulative quarter of fiscal period ending December 31, 2010. In the third consolidated cumulative quarter of fiscal period ending December 31, 2010, because the Group sold shares of FXI in the third consolidated quarter of fiscal period ending December 31, 2010, and recorded a gain on sale of US\$ 35,519 thousand (JP¥ 2,977 million) as extraordinary gain, the year to date net income became US\$ 32,440 thousand (JP¥ 2,719 million). In addition, due to the sale of such shares, bonds payable which will be due in 2011, as described in subsequent events, was redeemed in full on October 18, 2010. As a result, the Group's overall financial position was significantly improved by eliminating excessive debt in the third consolidated quarter of fiscal period ending December 31, 2010. However, due to continuing net operating loss and cash used in operating activities in the third consolidated quarter of fiscal period ending December 31, 2010, there is substantial doubt about the group's ability to continue as a going concern.

In order to resolve the going concern, the Group continues to review its business positioning and new business opportunities in China. The Group plans to secure new revenue base by investing in new businesses with the proceeds received from the sale of shares of FXI. In addition, the Group is improving the profitability of existing businesses by further cost reductions. Furthermore, as there are signs of improvement in global financial markets, the Group would like to, while taking advantage of its presence in the rapidly growing Chinese market and leveraging its own core competencies, seize growth opportunities in China.

However, the Group's ability to continue as a going concern is greatly depended on the growth of existing businesses and new businesses. At the moment, there are significant uncertainties about it.

The quarterly consolidated financial statements have been prepared as a going concern assumption. The impact of significant uncertainties about the Group's continuity is not reflected in the quarterly consolidated financial statements.

(7) Liabilities in excess of assets

On September 16, 2010, the Group completed the sales of its outstanding shares of FXI to FTSE for proceeds of US\$ 40 million (JP¥ 3,353 million). After the transaction, the Group's liquidity position has been improved, and according to the Consolidated Financial Statements Rule and the Quarterly Consolidated Financial Statements Rule, the Group no longer had liabilities in excess of assets as at September 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¥ 7 million), therefore it is decided that the Company's shares will be delisted from TSE if such status will not cease as of December 31, 2010. However, as of September 30, 2010, from the perspective of the TSE Regulations, the Group no longer had liabilities in excess of assets.

Mitigating factors:

- Reduce liabilities and associated finance cost.

During the Quarter the Group raised funds by selling its outstanding shares of FXI. Also, after the Quarter the Group used proceeds from the sale to redeem all of its outstanding 10% Senior Guaranteed Notes due in 2011 on October 18, 2010 thereby reducing its 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.

IV. CONDITION OF FACILITIES

1. Relocation of major facilities

There was no material change to major facilities during this Quarter.

2. Plans for new creation and disposal of facilities

The Company has plans to consolidate its two Shanghai offices and relocate them to a new combined office facility in Xuhui District, Shanghai around mid November, 2010.

V. CONDITION OF THE REPORTING COMPANY

1. Condition of Shares, etc. (As of September 30, 2010)

(1) Total number of shares, etc.

(i) Total number of shares

Number of Authorized Shares:	2,500,000
Total Number of Shares Outstanding:	1,515,305.79
Number of Shares Unissued:	984,694.21

Note:

On August 31, 2007 the Company approved the issuance of a maximum of 27,000 shares to directors, officers and employees, a maximum of 10,753 shares of which could be granted in three separate tranches, among which 10,743 shares were actually granted and became issuable with a vesting schedule of 3,675 shares, 3,486 shares and 3,582 shares vested on December 31, 2007, December 31, 2008 and December 31, 2009 respectively, and the rest of which, namely 16,247 shares, have been set aside for issuance from time to time by the CEO.

As of September 30, 2010, a total of 19,044 shares were issued and the number of unissued shares from the above 27,000 shares is 7,956 shares.

(ii) Details of Shares Outstanding

Registered / bearer shares And Par value or no-par-value	Registered shares with par value of HK\$20.00 per share
Class:	Ordinary
Number of shares outstanding:	1,515,305.79 (as of September 30, 2010)
Name of financial instruments exchange or authorized financial instruments firms association in which shares are listed or registered	Tokyo Stock Exchange (Mothers Section)
Content:	Ordinary share of the Company with full voting right

(2) Condition, etc. of exercise of MSCB, etc.

Not Applicable.

(3) Total number of shares issued and changes in capital stock

Date	Number of Shares Increased/Decreased	Cumulative Number of Shares Issued*	Increase/Decrease in Total Capital US\$*	Cumulative Total Capital US\$ (JP¥)*
From July 1, 2010 to September 30, 2010	-	1,515,305.79	-	384,004,236 (32,187,235,069)

Notes:

- 1 “Total Capital” includes share capital and share premium.
- 2 No option was exercised in this Quarter.

The following table sets forth certain information as of September 30, 2010 regarding the options granted and remaining outstanding pursuant to the Employee Stock Compensation Plan.

	Number of Options	Issue Price of the Shares to be Issued upon the Exercise of the Options (per share)	Amount of Increase in the Share Capital upon the Exercise of Options (per share)
Options granted pursuant to the Employee Stock Compensation Plan on 9 Feb 2005	600	US\$666.67	HK\$20
Options granted pursuant to the Employee Stock Compensation Plan for 2005	4,566	JP¥49,316	HK\$20
Options granted to an independent director pursuant to the Employee Stock Compensation Plan on 31 Jan 2006	1,000	JP¥71,844	HK\$20
Options granted pursuant to the Employee Stock Compensation Plan for 2006	9,044	JP¥71,844	HK\$20
Options granted pursuant to the Employee Stock Compensation Plan	150,829	JP¥1,703	HK\$20

for 2009			
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Notes:

- 1 The Company has established an employee stock compensation plan, which is administered by the compensation committee. It provides for coverage to include employees, directors, consultants and/or advisors and any others as determined by the board. The share price or option price (as the case may be) is determined by the committee but may not be below par value. The share pool is subject to adjustment but may not exceed 20% of the Enlarged Share Capital of the Company. Enlarged Share Capital is defined as the fully-diluted total outstanding share capital of the Company.
- 2 The number of underlying share for each option is one (1).

(4) Major Shareholders

In this Quarter, the Company received a copy of the Report of Possession of Large Volume dated September 15, 2010 from Phlox Co., Ltd. and received a copy of the Change Report of the Report of Possession of Large Volume dated September 15, 2010 from NIS Group Co., Ltd. However the Company couldn't recognize the number of substantial shareholders as of September 30, 2010.

An overview of the Report of Possession of Large Volume and the Change Report of the Report of Possession of Large Volume is as follows:

Name of Shareholder	Address	Number of Shares	Shareholding %
NIS Group Co., Ltd.	Nihonbashi Financial Building 6F, 10-1 Nihonbashi-kodenmachi, Chuo-ku, Tokyo 103-0001	0	0 %
Phlox Co., Ltd.	10-5 Surugaku-minamicho, Shizuoka-shi, Shizuoka 422-8067	114,717	7.57 %

2. Trend in Share Prices

The following table provides the highest and lowest share prices for each month during this cumulative Quarter on the Tokyo Stock Exchange.

Month	Share Price High (JP¥)	Share Price Low (JP¥)
January 2010	1,474	1,273
February 2010	1,301	1,013
March 2010	1,195	1,020
April 2010	1,365	728
May 2010	865	315
June 2010	938	545
July 2010	2,190	620
August 2010	3,915	1,354
September 2010	2,578	1,615

3. Directors and Officers

There was no change in Directors and Officers since the previous Annual Securities Report until the date of submission of this Quarterly Report.

VI. FINANCIAL CONDITION

1. Basis of presenting quarterly consolidated financial statements

- (1) The quarterly consolidated financial statements of the Company were prepared in accordance with “Rules Governing Term, Form and Preparation of Quarterly Consolidated Financial Statements” (Cabinet Office Regulations the 64th, 2007, which is hereinafter referred to as “Quarterly Consolidated Financial Statements Rule”).

The quarterly consolidated financial statements of the Company for the period from July 1, 2009 to September 30, 2009 and the period from January 1, 2009 to September 30, 2009 were prepared in accordance with the Quarterly Consolidated Financial Statements Rule before revision, and the quarterly consolidated financial statements of the Company for the period from July 1, 2010 to September 30, 2010 and the period from January 1, 2010 to September 30, 2010 were prepared in accordance with the Quarterly Consolidated Financial Statements Rule after revision.

- (2) The third clause of Article 85 of the Quarterly Financial Statements Rule is applied to the financial information of the Company.
- (3) The quarterly consolidated financial statements of the Company are stated in U.S. dollars. The amounts in Japanese yen are calculated by the foreign currency exchange rate (middle rate), being US\$1 = JP¥83.82 (as of September 30, 2010), from the quotations by the Bank of Tokyo-Mitsubishi UFJ, Ltd. for buying and selling spot US\$ by telegraphic transfer against yen, in accordance with Article 88 of the Quarterly Financial Statements Rule. Please note that the Japanese yen amounts are stated for convenience only. The amounts in U.S. dollar may not have been or may not be exchanged to Japanese yen amounts calculated by the abovementioned exchange rate.

2. Audit certification

Pursuant to first clause of Article 193-2 of the Financial Instruments and Exchange Law, Deloitte Touche Tohmatsu has performed a quarterly review on the quarterly consolidated financial statements of the Company for the period from July 1, 2009 to September 30, 2009 and the period from January 1, 2009 to September 30, 2009 and Seiwa Audit Corporation has performed a quarterly review on the quarterly consolidated financial statements of the Company for the period from July 1, 2010 to September 30, 2010 and the period from January 1, 2010 to September 30, 2010. On July 1, 2009, Deloitte Touche Tohmatsu became Deloitte Touche Tohmatsu LLC pursuant to the change in the category of auditing firms.

1. Quarterly Consolidated Financial Information

① Quarterly consolidated balance sheets

		3rd quarter Consolidated fiscal period - current year (As of September 30, 2010) (Unit: Thousands of U.S. Dollars)	3rd quarter Consolidated fiscal period - current year (As of September 30, 2010) (Unit: Millions of Japanese Yen)	Consolidated fiscal year - prior year (As of December 31, 2009) (Unit: Thousands of U.S. Dollars)	Consolidated fiscal year - prior year (As of December 31, 2009) (Unit: Millions of Japanese Yen)
Assets					
Current assets					
Cash and deposits	※1	54,434	4,563	23,688	1,986
Accounts receivable-trade	※2	2,375	199	2,213	186
Accounts receivable-other		11,705	981	2,095	176
Other	※2	2,012	169	1,562	131
Total current assets		70,527	5,912	29,558	2,478
Non-current assets					
Property, plant and equipment					
Buildings and structures		512	43	986	83
Accumulated depreciation		227	19	445	37
Buildings and structures, net		285	24	540	45
Tools, furniture and fixtures		2,275	191	3,028	254
Accumulated depreciation		2,098	176	2,030	170
Tools, furniture and fixtures, net		178	15	998	84
Total property, plant and equipment		463	39	1,538	129
Intangible assets					
Goodwill		163	14	-	-
Right of trademark		225	19	300	25
Total intangible assets		388	32	300	25
Investments and other assets					
Investment securities		21	2	65	5
Investments in capital of subsidiaries and affiliates		-	-	7,840	657
Other		4	0	-	-
Total investments and other assets	※2	25	2	7,906	663
Total non-current assets		875	73	9,744	817
Deferred assets					
Bond issuance costs		78	7	133	11
Total deferred assets		78	7	133	11
Total assets		71,480	5,991	39,434	3,305

② Quarterly consolidated income statements

Third quarter consolidated income statements (For the nine months ended September 30, 2010)

		3rd quarter Consolidated fiscal period - prior year (From January 1, 2009 to September 30, 2009) (Unit: Thousands of U.S. Dollars)	3rd Consolidated fiscal period - prior year (From January 1, 2009 to September 30, 2009) (Unit: Millions of Japanese Yen)	3rd quarter Consolidated fiscal period - current year (From January 1, 2010 to September 30, 2010) (Unit: Thousands of U.S. Dollars)	3rd quarter Consolidated fiscal period - current year (From January 1, 2010 to September 30, 2010) (Unit: Millions of Japanese Yen)
Net sales		26,111	2,189	12,052	1,010
Cost of sales		8,777	736	8,383	703
Gross profit		17,334	1,453	3,669	308
Selling, general and administrative expenses					
Directors' compensations		1,165	98	581	49
Salaries and allowances		6,685	560	5,051	423
Advertising expenses		93	8	84	7
Depreciation		673	56	301	25
Amortization of goodwill		278	23	3	0
Commission fee		-	-	2,377	199
Others		10,645	892	5,259	441
Total selling, general and administrative expenses		□ 19,539	□ 1,638	□ 13,656	□ 1,145
Operating loss ()		2,205	185	9,987	837
Non-operating income					
Interest and dividend income		931	78	121	10
Equity in earnings of affiliates		-	-	5,291	443
Foreign exchange gain		-	-	1,668	140
Commission fee		1,437	120	362	30
Others		593	50	708	59
Total non-operating income		2,962	248	8,150	683
Non-operating expenses					
Interest expenses		3,431	288	1,838	154
Foreign exchange loss		78	7	-	-
Equity in loss of affiliates		14,341	1,202	-	-
Total non-operating expenses		□ 17,850	□ 1,496	□ 1,838	□ 154
Ordinary loss ()		17,094	1,433	3,675	308
Extraordinary gains					
Gain on sales of stocks of subsidiaries and affiliates	※2	1,042	87	37,134	3,113
Total extraordinary gains		1,042	87	37,134	3,113
Extraordinary losses					
Loss on change in equity		5,368	450	-	-
Loss on sales of stocks of subsidiaries and affiliates	※2	35	3	-	-
Loss on sales and retirement of noncurrent assets	※1	92	8	-	-
Impairment loss	※3	-	-	1,034	87
Others		438	37	-	-
Total extraordinary losses		□ 5,933	□ 497	1,034	87
Income (loss △) before income taxes and minority interests		21,985	1,843	32,425	2,718
Income taxes (current)		2,660	223	□ 3	□ 1
Income taxes (deferred)		35	3	4	0
Total income tax		2,626	220	10	1
Minority interests in income (loss △)		4,789	401	25	2
Net income (loss △) for the period		29,399	2,464	32,440	2,719

Third quarter consolidated income statements (For the three months ended September 30, 2010)

	3rd quarter Consolidated fiscal period - prior year (From July 1, 2009 to September 30, 2009) (Unit: Thousands of U.S. Dollars)	3rd quarter Consolidated fiscal period - prior year (From July 1, 2009 to September 30, 2009) (Unit: Millions of Japanese Yen)	3rd quarter Consolidated fiscal period - current year (From July 1, 2010 to September 30, 2010) (Unit: Thousands of U.S. Dollars)	3rd quarter Consolidated fiscal period - current year (From July 1, 2010 to September 30, 2010) (Unit: Millions of Japanese Yen)
Net sales	8,556	717	4,807	403
Cost of sales	2,392	200	3,535	296
Gross profit	6,164	517	1,272	107
Selling, general and administrative expenses				
Directors' compensations	520	44	195	16
Salaries and allowances	1,756	147	1,595	134
Advertising expenses	37	3	15	1
Depreciation	188	16	59	5
Amortization of goodwill	72	6	3	0
Commission fee	-	-	1,194	100
Others	3,913	328	1,977	166
Total selling, general and administrative	6,485	544	5,039	422
Operating loss ()	321	27	3,766	316
Non-operating income				
Interest and dividend income	145	12	(8)	(1)
Equity in earnings of affiliates	-	-	1,608	135
Foreign exchange gain	-	-	424	36
Commission fee	273	23	94	8
Others	76	6	220	18
Total non-operating income	494	41	2,338	196
Non-operating expenses				
Interest expenses	566	47	572	48
Foreign exchange loss	45	4	-	-
Equity in loss of affiliates	4,603	386	-	-
Total non-operating expenses	5,214	437	572	48
Ordinary loss ()	5,041	423	2,000	168
Extraordinary gains				
Gain on sales of stocks of subsidiaries and affiliates	-	-	36,465	3,056
Gain on redemption of bonds	48	4	-	-
Total extraordinary gains	48	4	36,465	3,056
Extraordinary losses				
Loss on change in equity	2,798	235	-	-
Total extraordinary losses	2,798	235	-	-
Income (loss Δ) before income taxes and minority interests	7,790	653	34,465	2,889
Income taxes (current)	1,409	118	17	1
Income taxes (deferred)	14	1	-	0
Total income tax	1,395	117	17	1
Minority interests in income	1,707	143	14	1
Net income (loss Δ) for the period	10,892	913	34,434	2,886

※1

③ Quarterly consolidated cashflow statements

		3rd quarter Consolidated fiscal period -prior year (From January 1, 2009 to September 30, 2009) (Unit: Thousands of US dollars)	3rd quarter Consolidated fiscal period -prior year (From January 1, 2009 to September 30, 2009) (Unit: Millions of Japanese Yen)	3rd quarter Consolidated fiscal period - current year (From January 1, 2010 to September 30, 2010) (Unit: Thousands of US dollars)	3rd quarter Consolidated fiscal period - current year (From January 1, 2010 to September 30, 2010) (Unit: Millions of Japanese Yen)
Net cash provided by (used in) operating activities					
Income (loss△) before income taxes and minority interests		21,985	1,843	32,425	2,718
Depreciation and amortization		755	63	301	25
Impairment loss		-	-	1,034	87
Amortization of goodwill		525	44	3	0
Share-based compensation		-	-	702	59
Interest and dividends income		931	78	121	10
Interest expenses		3,431	288	1,838	154
Gain (loss) on change in equity (: gain)		5,368	450	-	-
Equity in earnings (loss) of affiliates (: earnings)		14,341	1,202	5,291	443
Gain (loss) on sales and retirement of noncurrent assets (: gain)		□ 92	□ 8	□ -	□ -
Gain (loss) on sales of stocks of subsidiaries and affiliates (△ : gain)		1,006	84	37,134	3,113
Increase (decrease) in accounts receivable (△ : increase)		4,340	364	162	14
Increase (decrease) in accounts payable (△ : decrease)		192	16	518	43
Other, net		790	66	292	24
Subtotal		4,731	397	5,595	469
Income taxes (paid) refund (: paid)		□ 322	□ 27	□ 9	□ 1
Net cash provided by (used in) operating activities (: used in)		5,053	424	5,603	470
Interest and dividends income received		931	78	10,384	870
Purchase of property, plant and equipment		188	16	260	22
Proceeds from sales of property, plant and equipment		97	8	1	0
Payments of short-term loans receivable		6,576	551	-	-
Proceeds from sales of stocks of subsidiaries and affiliates	※1	-	-	30,956	2,595
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation		7,740	649	487	41
Payment to acquire shares of subsidiaries resulting in a change in scope of consolidation		-	-	59	5
Net cash provided by (used in) investing activities (: used in)		2,004	168	41,626	3,489
Net cash provided by (used in) financing activities					
Interest expenses paid		2,407	202	1,771	148
Increase (decrease) in deposit pledged (: increase)		218	18	1,469	123
Redemption of bonds		42,054	3,525	□ -	□ -
Net increase (decrease) in short-term loans payable (: decrease)		6,258	525	1,671	140
Cash dividends paid to minority shareholders		□ 2,500	□ 210	□ -	□ -
Net cash provided by (used in) financing activities (: used in)		40,921	3,430	1,973	165
Effect of exchange rate change on cash and cash equivalents		□ 28	□ 2	1,835	154
Net increase (decrease) in cash and cash equivalents (: decrease)		43,941	3,683	32,215	2,700
Cash and cash equivalents at beginning of period		57,624	4,830	5,428	455
Cash and cash equivalents at end of period	※2	13,683	1,147	37,644	3,155

2. Other

Not Applicable.

VII. TREND IN FOREIGN EXCHANGE RATES

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

PART II. INFORMATION ON THE GUARANTOR, ETC.

I. INFORMATION ON THE GUARANTOR

Not Applicable.

II. INFORMATION ON THE COMPANIES OTHER THAN THE GUARANTOR

Not Applicable.

III. INFORMATION ON INDEX, ETC.