

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

12 November, 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: 12 November, 2010

Schedule of dividends: -

Preparation of a supplemental explanation of Financial Summary for the third quarter of fiscal year ending December 31, 2010: No

Holding an explanatory meeting of a quarterly result: No

(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 Nine Months (from January 1, 2010 to September 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 September, 2010	12,052	Δ 53.8	Δ 9,987	-	Δ 3,675	-
	(1,010)		(Δ 837)		(Δ 308)	
30 September, 2009	26,111	-	Δ 2,205	-	Δ 17,094	-
	(2,189)		(Δ 185)		(Δ 1,433)	

	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 September, 2010	32,440	-	21.41		-	
	(2,719)		(1,794.78)		(-)	
30 September, 2009	Δ 29,399	-	Δ 19.63		-	
	(Δ 2,464)		(Δ 1,645.62)		(-)	

(Notes)

- Exchange rate used US\$1 = JP¥83.82; 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 September 30, 2010.
- Regarding information on diluted earnings per share for the third quarter of fiscal year ended December 31, 2009, as Xinhua Finance Limited ("XFL") is in a loss position such information is not stated herein, even if XFL has potential shares. Regarding information on diluted earnings per share for the third quarter of fiscal year ending December 31, 2010, such information is not stated herein since there are no potential shares with dilutive effect.

(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 September, 2010	71,480 (5,991)	33,100 (2,774)	43.1	20.34 (1,704.90)
31 December, 2009	39,434 (3,305)	1,742 (146)	Δ 0.2	Δ 0.05 (Δ4.19)

(Notes)

Exchange rate used US\$1 = JP¥83.82; 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 September 30, 2010.

(Reference)

Adjusted shareholders' equity: September 30, 2010: US\$ 30,822 thousand (JP¥ 2,584 million)
December 31, 2009: US\$ Δ 83 thousand (JP¥ Δ 7 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 nine months: 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 (1,475)	Δ46.2	Δ 10,469 (Δ 878)	-	Δ 4,550 (Δ 381)	-

	Net Income /Δ Loss		Basic Earnings per share	
	US\$ thousand (JP¥ million)	%	US\$ (JP¥) 2 decimal places	
For the year	26,844 (2,250)	-	17.72 (1,485.29)	

(Notes)

- 1) Revisions to forecast on consolidated results in the first nine months: No
- 2) Exchange rate used: US\$1 = JP¥83.82; 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 September 30, 2010.

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

- (1) Changes of significant subsidiary during the period: No
Newly consolidated subsidiaries: 0, excluded: 0
(Note) Any change of specified subsidiaries accompanying a change in scope of consolidation during the period.
- (2) 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.: No
 - 2) Changes other than 1): No(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 third 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 third 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 nine month period)
The third quarter of fiscal year ending December 31, 2010: 1,515,031.39 shares
The third quarter of fiscal year ended December 31, 2009: 1,497,458.59 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 Nine Months (from January 1, 2010 to September 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 places	US\$ thousand (JP¥ million)
30 September, 2010	12,052 (1,010)	32,342 (2,711)	21.35 (1,789.35)	- (-)	29,108 (2,440)
30 September, 2009	26,111 (2,189)	Δ18,448 (Δ1,546)	Δ12.32 (Δ1,032.65)	- (-)	Δ2,288 (Δ192)

(Notes)

- 1) Exchange rate used US\$1 = JP¥83.82 ;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 September 30, 2010.
- 2) Regarding information on diluted earnings per share for the third quarter of fiscal year ended December 31, 2009, as XFL is in a loss position such information is not stated herein, even if XFL has potential shares. Regarding information diluted earnings per share for the third quarter of fiscal year ending December 31, 2010, such information is not stated herein since there are no potential shares with dilutive effect.
- 3) 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 (1,475)	26,833 (2,249)	25,411 (2,130)

(Notes)

- 1) Exchange rate used: US\$1 = JP¥83.82;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 September 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: No
- (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.: No
 - 2) Changes other than 1): No
- (4) 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 FTSE/Xinhua Index Limited (“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 “2. Consolidated Financial Statement (8) Notes (significant 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.

(5) Miscellaneous

Liabilities in excess of assets

On September 16, 2010, the Group completed the sales of its outstanding shares of FXI to FTSE International Limited (“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 Securities Listing Regulations of Tokyo Stock Exchange (“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.

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/>