XINHUA CHINA LTD
Form 10-Q
November 14, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

Mark One

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the three-month period ended September 30, 2007

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to _______

COMMISSION FILE NUMBER: 000-33195

XINHUA CHINA LTD.
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

NEVADA	88-0437644
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

7A-11CHANWAI MEN PROPERTY TRADE
CENTER OFFICE BUILDING
NO. 26 CHAOYANMEN WEI STREET
CHAOYANG DISTRICT, BEIJING
PEOPLE'S REPUBLIC OF CHINA
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

86-10-85656588
(ISSUER'S TELEPHONE NUMBER)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:	NAME OF EACH EXCHANGE ON WHICH REGISTERED:
NONE	

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, $0.000025 PAR VALUE
(TITLE OF CLASS)

Indicate by checkmark whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No[ ]

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer [ ]   Accelerated filer [ ]   Non-accelerated filer [X]

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [X] No

APPLICABLE ONLY TO ISSUER INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS.

N/A

Indicate by checkmark whether the issuer has filed all documents and reports required to be filed by Section 12, 13 and 15(d) of the Securities Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the most practicable date:	Outstanding as of November 12, 2007
Class	
Common Stock, $0.00025 par value	54,638,890

XINHUA CHINA LTD.

FORM 10-Q

FORWARD LOOKING STATEMENTS

Statements made in this Form 10-Q that are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 (the "Act") and Section 21E of the Securities Exchange Act of 1934. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "approximate" or "continue," or the negative thereof. We intend that such forward-looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

AVAILABLE INFORMATION

Xinhua China Ltd. files annual, quarterly, current reports, proxy statements, and other information with the Securities and Exchange Commission (the "Commission"). You may read and copy documents referred to in this Quarterly Report on Form 10-Q that have been filed with the Commission at the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. You can also obtain copies of our Commission filings by going to the Commission's website at http://www.sec.gov.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

XINHUA CHINA LTD.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

(STATED IN US DOLLARS)

XINHUA CHINA LTD.

CONTENTS PAGES

Board of Directors and Stockholders
Xinhua China Ltd.

REPORT OF REGISTERED INDEPENDENT PUBLIC ACCOUNTING FIRM

We have reviewed the accompanying interim consolidated Balance Sheets of Xinhua China Ltd. ("the Company") as of September 30, 2007 and June 30, 2007, and the related statements of income, stockholders' equity, and cash flows for the three-months ended September 30, 2007 and 2006. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with U.S. generally accepted accounting principles.

South San Francisco, California
November 3, 2007

Samuel H. Wong & Co., LLP
Certified Public Accountants

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XINHUA CHINA LTD.
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2007 AND JUNE 30, 2007
(STATED IN US DOLLARS)

	NOTES	9/30/2007	6/30/2007
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	$ 3,262	2,733
Accounts Receivable, NET		210,709	185,246
Receivable from trustee	5	-	-
Note receivable	6	1,000,000	1,000,000
Other receivables and prepayments	7	204,054	201,186
Total Current Assets		$1,418,025	1,389,165
LONG-TERM ASSETS			
Property, Plant & Equipment, NET	8	11,133	14,094
Note receivable, long-term portion	6	625,000	625,000
Distribution network right, NET		-	-
Goodwill, NET		-	-
Total Long-term Assets		636,133	639,094
Total Assets		$2,054,158	$2,028,259
LIABILITIES & STOCKHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	9	732,602	693,207

Deferred revenue		59,659	73,427
Current portion of loans payable	10	1,787,643	1,787,643
Due to related parties		-	-
Total Current Liabilities		2,579,904	2,554,277
LONG-TERM LIABILITIES			
Loans Payable	10	1,058,261	1,058,261
Loans from shareholders	11	5,144,231	5,080,430
Total Long-term Liabilities		6,202,492	6,138,691
Total Liabilities		8,782,396	8,692,968

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

XINHUA CHINA LTD.
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2007 AND JUNE 30, 2007
(STATED IN US DOLLARS)

	NOTES	2007	2006
Minority Interest		-	-
STOCKHOLDERS' EQUITY			
Common Stock $0.0001 Par Value 500,000,000 Shares Authorized; 54,638,890 issued and outstanding at September 30, 2007 and June 30, 2007		546	546
Additional Paid in Capital		10,520,506	10,423,526
Accumulated Other Comprehensive Income		9,774	8,749
Accumulated Deficit		(17,259,064)	(17,097,530)
Total Stockholders' (Deficit)/Equity		(6,728,238)	(6,664,709)
Total Liabilities & Stockholders' Equity		$ 2,054,158	$ 2,028,259

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

XINHUA CHINA LTD.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2007 AND 2006
(STATED IN US DOLLARS)

	NOTE	2007	2006
REVENUE			
Revenue, NET		$ -	$ 50,22
Revenue, NET - related parties		-	
COST OF SALES			
Cost of Sales, NET		-	45,44
Cost of Sales, NET - related parties		-	
Gross Profit		-	4,77
OPERATING EXPENSES			
Selling, General, and Administrative Expenses		78,301	461,43
Stock-based Compensation		-	68,66
Total Operating Expense		78,301	530,09
Loss from Operations		(78,301)	(525,32
OTHER INCOME			
Interest Income		11	47
OTHER EXPENSES			
Interest Expense		83,243	771,07
Loss before minority interest and income		(161,534)	(1,295,92
Minority interest in net loss of consolidated subsidiaries		-	
Loss before Income Tax		(161,534)	(1,295,92
Income Tax		-	

Net Loss	$ (161,534)	$ (1,295,92
Net Loss per common share- Basic & Diluted Earnings Per Share	$ -0.01	$ -0.0
Weighted Average Shares Outstanding	57,723,668	52,779,76

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

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XINHUA CHINA LTD.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AS OF SEPTEMBER 30, 2007 AND JUNE 30, 2007
(STATED IN US DOLLARS)

	NO. OF SHARES	COMMON STOCK	ADDITIONAL PAID IN CAPITAL	COMPREHENSIVE INCOME(LOSS)	OTHE COMPREHE INCOME(L
Balance, July 1, 2006	61,779,765	618	9,684,907	(16,470,021)	19,4
Additional Paid-in Capital			738,619		
Cancellation of outstanding shares	(10,000,000)	(100)			
Issuance of shares to Highgate	2,859,125	28			
Foreign Currency translation				(10,729)	(10,7
Net Loss for year				(608,030)	
Balance, June 30, 2007	54,638,890	546	10,423,526	(17,088,780)	8,7
Balance, July 1, 2007	54,638,890	546	10,423,526	(17,088,780)	8,7
Additional Paid-in Capital:					
o Imputed interest from Shareholder			83,281		
o Deferred Revenue amortized as interest			13,699		
			96,980		
Foreign Currency translation				1,025	1,0
Net Loss for year				(161,534)	
Balance, September 30, 2007	54,638,890	546	10,520,506	(17,249,289)	9,7

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

XINHUA CHINA LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED SEPTEMBER 30, 2007 AND 2006
(STATED IN US DOLLARS)

	9/30/2007
CASH FLOW FROM OPERATING ACTIVITIES:	
Net Loss	$ (161,534)
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation	822
Stock-based compensation	-
Net gain on deconsolidation of a subsidiary	-
Amortization of deferred imputed interest	13,768
Imputed interest expense	83,213
Allowance for doubtful accounts	-
Loss on Vancouver office discontinuation	-
Changes in assets and liabilities:	
Decrease/(Increase) Accounts receivable	(25,463)
Decrease/(Increase) Note Receivable	-
Decrease/(Increase) Other receivables and prepayments	(2,868)
Decrease/(Increase) Accounts Payable and accrued liabilities	39,395
Decrease/(Increase) in Deferred Revenue Inventory	(13,768)
Net Cash Used in Operating Activities	(2,908,974)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash acquired in connection with acquisition of Xinhua C&D	-
Deposits received from disposal of a subsidiary	-
Advances to trustee	-
Purchase of plant and equipment	-
Net Cash Used in Investing Activities	-
CASH FLOWS FROM FINANCING ACTIVITIES:	
Contribution from minority interests of Xinhua C&D	-
Common Stocks issued for cash	-
Proceeds from convertible debenture	-
Repayment of Loan Payable	-

Loans from shareholders	63,801
Net Cash Provided by Financing Activities	63,801
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS FOR THE YEAR	529
EFFECT OF CURRENCY TRANSLATION	(3,163)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	2,733
CASH & CASH EQUIVALENTS AT END OF YEAR	$ 3,262
Cash paid for interest expenses	30

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

XINHUA CHINA LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(STATED IN US DOLLARS)

1. ORGANIZATION AND BUSINESS BACKGROUND

Xinhua China Ltd. (the "Company", formerly Camden Mines Limited) was incorporated in the State of Nevada, United States of America, on September 14, 1999. Until September 2004, the Company was a non-operating shell company and considered as a development stage enterprise since its inception. Effective from October 12, 2004, the Company changed to its current name. The Company established an office in Vancouver, Canada; however, this office was closed down in December 2006. The Company established its principal executive office at A-11 Chaowai Men Property Trade Center Office Building, No. 26 Chaoyangmen Wai Street, Chaoyang District, Beijing, 100020, People's Republic of China.

On September 22, 2004, the Company's subsidiaries, Pac-Poly Investment Ltd. ("Pac-Poly") and Beijing Boheng Investments and Management Co., Ltd. ("Boheng") jointly entered into an Investment Agreement ("Investment Agreement") with Xinhua Bookstore (Main Store) ("Xinhua Bookstore") to acquire a 57.67% interest in publication distribution business in the People's Republic of China ("PRC"). Pursuant to the Investment Agreement, Xinhua Bookstore transferred the publication distribution business into a newly formed Chinese company, called Xinhua C&D. Pac-Poly and Boheng agreed to contribute $20.9 million (RMB173 million) in cash in exchange for 57.67% interest in Xinhua C&D. 20% of $20.9 million is payable within two months of closing the transaction and the remaining is payable within six months of closing. The eight other founding member corporations ("Other Investors

Group") agreed to contribute $800,000 (RMB 7 million) in cash in exchange for 2.33% interest in Xinhua C&D. 20% of $800,000 is payable within two months of closing the transaction and the remaining is payable within six months of closing. As of June 30, 2005, a total of $4.34 million was paid by Pac-Poly, Boheng and the other investors group in accordance with the payment schedule. The due date for the remaining cash contribution of 80% amounting to $17.36 million originally expired on August 1, 2005 has been extended to July 31, 2006. Pursuant to a letter of confirmation dated October 7, 2005, Xinhua Bookstore has agreed to reduce the long-term loan it extended to Xinhua C&D should any receivables acquired by Xinhua C&D become uncollectible. The acquisition was completed on February 1, 2005.

As of May 31, 2006, the Company reduced its equity interest in Xinhua C&D from 56.14% to 7.98% (note 4). Subsequent to the deconsolidation of Xinhua C&D, the Company commenced the internet book distribution business through Beijing Joannes Information Technology Co., Ltd. ("Joannes"). Details of the Company's subsidiaries as of September 30, 2007 are described below: -

NAME	PLACE OF INCORPORATION AND KIND OF LEGAL ENTITY	PRINCIPAL ACTIVITIES AND PLACE OF OPERATION	PAR ISSU SH
Pac-Poly Investment Ltd.	British Virgin Islands, a company with limited liability	Investment holding,PRC	10,00 share value
Beijing Joannes Information Technology Co., Ltd.	PRC, a company with limited liability	Sales and distribution of books, PRC	Regis US$1,

XINHUA CHINA LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(STATED IN US DOLLARS)

2. GOING CONCERN UNCERTAINTIES

These consolidated financial statements have been prepared assuming that Company will continue as a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

As of September 30, 2007, the Company had no working capital but current liabilities exceeding current assets by $1,161,879, a negative operating cash flow of $66,435 and an accumulated deficit of $17,259,064 due to the fact that the Company continued to incur losses over the past several years. Management has taken certain action and continues to implement changes designed to improve the Company's financial results and operating cash flows. The actions involve certain cost-saving initiatives and growing strategies, including (a) reductions in headcount and corporate overhead expenses; and (b) development of e-commerce business. Management believes that these actions will enable the Company to improve future profitability and cash flow in its continuing operations through June 30, 2008. As a result, the financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of the Company's ability to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A.) BASIS OF PRESENTATION

These accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP").

(B.) USE OF ESTIMATES

In preparing these consolidated financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheets and revenues and expenses during the year reported. Actual results may differ from these Estimates.

(C.) BASIS OF CONSOLIDATION

The interest of the Company in the subsidiaries was acquired by means of exchange of shares in the Company pursuant to a share exchange agreement on September 14, 2004. The transaction is considered a transfer between entities under common control, within the meaning of US GAAP. Accordingly, the assets and liabilities transferred have been accounted for at historical cost or at their "fair value" at the date of their original acquisition and have been included in the foregoing financial statements as of the beginning of the periods presented.

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and

operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meeting of directors. All significant inter-company balances and transactions within the Company have been eliminated on consolidation.

(D.) INVESTMENTS IN UNCONSOLIDATED ENTITIES

The investments in and the operating results of 50%-or-less-owned entities not required to be consolidated are included in the consolidated financial statements on the basis of the equity method of accounting or the cost method of accounting, depending on specific facts and circumstances.

The Company has an investment in a privately held entity in the form of equity instruments that are not publicly traded and for which fair values are not readily determinable. The Company records its investment in a private entity under the cost method of accounting and assesses the net realizable value of this entity on a quarterly basis to determine if there has been a decline (other than temporary) in the fair value of the entity, under Statement of Financial Accounting Standards ("SFAS") No. 115, "ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES".

(E.) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

(F.) ACCOUNTS RECEIVABLE, NET

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is established and determined based on managements' assessment of known requirements, aging of receivables, payment history, the customer's current credit worthiness, and the economic environment.

(G.) INVENTORIES, NET

Inventories consist primarily of books and are stated at the lower of cost or net realizable value, with cost being determined on a weighted average basis. A majority of the inventories carry the right of return to publishers. An allowance for slow-moving inventories and obsolescence is an estimate amount based on an analysis of current business and economic risks, the duration of the inventories held, whether the inventories carry the right of return to publishers and other specific identifiable risks that may indicate a potential loss. The allowance is reviewed regularly to ensure that it adequately provides for all reasonable expected losses.

XINHUA CHINA LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(STATED IN US DOLLARS)

(H.) PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on the straight-line basis over the following expected useful lives from the date on which they become fully operational.

ASSET CLASSIFICATION	DEPRECIABLE LIFE
Land use right	50 years
Buildings	50 years
Equipment and machinery	5 - 8 years
Motor vehicles	8 - 10 years
Leasehold improvement	2 years

Expenditure for maintenance and repairs is expensed as incurred. The gain or loss on the disposal of property, plant, and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statement of operations.

(I.) NATIONAL DISTRIBUTION RIGHT

The national distribution right enables the Company, through its former subsidiary, Xinhua C&D, to distribute books and publications in all provinces in The PRC without the need to obtain individual provincial approval. The intangible asset is acquired as part of the acquisition of Xinhua C&D at fair value. Management expects the right will be renewed indefinitely for nominal periodic renewal costs. Hence, the fair value of the national distribution right is not amortized but will be evaluated annually in accordance with SFAS No. 142 "GOODWILL AND OTHER INTANGIBLE ASSETS", ("SFAS 142"). If facts or circumstances suggest that the Company's intangible asset is impaired, an impairment loss would be recognized in that period for the difference between the carrying value of the intangible asset and its estimated fair value based on discounted net future cash flows or quoted market prices. There have been no impairment losses recognized to date.

(J.) GOODWILL

The Company's goodwill is deemed to have an indefinite life and is no longer amortized under SFAS No.142, but is subject to annual impairment tests. If facts or circumstances suggest that the Company's goodwill is impaired, the Company assesses the fair value of the goodwill and reduces it to an amount that results in book value approximating fair value. Under SFAS 142, goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value.

XINHUA CHINA LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(STATED IN US DOLLARS)

(K.) IMPAIRMENT OF LONG-LIFE ASSETS

In accordance with SFAS No. 121, "ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF', a long-lived assets and certain identifiable intangible assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows related to the long-lived assets. The Company reviews long-lived assets, if any, to determine the carrying values are not impaired.

(L.) REVENUE RECOGNITION

Sales revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed and final, delivery has occurred and there is reasonable assurance of collection of the sales proceeds. The Company generally obtains purchase authorizations from its customers for a specified amount of products at a specified price and considers delivery to have occurred when the customer takes possession of the products. The net sales incorporate offsets for discounts and sales returns. Revenue is recognized upon delivery, risk and ownership of the title is transferred and a reserve for sales returns is recorded even though invoicing may not be completed. The Company has demonstrated the ability to make reasonable and reliable estimates of products returns in accordance with SFAS No. 48, "REVENUE RECOGNITION WHEN RIGHT OF RETURN EXISTS".

Shipping and handling fees billed to customers are included in sales. Costs related to shipping and handling are part of selling, general, and administrative expenses in the consolidated statements of operations. EITF No. 00-10, "ACCOUNTING FOR SHIPPING AND HANDLING FEES AND COSTS" allows for the presentation of shipping and handling expenses in line items other than cost of sales. For the quarter ended September 30, 2007, there were no shipping and handling costs included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

(M.) COST OF SALES

Cost of sales includes depreciation of property, plant, and equipment and purchase costs to publishers.

(N.) VALUE-ADDED TAX

The Company is subject to value added tax ("VAT") imposed by the PRC on sales. The output VAT is charged to customers who purchase books from the Company and the input VAT is paid when the Company purchases books from publishers. The VAT rate is 13%. The input VAT can be offset against the output VAT.

XINHUA CHINA LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(STATED IN US DOLLARS)

(O.) ADVERTISING EXPENSES

The Company expenses advertising costs as incurred in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position 93-7, "REPORTING FOR ADVERTISING COSTS". For the year ended September 30, 2007, advertising expenses amount to zero.

(P.) COMPREHENSIVE INCOME

SFAS No. 130, "REPORTING COMPREHENSIVE INCOME", establishes standards for reporting and display of comprehensive income, its components, and accumulated balances. Comprehensive income as defined includes all changes in equity during a period from non-owner sources. Accumulated comprehensive income, as presented in the accompanying statement of changes in owners' equity consists of changes in unrealized gains and losses on foreign currency translation. This comprehensive income is not included in the computation of income tax expense or benefit.

(Q.) INCOME TAXES

The Company accounts for income tax using SFAS No. 109 "ACCOUNTING FOR INCOME TAXES", which requires the asset and liability approach for financial accounting and reporting for income taxes. Under this approach, deferred income taxes are provided for the estimated future tax effects attributable to temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax bases, and for the expected future tax benefits from loss carry-forwards and provisions, if any. Deferred tax assets and liabilities are measured using the enacted tax rates expected in the years of recovery or reversal and the effect from a change in tax rates is recognized in the statement of operations and comprehensive (loss) income in the period of enactment. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

(R.) LOSS PER SHARE

The Company calculates loss per share in accordance with SFAS No. 128, "EARNINGS PER SHARE". Basic loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common stock equivalents had been issued and if the additional common shares were dilutive. The effect of outstanding stock options, stock purchase warrants and convertible debenture, which could result in the issuance of 54,638,890 shares of common stock at September 30, 2007 is anti-dilutive. As a result, diluted loss per share data does not include the assumed exercise 7f outstanding stock options, stock purchase warrants, or conversion of convertible debenture and has been presented jointly with basic loss per share.

XINHUA CHINA LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(STATED IN US DOLLARS)

(S.) FOREIGN CURRENCIES TRANSLATION

The functional and reporting currency of the Company is the United States dollars ("U.S. dollars"). The accompanying consolidated financial statements have been expressed in U.S. dollars.

The functional currency of the Company's foreign subsidiaries is the Renminbi Yuan ("RMB"). The balance sheet is translated into United States dollars based on the rates of exchange ruling at the balance sheet date. The statement of operations is translated using a weighted average rate for the year. Translation adjustments are reflected as cumulative translation adjustments in stockholders' equity.

EXCHANGE RATES	9/30/2007	9/30/2006
Period end RMB : US$ exchange rate	7.5176	7.9168
Average period RMB : US$ exchange rate	7.6757	7.9771

(T.) SEGMENT REPORTING

SFAS No. 131 "DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION" establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organization structure as well as information about geographical areas, business segments and major customers in financial statements. The Company operates in one principal reportable segment.

(U.) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the Company's financial instruments, which include cash and cash equivalents, accounts receivables, other payable and accrued liabilities, approximate their fair values due to the short-term maturity of these instruments.

(V.) RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related if one party has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(W.) EQUITY-BASED COMPENSATION

The Company adopts SFAS No. 123, "ACCOUNTING FOR STOCK-BASED

COMPENSATION" using the fair value method.

The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of options.

XINHUA CHINA LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(STATED IN US DOLLARS)

The Company has issued stock options to directors, officers, employees, and consultants. As such, the Company records compensation expense for stock options and awards only if the exercise price is less than the fair market value of the stock on the measurement date.

Detailed movement of stock-based compensation has been disclosed in the note 14 to consolidated financial statements. No options were granted during the three months ended September 30, 2007.

(X.) CONVERTIBLE DEBENTURE ISSUED WITH STOCK PURCHASE WARRANTS

The Company accounts for the issuance of and modifications to the convertible debt issued with stock purchase warrants in accordance with APB No. 14, ACCOUNTING FOR CONVERTIBLE DEBT AND DEBT ISSUED WITH STOCK PURCHASE WARRANTS , EITF No. 98-5, ACCOUNTING FOR CONVERTIBLE SECURITIES WITH BENEFICIAL CONVERSION FEATURES OR CONTINGENTLY ADJUSTABLE CONVERSION RATIOS, and EITF No. 00-27, APPLICATION OF ISSUE NO. 98-5 TO CERTAIN CONVERTIBLE INSTRUMENTS and SFAS No. 15, ACCOUNTING BY DEBTORS AND CREDITORS FOR TROUBLED DEBT RESTRUCTURINGS.

Due to the indeterminate number of shares, which might be issued under the embedded convertible host debt conversion feature of these debentures, the Company is required to record a liability relating to both the detachable warrants and embedded convertible feature of the notes payable (included in the liabilities as a "derivative liability").

The accompanying consolidated financial statements comply with current requirements relating to warrants and embedded derivatives as described in SFAS 133 as follows: -

- The Company treats the full fair market value of the derivative and warrant liability on the convertible secured debentures as a discount on the debentures (limited to their face value). The excess, if any, is recorded as an increase in the derivative liability and warrant liability with a corresponding increase in loss on adjustment of the derivative and warrant liability to fair value.

- Subsequent to the initial recording, the change in the fair value of the detachable warrants, determined under the Black-Scholes option pricing formula and the change in the fair value of the embedded derivative (utilizing the Black-Scholes option pricing formula) in the conversion feature of the convertible debentures are recorded as adjustments to the liabilities as of September 30, 2006.

- o The expense relating to the change in the fair value of the Company's stock reflected in the change in the fair value of the warrants and derivatives is included in interest expense in the accompanying consolidated statements of operations.

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(Y.) RECENTLY ISSUED ACCOUNTING STANDARD

In May 2005, the FASB issued SFAS No. 154, "ACCOUNTING CHANGES AND ERROR CORRECTIONS - A REPLACEMENT OF APB OPINION NO. 20 AND FASB STATEMENT NO. 3" ("SFAS 154"). SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. These requirements apply to all voluntary changes and changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 is effective for fiscal years beginning after December 15, 2005. As such, the Company has adopted these provisions, if any, at the beginning of the fiscal year ended December 31, 2006.

In February 2006, the FASB issued SFAS Statement No. 155, "ACCOUNTING FOR CERTAIN HYBRID FINANCIAL INSTRUMENTS--AN AMENDMENT OF FASB STATEMENTS NO. 133 AND 140" ("SFAS 155"). This Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets." This Statement permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS 155 is effective for all financial instruments acquired or issued for the Company for fiscal year begins after September 15, 2006. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In July 2006, the FASB issued FIN 48, Accounting for Uncertainty in

Income Taxes--an Interpretation of FASB Statement No. 109, which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that the Company recognizes in its consolidated financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for the Company on January 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, where fair value is the relevant measurement attribute. The standard does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal year beginning after November 15, 2007, and interim periods within those fiscal years.

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In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of SFAS 115" (SFAS No. 159), which allows for the option to measure financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The objective of SFAS 159 is to provide opportunities to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply hedge accounting provisions. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS No. 159 on our consolidated financial statements.

The Company does not anticipate that the adoption of the above standards will have a material impact on these consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	9/30/2007	9/30/2006

Cash at banks	$ 3,262	$ 2,733
	=========	=========

5. RECEIVABLE FROM A TRUSTEE

On February 28, 2006, the Company entered an entrustment agreement (the "Agreement") with Asia-Durable Investments (Beijing) Co. Ltd. ("Asia-Durable"), a company incorporated in the PRC. In accordance with the Agreement, the Company agreed to entrust Asia-Durable on its behalf to invest, set up, hold, and administer its interest of a company registered in the PRC (the "Project Company"). The Company also provided a sum of $1.5 million (RMB 12 million) to Asia-Durable being the investment capital of the Project Company in April 2006. The sum of $1.5 million is refundable at the Company's option within one year from the date of the Agreement. As of September 30, 2006, the effectiveness of the Project Company is subject to the approval of Chinese government to enter into co-publishing arrangements with foreign publishers.

The balance is unsecured, interest-free, and repayable within twelve months. Eventually this account proves to be irrecoverable after pursuing collection. An allowance for loss of $1,500,000 was provided in the financial statements of September 30, 2007.

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6. NOTE RECEIVABLE

The amount represents the sales proceeds receivable from the disposal of Boheng. Pursuant to the Disposal Agreement the sales proceeds are receivable in 5 installments and are due in full, no later than July 31, 2008.

SCHEDULED RECEIPT DATE	APPROXIMATELY	EQUAL TO RMB
March 10, 2007	$ 250,000	2,000,000
September 30, 2007	375,000	3,000,000
October 31, 2007	375,000	3,000,000
January 31, 2008	250,000	2,000,000
July 31, 2008	625,000	5,000,000
Total	$ 1,875,000	15,000,000
Less: Paid	(250,000)	(2,000,000)
Balance at September 30, 2007	$ 1,625,000	13,000,000

The schedule payment of $375,000 on June 30, 2007 was still unpaid through

September 30, 2007. The balance is unsecured and interest-free. The Company calculated the imputed interest income of $87,195 at the current effective rate of 4.82% per annum and reduced from the gain on disposal of a subsidiary. The amount is recognized as deferred revenue and will be amortized as interest income over the terms of repayment period.

7. OTHER RECEIVABLES AND PREPAYMENT

	9/30/2007	6/30/2007
Advances to employee	$ -	$ -
Goods and service tax receivable	-	-
Other receivables	-	-
Prepayments	204,054	201,186
	$ 204,054	$ 201,186

The carrying amounts of other receivables approximate their fair value.

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8. PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment consist of the following:

	9/30/2007	6/30/2007
Land Use Right	$ -	$ -
Buildings	-	-
Equipment and machinery	36,789	38,928
Motor vehicles	-	-
Leasehold Improvement	-	-
	36,789	38,928
Less: Accumulated Depreciation	25,656	24,834
	$ 11,133	$ 14,094

Depreciation expense for the quarter ended September 30, 2007, was $822.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of September 30, 2007 consist of the following:

	9/30/2007	6/30/2007

Accounts payable	$ 732,602	$ 693,207
	$ 732,602	$ 693,207

10. LOANS PAYABLE/CONVERTIBLE DEBENTURE

On November 23, 2005, the Company entered into a debt financing agreement (the "Agreement") with an institutional investor, and on March 23, 2006, the Agreement was modified to include an additional institutional investor, who is an affiliate of the original institutional investor (both institutional investors collectively referred to as "the Investors"). The Investors committed to purchase up to $4,000,000 of a secured convertible debenture ("the debenture") that shall be convertible into shares of the Company's common stock.

After two closings on December 13, 2005 and March 23, 2006, the Company received gross proceeds of $3,250,000 (net proceeds $2,989,460) for the secured convertible debenture. The Company and debenture-holders entered into a Forbearance and Settlement Agreement on December 29, 2006 because of default in debt service, whereby the Company agreed to make cash payment and to grant rights to the creditors to cashless purchase the Company's common stock by exercising the warrant at 200,000 shares in every three month period beginning on December 29, 2006 according to the following payment plan:

PAYMENT DATE	CASH PAYMENT	CONVERSION OF DEBENTURE
March 10, 2007	$ 250,000	250,000
September 30, 2007	375,000	375,000
October 31, 2007	375,000	375,000
January 31, 2008	250,000	250,000
July 31, 2008	625,000	625,000
	$ 1,875,000	1,875,000

As of September 30, 2007, the Company paid $250,000 for the payment due March 10, 2007 and the creditors exercised 100,000 shares and 125,000 shares on March 1, 2007 and April 18, 2007 respectively Loans Payable outstanding as of September 30, 2007 amount to $2,845,904 of which $1,787,643 and $1,058,261 attributed to current portion and long-term respectively.

11. LOANS FROM SHAREHOLDERS

The outstanding amounts represent cash advanced from shareholders of the Company.

These shareholders' loans are unsecured and not repayable within the next twelve months. For the quarter ended September 30, 2007, there was $83,213 imputed interest recorded.

12. INCOME TAX

The Company is subject to US taxes at 35%. Pac-Poly is a BVI company and is not subject to income taxes. Xinhua C&D and Boheng are subject to income taxes in The PRC. Pursuant to the PRC Income Tax Laws, the subsidiaries are generally subject to enterprise income tax ("EIT") at a statutory rate of 33% (30% national income tax plus 3% local income tax).

Neither the Company nor its subsidiaries had any assessable income for the period and so neither provision nor benefit for EIT was recorded for the quarter ended September 30, 2007.

Subject to the approval of the relevant tax authorities, the Company had tax losses carry-forward against future years' taxable income.

As of September 30, 2007, valuation allowance of $873,110 was provided to the deferred tax assets due to the uncertainty surrounding their realization.

13. CHINA CONTRIBUTION PLAN

Full-time employees of the Company are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a China government-mandated multi-employer defined contribution plan. The Company is required to pay for these benefits based on certain percentages of the employees' salaries. The total contributions made for such employee benefits were $ 6,483 for the quarter ended September 30, 2007.

14. STATUTORY RESERVES

The Company is required to make appropriations to reserves funds, comprising the statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve, based on after-tax net income determined in accordance with generally accepted accounting principles of the People's Republic of China (the "PRC GAAP"). Appropriation to the statutory surplus reserve should be at least 10% of the after-tax net income determined in accordance with the PRC GAAP until the reserve is equal to 50% of the Company's registered capital. Appropriation to the statutory public welfare fund is 10% of the after-tax net income determined in accordance with the PRC GAAP. Appropriations to the discretionary surplus reserve are made at the discretion of the Board of Directors. The statutory public welfare fund is established for providing employee facilities and other collective benefits to the employees and is non-distributable other than in liquidation. The Company made no appropriations to the statutory reserve, as it did not have a pre-tax profit.

15. CONCENTRATION OF RISK

(A.) Major Customers and Vendors

100% of the Company's revenues were derived from customers located in the PRC, and there are no customers and vendors who account for 10% or more of revenues and purchases. The Company's assets are all located in the PRC.

(B.) Credit Risk

There are no concentrations of credit risk because the Company, while in operation, entered into large number of cash sale transactions without deploying financial instruments, which may potentially drive to significant concentrations.

16. COMMITMENT AND CONTINGENCIES

The Company leases an office premise under a non-cancelable operating lease. The cost incurred under this operating lease is recorded as rental expense and totaled $18,084 for the quarter ended September 30, 2007. Future minimum rental payments due under a non-cancelable operating lease until termination at November 30, 2007 are $12,052.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS DEVELOPMENT

Xinhua China Ltd. was incorporated September 14, 1999 under the laws of the State of Nevada as Camden Mines Limited ("Camden"). On October 12, 2004, Camden changed its name from "Camden Mines Limited" to its current corporate name "Xinhua China Ltd." The change in corporate name reflected our anticipation of acquiring an interest in the Chinese book distribution giant" Xinhua Circulation & Distribution ("Xinhua C&D").

As of the date of this Quarterly Report, we are a company establishing ourselves as a leader in the digital media industry. As discussed below, we have refocused our strategic business operation plans to maximize our strategic position in the publishing industry. Please note that throughout this Quarterly Report, and unless otherwise noted, the words "we," "our," "us," or the "Company" refer to Xinhua China Ltd.

SUBSIDIARIES

PAC-POLY INVESTMENTS LIMITED

As of the date of this Quarterly Report, we hold of record 100% of the total issued and outstanding shares of Pac-Poly Investments Limited ("Pac-Poly"), which is our wholly-owned subsidiary. Pac-Poly is an investment holding company. We maintain a 7.98% effective interest in Xinhua C&D through Pac-Poly.

BEIJING JOANNES INFORMATION TECHNOLOGY CO. LT.

On May 9, 2006, we formed Beijing Joannes Information Technology Co. Lt. ("Beijing Joannes"), as our Chinese wholly owned subsidiary, to launch a digital media content initiative. We held of record 100% of the total issued and outstanding shares of Beijing Joannes. Beijing Joannes was formed for the purpose of launching a digital media content initiative with the web site branded www.geepip.com. The business focus is building online communities with connectivity to an ecommerce engine, which allows for the online purchase of e-books, e-audio, and computer games. Hard copies of books can also be purchase through the portal. A unique customer loyalty program and digital redemption or trade-in strategy will be a market differentiator.

RECENT BUSINESS OPERATIONS

DIVESTURE OF INTEREST IN XINHUA CIRCULATION & DISTIRBUTION

Pursuant to the terms and provisions of an investment agreement (the "Investment Agreement") among our two subsidiaries Pac-Poly and Beijing Boheng and Xinhua Bookstore (Main Store) ("Xinhua Bookstore"), we acquired a 57.67% interest in the publication distribution business in the People's Republic of China. Xinhua Bookstore transferred the publication distribution business into a newly formed

Chinese company called Xinhua Circulation & Distribution ("Xinhua C&D"). Xinhua C&D is presently primarily a book distribution enterprise. As of May 31, 2006, we reduced our ownership interest in Xinhua C&D to 7.98%. We had originally intended to help guide Xinhua C&D through the modernization and growth of its systems and distribution strategies. Realizing the large investment in real estate, equipment, fixed assets requirements to achieve modernization and growth, as well as the shifting of reading habits to a digital format and a dynamic and growing digital youth (age 12-25) comprising over 50% of the population, our management, after very careful consideration, effective May 31, 2006, revised our business focus to instead concentrate on the growing opportunity in online content distribution, co-publishing, and digital rights management. While executing this strategy, we will continue to maximize our strategic position in the publishing industry by utilizing the connections and channels we have established as a result of our interest in Xinhua C&D. As a result of the decision to focus on digital media and co-publishing, we were able to renegotiate our financial commitment to Xinhua C&D and eliminate the requirement to invest a further $16,700,000 into Xinhua C&D to build their new distribution warehouse along with all other obligations related to the long term leasing of approximately 128 acres of land on which the warehouse was to be built. This change reduced our equity interest in Xinhua C&D to 7.98%.

RESULTS OF OPERATION

The summarized consolidated financial data set forth in the tables below and discussed in this section should be read in conjunction with our consolidated financial statements and related notes for the three-month period ended September 30, 2007 and 2006, which financial statements are included elsewhere in this Quarterly Report.

	FOR QUARTER ENDED SEPTEMBER 30, 2007 (UNAUDITED)	FOR QUARTER ENDED SEPTEMBER 30, 2006 (UNAUDITED)
Net Sales	$ 0	$ 50,220

Loss from Operations	(78,301)	(525,325)
Loss from Operations per Share	-0.01	-0.03
Total Assets	2,054,158	2,227,860
Total Liabilities	8,782,396	10,148,253

RESULTS OF OPERATION

FOR QUARTER ENDED SEPTEMBER 30, 2007 COMPARED TO QUARTER ENDED SEPTEMBER 30, 2006.

REVENUES AND GROSS MARGIN

We had net sales of $-0- for the quarter ended September 30, 2007 compared to net sales of $4,771 for the quarter ended September 30, 2006, after taking into account cost of sales. Net sales decreased substantially due to the divesture of our interest in Xinhua C& D.

COST OF SALES

Our cost of sales for the quarter ended September 30, 2007 was $-0- compared to cost of sales of $45,449 for the quarter ended September 30, 2006. Cost of sales consisted of purchased costs to publishers and depreciation of property, plant and equipment. Cost of sales decreased proportionately with the decrease in revenues to $-0- during the quarter ended September 30, 2007 compared with the quarter ended September 30, 2006 due to the divesture of our interest in Xinhua C&D.

OPERATING EXPENSES

Our total operating expenses were $78,301 for the quarter ended September 30, 2007 as compared to total operating expenses of $530,096 for the quarter ended September 30, 2006. The decrease in operating expenses during the quarter ended September 30, 2007 as compared September 30, 2006 was due to the corresponding decrease in net revenues. Selling, general and administrative expenses decreased based on a substantial decrease in stock-based compensation. Stock-based compensation decreased from $68,665 during the quarter ended September 30, 2006 to $-0- during the quarter ended September 30, 2007. Stock-based compensation expense is attributable to the valuation of our Stock Option Plan under the fair value method in accordance with SFAS No. 123. Selling, general and administrative expenses decreased from $461,431 during the quarter ended September 30, 2006 to $78,301 during the quarter ended September 30, 2007. This primarily resulted from the decrease of fees to our consultants and professionals in relation to our fund raising and issuance of convertible debentures primarily to Cornell Capital LLC and other legal and financial matters.

INTEREST

We incurred $83,243 in interest expense during the quarter ended September 30, 2007 as compared to $771,076 incurred as interest expense during the quarter ended September 30, 2006. Interest expense incurred consisted primarily of interest charged on loans from related parties.

We incurred a net loss of ($161,534) for the quarter ended September 30, 2007 compared to a net loss of ($1,295,925) incurred during the quarter ended

September 30, 2006.

LIQUIDITY AND CAPITAL RESOURCES

QUARTER ENDED SEPTEMBER 30, 2007

Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

As at the quarter ended September 30, 2007, our current assets were $1,418,025 and our current liabilities were $2,579,904, resulting in a working capital deficit of $1,161,879. As at the quarter ended September 30, 2007, current assets were comprised of: (i) $3,262 in cash and cash equivalents; (ii) $210,709

in net accounts receivable; (iii) $1,000,000 in note receivable; and (iv) $204,054 in other receivables and prepayments. The note receivable represents the sales proceeds of $1,875,000, of which $250,000 has been paid, from the disposal of Beijing Boheng in accordance with the terms and provisions of the disposal agreement. The sales proceeds are receivable in five installments and are due in full no later than July 31, 2008. As at the quarter ended September 30, 2007, our current liabilities were comprised of: (i) $732,602 in accounts payable and accrued liabilities; (ii) $1,787,643 in current portion of loans payable; and (iii) $59,659 in deferred revenue. See " - Material Commitments."

As at the quarter ended September 30, 2007, our total assets were $2,054,158 comprised of: (i) $1,418,025 in current assets; (ii) $625,000 in long-term portion of note receivable; and (iii) $11,133 in net property, plant and equipment. The slight increase in total assets during the quarter ended September 30, 2007 from fiscal year ended June 30, 2007 was primarily due to the note receivable.

As at the quarter ended September 30, 2007, our total liabilities were $8,782,396 comprised of: (i) $2,579,904 in current liabilities; (ii) $1,058,261 in loans payable; and (iii) $5,144,231 in loans from shareholders. The slight increase in total liabilities during the quarter ended September 30, 2007 from fiscal year ended June 30, 2007 was primarily due to the increase in loans from shareholders and in accounts payable and accrued liabilities.

Stockholders' deficit increased from ($6,664,709) for June 30, 2007 to ($6,728,238) for September 30, 2007.

OPERATING ACTIVITIES

We have not generated positive cash flows from operating activities. For the quarter ended September 30, 2007, net cash flow used in operating activities was ($2,908,974). Net cash flow used in operating activities during the quarter ended September 30, 2007 consisted primarily of a net loss of ($161,534) adjusted by $83,213 in imputed interest expense and $13,768 in amortization of deferred imputed expense. Changes in assets and liabilities consisted of an increase of $25,463 in account receivable, $139,395 in accounts payable and accrued liabilities, $13,768 in deferred revenue inventory and $2,868 in other receivables and prepayments.

INVESTING ACTIVITIES

During the quarter ended September 30, 2007, net cash flow used in investing activities was $-0-compared to net cash flow used in investing activities of ($243,301) for the quarter ended September 30, 2006. Net cash flow used in investing activities during the quarter ended September 30, 2006 was primarily the result of $252,982 in deposits received from disposal of the subsidiary.

FINANCING ACTIVITIES

During the quarter ended September 30, 2007, net cash flow from financing activities was $63,801 compared to net cash flow from financing activities of $498,665 for the quarter ended September 30, 2006. Net cash flow from financing activities during the quarter ended September 30, 2007 pertained primarily to $63,801 received as proceeds from loan from shareholders.

PLAN OF OPERATION

The local and regional distribution business for books is competitive and fragmented in the People's Republic of China. Estimates range up to 500 as to the number of entrants in this field. It is our plan that economy of scale, relationships with Chinese publishers and also with sub-distributors and retailers and our nationwide scope which allows us the flexibility to distribute books in any region will assist us in maintaining and enhancing our competitive position.

Our goal is to expand our business to include electronic sales, delivery and distribution of media contents. We also plan to partner with foreign publishers to provide foreign media contents in China. We seek to achieve our goal on a national scale to maximize opportunities in one of the largest and fastest growing economies in the world.

To execute on our strategy to become a digital media company we formed our new subsidiary, Beijing Joannes. Beijing Joannes is intended to be our digital media company and it is expected to distribute all digital content for Xinhua C&D and others. Beijing Joannes has anticipated in operating its business to consumer (B2C) e-commerce portal as www.geezip.com, and expects to allow customers to purchase electronic and hard copies of books on-line.

We expect to also establish a co-publishing company which anticipates on co-publishing agreements with both domestic and foreign publishers, publishing both hard copy and digital works.

Existing working capital, further advances and possible debt instruments, warrant exercises, further private placements, monetization of existing assets, and anticipated cash flow are expected to be adequate to fund our operations over the next two months. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt securities and loans from our shareholders. In connection with our business plan, management will delay additional increases in operating expenses and capital expenditures. We intend to utilize our best efforts to settle current finance accounts payables and liabilities with further issuances of securities, debt and or advances, monetization of existing assets, and revenues from operations. We will need to raise additional capital and increase revenues to meet both short term and long-term operating requirements.

We have undertaken certain actions and continue to implement changes designed to improve our financial results and operating cash flows. The actions involve certain cost-saving initiatives and growing strategies, including: (i) reductions in headcounts and corporate overhead expenses; and (ii) continue to develop e-commerce business through Beijing Joannes. We believe that these actions will enable us to improve future profitability and cash flow in our continuing operations through June 30, 2008. Furthermore, the commitment to contribute further capital of $16,700,000 to Xinhua C&D and the restructure of debt pertaining to Cornell and Highgate has been advantageous to our over financial outlook. Ultimately, we have released the burden on cash flow for further contribution and intend to put our resources in co-publishing and e-commerce business opportunities.

The report of the independent registered public accounting firm that accompanies our June 30, 2007 and June 30, 2006 consolidated financial statements contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. The consolidated financial statements have been prepared "assuming that we will continue as a going concern," which contemplates that we will realize our assets and satisfy our liabilities and commitments in the ordinary course of business.

MATERIAL COMMITMENTS

LOANS PAYABLE/CONVERTIBLE DEBENTURE

During 2007/8, a material commitment for us relates to the Forbearance and Settlement Agreement with Cornell and Highgate. On December 29, 2006, we completed the debt restructuring with Cornell and Highgate under the Forbearance and Settlement Agreement. Pursuant to the Forbearance and Settlement Agreement, we agreed to make certain payments to Cornell and Highgate with respect to the Securities Purchase Agreement previously entered into by us with Cornell and Highgate dated November 23, 2005 and amended on March 23, 2006, and the two convertible debentures in the amounts of $1,250,000 to Highgate dated November 23, 2005 and $2,000,000 to Cornell dated March 23, 2006 (collectively, the "Convertible Debentures") in accordance with the terms and conditions set forth in the Forbearance and Settlement Agreement.

In further accordance with the Forbearance and Settlement Agreement, we agreed to use the proceeds from the disposal of Beijing Boheng to repay the principal and interest due to Cornell and Highgate under the Convertible Debentures in exchange for the agreement of Cornell and Highgate to: (i) waive on a one-time basis only any accrued liquidated damages owing to Cornell and Highgate; (ii) no application of the redemption premium on the scheduled repayments; (iii) conversion of the Convertible Debentures in an amount equal to at least the amount of a scheduled repayment subject to certain conditions; (iv) no additional liquidated damages accruing during the term of the Forbearance and Settlement Agreement; (v) permitting us to withdraw the registration statement filed on March 28, 2006 with the Securities and Exchange Commission in connection with the Convertible Debentures; (vi) during the term of the Forbearance and Settlement Agreement, waiving the requirement for us to receive written consent of Cornell and Highgate for any organizational change (as defined in the Securities Purchase Agreement) to be directly or indirectly consummated by us, and that we will not effectuate any stock splits for at least nine months without the consent of Cornell and Highgate; and (vii) terminating the provisions for security shares as set forth in Section 9 of the Securities Purchase Agreement and in Section 2 of the transfer agent instructions upon receipt by Cornell and Highgate of the first scheduled repayment amount.

The payment plan under the Forbearance and Settlement Agreement is as follows:

Payment Date	Cash Payment	Conversion of Debenture
March 10, 2007	$ 250,000	250,000
June 30, 2007	375,000	375,000
October 31, 2007	375,000	375,000
January 31, 2008	250,000	250,000
July 31, 2008	625,000	625,000
	$ 1,875,000	1,875,000

As of September 30, 2007, we paid $250,000 for the payment due March 10, 2007 and issued 100,000 shares of our common stock on March 1, 2007 and 125,000 shares on April 18, 2007, respectively, pursuant to exercise rights.

LOANS FROM SHAREHOLDERS

During fiscal year 2007/8, a material commitment for us relates to the loans from shareholders. The outstanding amount of $5,144,231 represents cash advanced to us from our shareholders. These shareholder loans are unsecured, interest-free and not repayable within the next twelve months. For the quarter ended September 30, 2007, we calculated imputed interest expense of $83,213 in relation to interest-free shareholders loans at its effective interest rate and accounted for it in the consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse change in foreign currency and interest rates.

EXCHANGE RATE

Our reporting currency is United States Dollars ("USD"). The Chinese Renminbi ("RMB") has been informally pegged to the USD. However, China is under international pressure to adopt a more flexible exchange rate system. If the RMB were no longer pegged to the USD, rate fluctuations may have a material impact on the Company's consolidated financial reporting and make realistic revenue projections difficult. Recently (July 2005) the Renminbi was allowed to rise 2%. This has not had an appreciable effect on our operations and seems unlikely to do so.

As Renminbi is the functional currency of Xinha C&D and Boheng, the fluctuation of exchange rates of Renminbi may have positive or negative impacts on the results of operations of the Company. However, since all sales revenue and expenses of these two subsidiary companies are denominated in Renminbi, the net income effect of appreciation and devaluation of the currency against the US Dollar will be limited to the net operating results of the subsidiary companies attributable to us.

INTEREST RATE

Interest rates in China are low and stable and inflation is well controlled, due to the habit of the population to deposit and save money in the banks (among with other reasons, such as the People's Republic of China's perennial balance of trade surplus). Our loans relate mainly to trade payables and are mainly short-term. However our debt is likely to rise with physical plant in connection with expansion and, were interest rates to rise at the same time, this could become a significant impact on our operating and financing activities.

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We have not entered into derivative contracts either to hedge existing risks or for speculative purposes.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer/Chief Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2007. Based on that evaluation, our Chief Executive Officer/Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Such officers also confirmed that there was no change in our internal control over financial reporting during the quarter ended September 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 4T. CONTROLS AND PROCEDURES

Not applicable.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDING

Management is not aware of any legal proceedings contemplated by any governmental authority or any other party involving us or our properties. None of our directors, officers or affiliates are (i) a party adverse to us in any legal proceedings, or (ii) has an adverse interest to us in any legal proceedings. Management is not aware of any other legal proceedings pending or that have been threatened against us or our properties.

ITEM 1A. RISK FACTORS

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this prospectus in evaluating our company and its business before purchasing shares of our common stock. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. The risks described below are all of the material risks that we are currently aware of that are facing our company. Additional risks not presently known to us may also impair our business operations. You could lose all or part of your investment due to any of these risks.

WE HAVE INCURRED LOSSES AND SUBSTANTIAL DOUBT EXISTS ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN.

We have a history of operating losses, expect to continue to incur losses, and may never be profitable. We have incurred a net loss of ($161,534) for the quarter ended September 30, 2007. We had a working capital deficit of $1,161,879 and shareholders' deficit of $6,728,238 as of September 30, 2007. These factors

raise substantial doubt about our ability to continue as a going concern. The auditors' report in our financial statements as at fiscal year ended June 30, 2007 includes an explanatory paragraph that states that we have generated net losses and have a shareholders' deficit factors which raise substantial doubt about our ability to continue as a going concern. We have been dependent on sales of our equity securities and debt financing to meet our cash requirements. Further, we do not expect positive cash flow from operations in the near term. There is no assurance that actual cash requirements will not exceed our estimates. In particular, additional capital may be required in the event that: (i) operating costs may be more than we currently anticipate; or (ii) we encounter greater costs associated with general and administrative expenses or offering costs.

WE ARE OPERATING IN A DEVELOPING MARKET AND THERE IS UNCERTAINTY AS TO MARKET ACCEPTANCE OUR TECHNOLOGY AND PRODUCTS.

We researched the markets for our products involving the digital media industry. We have conducted limited test marketing and thus have relatively little information on which to estimate our levels of sales, the amount of revenue our planned operations will generate and our operating and other expenses. There can be no assurance that we will be successful in our efforts to market our products or to develop our markets in the manner we contemplate within the digital media industry.

The markets for our products and technology are developing and rapidly evolving and are characterized by an increasing number of market entrants who have developed or are developing a wide variety of products and technologies, a number of which offer certain of the features that our products offer. Because of these factors, demand and market acceptance for new products are subject to a high level of uncertainty. There can be no assurance that our technology and products will become widely accepted. It is also difficult to predict with any assurance the future growth rate, if any, and size of the market. If a substantial market fails to develop, develops more slowly than expected or becomes saturated with competitors or if our products do not achieve market acceptance, our business, operating results and financial condition will be materially and adversely affected.

OUR DIGITAL MEDIA INDUSTRY AND MARKET IS CHARACTERISED BY NEW ENTRANTS AND RAPID TECHNOLOGICAL CHANGE.

The digital media industry and market for our products is characterized by rapidly changing technology and frequent new product introductions. Our success will depend in part on our ability to enhance our technologies and products and to introduce new products and technologies to meet changing customer requirements. We are currently devoting, and intend to continue to devote, significant resources toward the development of digital media technology and products. There can be no assurance that we will successfully complete the development of these technologies and related products in a timely fashion or that our current or future products will satisfy the needs of the digital media industry. There can also be no assurance that digital media products and technologies developed by others will not adversely affect our competitive position or render our products or technologies non-competitive or obsolete.

IF WE ARE UNABLE TO COMPETE IN THE DIGITAL MEDIA MARKET, YOU MAY LOSE ALL OR PART OF YOUR INVESTMENT.

The digital media market is highly competitive and highly fragmented. Our competitors may have substantially greater financial, technological, marketing, personnel and research and development resources than we currently have. There are direct competitors who have competitive technology and products. Many of these competitors may have significant advantages over us, including greater financial, technical, marketing and manufacturing resources, more extensive distribution channels, larger customer bases and faster response times to adapt new or emerging technologies and changes in customer requirements. As a result, our competitors may develop superior products or beat us to market with products similar to ours. Further, there can be no assurance that new companies will not enter our markets in the future. Although we believe that our products will be distinguishable from those of our competitors on the basis of their technological features and functionality at an attractive value proposition, there can be no assurance that we will be able to penetrate any of our anticipated competitors' portions of the market. There can be no assurance that we will be able to compete successfully against currently anticipated or future competitors or that competitive pressures will not have a material adverse effect on our business, operating results and financial condition. If we are not successful in competing against our current and future competitors, you could lose your entire investment.

Moreover, foreign direct investment in China has increased rapidly in the last twenty years and the investment environment has further improved to encourage foreign and local investors to invest in fields other than those considered by the government of the Peoples' Republic of China to be sensitive. Distribution channels have been opened up to new foreign investment subject to Peoples' Republic of China government guidelines. Many companies are involved in the electronic and traditional publishing and distribution of literary and entertainment material. There is no guarantee that other competitors will not become involved in business similar to ours. If this occurs, there may be competitors with greater financial resources and to the extent that such competitors compete on the basis of price, this could affect our results of operations and our ability to continue operations.

WE HAVE LIMITED MARKETING CAPABILITY.

We have limited marketing capabilities and resources. In order to achieve market penetration we will have to undertake significant efforts and expenditures to create awareness of, and demand for, our technology and products. Our ability to penetrate the market and build our customer base will be substantially dependent on our marketing efforts, including our ability to establish strategic marketing arrangements. No assurance can be given that we will be able to enter into any such arrangements or if entered into that they will be successful. Our failure to successfully develop our marketing capabilities, both internally and through third-party alliances, would have a material adverse effect on our business, operating results and financial condition. Further, there can be no assurance that, if developed, such marketing capabilities will lead to sales.

WE WILL NEED TO RESTRUCTURE OUR BUSINESS TO MAXIMIZE OUR PROFITABILITY AND CASH FLOW.

We may experience significant fluctuations in our operating results and rate of growth. Due to our limited operating history and our evolving business model, and the unpredictability of the future of our industry, we may not be able to accurately forecast our rate of growth. We base our current and future expense levels and our investment plans on estimates of future net sales. Our expenses and investments are to a large extent fixed, and we may not be able to adjust our spending quickly enough if our net sales fall short of our expectations.

Our revenue and operating profit growth depends on the continued growth of demand for books offered by our customers and partners, and our business is affected by business conditions in China and, indirectly, worldwide. Revenue growth may not be sustainable and our company-wide percentage growth rate may decrease in the future.

OUR BUSINESS IS EXPOSED TO RISKS ASSOCIATED WITH ONLINE COMMERCE SECURITY AND CREDIT CARD FRAUD WHICH COULD REDUCE OUR REVENUES.

A fundamental requirement for online commerce and communications is the secure transmission of confidential information, such as credit card numbers or other personal information, over public networks. Our security measures may be inadequate and, if any compromise of security were to occur, it could have a detrimental effect on our reputation and adversely affect our ability to maintain our existing travelers and/or attract new travelers.

Consumer concerns over the security of transactions conducted on the Internet or the privacy of users may inhibit the growth of the Internet and online commerce. To transmit confidential information such as customer credit card numbers securely, we rely on encryption and authentication technology. Unanticipated events or developments could result in a compromise or breach of the systems we use to protect customer transaction data. Our servers and those of our service providers may be vulnerable to viruses or other harmful code or activity transmitted over the Internet. A virus or other harmful activity could cause a service disruption.

In addition, we bear financial risk from products or services purchased with fraudulent credit card data. Although we have implemented anti-fraud measures, a failure to control fraudulent credit card transactions adequately could adversely affect our business. Because of our limited operating history, we cannot assure you that our anti-fraud measures are sufficient to prevent material financial loss. Since we cannot exert the same level of influence or control over our sales agents as we could were they our own employees, our sales agents could fail to comply with our policies and procedures, which could result in claims against us that could harm our financial condition and operating results. We are not in a position to directly provide the same direction, motivation and oversight for our sales agents as we would if such sales agents were our own employees. As a result, there can be no assurance that our sales agents will participate in our marketing strategies or plans, accept our introduction of new products and services, or comply with our policies and procedures.

Moreover, our processing, storage, use and disclosure of personal data could give rise to liabilities as a result of government regulation, conflicting legal requirements or differing views of personal privacy rights. In the processing of our traveler transactions, we receive and store a large volume of personally identifiable information. This information is also increasingly subject to legislation and regulations in numerous jurisdictions around the world. This government action is typically intended to protect the privacy of personal

information that is collected, processed and transmitted in or from the governing jurisdiction. We could be adversely affected if legislation or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, financial condition and results of operations. As privacy and data protection have become more sensitive issues, we may also become exposed to potential liabilities as a result of differing views on the privacy of travel data. These and other privacy developments that are difficult to anticipate could adversely affect our business, financial condition and results of operation.

WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY, PARTICULARLY IN LIGHT OF CHINESE INTELLECTUAL PROPERTY LAWS.

Intellectual property rights are evolving in China, trending towards international norms, but are by no means fully developed. We have not had significant involvement in intellectual property to date. The application of intellectual property rights to protect our foreign clients' and partners' media will likely be necessary in the future. Protection is needed at a minimum against piracy; legal action may be needed and all legal action involves risk and expenses.

WE MAY NOT BE ABLE TO HIRE AND RETAIN THE PERSONNEL WE NEED TO SUSTAIN OUR BUSINESS.

We depend on the continued services of our executive officers and other key personnel. The loss of or failure to attract key personnel could significantly impede our financial plans, growth, and other objectives. We believe that our future success will depend in large part on our ability to attract and retain additional highly skilled and qualified personnel and to expand, train and manage our employee base. We may not continue to be successful in doing so, because the competition for qualified personnel in China is intense. If we are unable to attract and retain qualified personnel, we may never achieve profitability.

WE MAY NOT BE ABLE TO ENTER NEW MARKETS, WHICH MAY IMPAIR OUR ABILITY TO GROW.

Our ability to enter into new markets is dependent upon the availability of quality products and demand of these products in China. Thus, it is important for us to develop relationships with publishers and distributors of foreign (mainly English-language) books and media contents to expedite their import, translation and distribution through electronic and traditional channels nationwide in China. There is no guarantee that we can develop relationships with foreign publishers and distributors. Currently, foreign books and media contents are not commonly available in China, therefore, we are not able to quantify the demand of foreign books and media contents in China. As such we cannot predict our probability of success in this new market.

THE SUCCESS OF OUR BUSINESS DEPENDS ON CONTINUED GROWTH OF ONLINE DIGITAL MEDIA PRODUCTS AND ATTRACTING CUSTOMERS IN A COST-EFFECTIVE MANNER.

Our sales and revenues will not grow as we plan if consumers do not purchase significantly more digital media products online than they currently do and if the use of the Internet as a medium of commerce for such products does not

continue to grow or grows more slowly than expected. The success of our business is dependent on significant increase in the number of consumers who use the Internet to purchase digital media products.

Our business strategy depends on our ability to broaden the appeal of our website to consumers and business and to increase the overall number of consumer transactions conducted on our website in a cost-effective manner. In order to increase the number of consumer transactions, we must attract more visitors to our website and convert a larger number of these visitors into paying customers. Our ability to offer products and services that will attract a significant number of consumers to use our services is not certain. If it does not occur, our growth may be limited. It may be necessary to spend substantial amounts on marketing and advertising to enhance our brand recognition and attract new customers to our website, and to successfully convert these new visitors into paying customers. We cannot assure you that our marketing and advertising efforts will be effective to attract new customers. If we fail to attract customers and increase our overall number of consumer transactions in a cost-effective manner, our ability to grow and become profitable may be impaired.

Moreover, we rely on the Internet infrastructure which may be unable to support increased levels of demand. The internet infrastructure may not expand fast enough to meet the increased levels of demand. In particular, the expected benefits from our online operations may be reduced if internet usage does not continue to grow. In addition, activities that diminish the experience for internet users, such as spyware, spoof e-mails, viruses and spam directed at internet users, as well as viruses and "denial of service" attacks directed at internet companies and service providers, may discourage people from using the internet, including for commerce. If consumer use diminishes or grows at a slower rate, then our business and results of operations could be adversely affected.

WE HAVE SUBSTANTIAL DEBT OBLIGATIONS, INCLUDING CERTAIN DEBT OBLIGATIONS SECURED BY ALL OF OUR ASSETS. IF WE ARE UNABLE TO REPAY SUCH OBLIGATIONS, OUR BUSINESS WILL LIKELY FAIL.

Our current liabilities were $2,579,904 as of September 30, 2007 of which approximately $1,787,643 is due within the next year unless extended. Such substantial debt obligations could affect our status as a going concern and also represent a concentration of risk which could pose a serious concern. Our ability to repay debt will be dependent on cash flow from the business and our ability to raise new funds in the form of loans, debt or equity in the next year. We have $6,202,492 in long term debt of which $1,250,000 is due on or before November 23, 2010 and $2,000,000 is due on or before March 23, 2011 in connection with recent convertible debenture financings with Highgate House Funds, Ltd. and Cornell Capital Partners, LP.

CHINESE TAX AND OTHER LAWS MAY NEGATIVELY IMPACT OUR BUSINESS RESULTS.

We conduct our business in China through our subsidiaries. China currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value-added tax, corporate income tax, and payroll and worker and welfare taxes, along with others. Laws

related to some of these taxes have not been in force for a significant period, in contrast to more developed market economies and regulations for their implementation are often unclear or incomplete. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in China substantially more significant than typically found in countries with more developed tax systems.

We believe that we are in substantial compliance with the tax laws affecting our operations; however, the risk remains that the relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant. The fact that a year has been reviewed does not close that year, or any tax declaration applicable to that year, from further review.

Chinese company law as it applies to foreign invested corporations (our subsidiaries) requires them to maintain dedicated reserves which include a general reserve and a reserve for enterprise expansion. The dedicated reserves are appropriated from net income after taxes, determined under the relevant Chinese accounting regulations, at a rate set by the Board of Directors of the respective subsidiaries, and record as a component of shareholders' equity. These reserves are not distributable, other than upon liquidation. No appropriation has been made for the year as our subsidiaries recorded losses.

Similar provisions of Chinese company law require our Board of Directors at their discretion to transfer a certain amount of their annual net income after taxes, as determined under the relevant Chinese accounting regulations, to a staff welfare and bonus fund. No such transfer was made for the fiscal period, as the subsidiaries recorded losses.

EXCHANGE RATE FLACTUATIONS MAY NEGATIVELY IMPACT OUR BUSINESS.

Our reporting currency is the United States Dollar but our functional currency in China is the Renminbi. As such, rate fluctuations may have a material impact on our consolidated financial reporting and make realistic revenue projections difficult. Additionally, as Renminbi is the functional currency of Beijing Joannes, Xinhua C&D and Beijing Boheng, the fluctuation of exchange rates of Renminbi may have positive or negative impacts on our results of operations.

CHINESE FUNDS REMITTANCE POLICIES MAY NOT ALLOW US TO MAXIMIZE OUR PROFITABILITY.

Pursuant to Chinese company law applicable to foreign investment companies, such as our Chinese subsidiaries, as well as our minor interest in Xinhua C&D, are required to maintain dedicated reserves, which include a general reserve and an enterprise expansion reserve. The dedicated reserves are to be appropriated from net income after taxes, determined under the relevant Chinese accounting regulations at a rate determined by the board of directors of the respective subsidiaries, and recorded as a component of shareholders' equity. The dedicated reserves are not distributable other than upon liquidation. As our Chinese subsidiaries and Xinhua C&D have recorded losses for the fiscal year ended June

30, 2007, no appropriation to the dedicated reserves was made. Moreover, pursuant to the same Chinese company law, our Chinese subsidiaries are required to transfer at the discretion of their boards of directors, a certain amount of its annual net income after taxes as determined under the relevant Chinese accounting regulations to a staff welfare and bonus fund. Since our Chinese subsidiaries and Xinhua C&D have recorded losses for the fiscal year ended June 30, 2007, no transfer to the staff welfare and bonus fund was made.

AS A RESULT OF A MAJORITY OF OUR DIRECTORS AND OFFICERS BEING RESIDENTS OF OTHER COUNTRIES OTHER THAN THE UNITED STATES, INVESTORS MAY FIND IT DIFFICULT TO ENFORCE WITHIN THE UNITED STATES ANY JUDGMENTS OBTAINED AGAINST US OR OUR DIRECTORS AND OFFICERS.

We do not currently maintain a permanent place of business within the United States. In addition, a majority of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to enforce within the United States any judgments obtained against our company or our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

NEVADA LAW AND OUR ARTICLES OF INCORPORATION MAY PROTECT OUR DIRECTORS FROM CERTAIN TYPES OF LAWSUITS.

Nevada law provides that our officers and directors will not be liable to us or our stockholders for monetary damages for all but certain types of conduct as officers and directors. Our Bylaws permit us broad indemnification powers to all persons against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing stockholders from recovering damages against our officers and directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require us to use our limited assets to defend our officers and directors against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

A DECLINE IN THE PRICE OF OUR SHARES OF COMMON STOCK COULD AFFECT OUR ABILITY TO RAISE FURTHER WORKING CAPITAL AND ADVERSELY IMPACT OUR OPERATIONS.

A prolonged decline in the price of our shares of common stock could result in a reduction in the liquidity of our shares of common stock and a reduction in our ability to raise capital. Any reduction in our ability to raise equity capital in the future would force us to reallocate funds from other planned uses and would have a significant negative effect on our business plans and operations, including our ability to develop our business and continue our current operations. If the stock price declines, there can be no assurance that we can raise additional capital or generate funds from operations sufficient to meet our obligations.

IF WE ISSUE ADDITIONAL SHARES OF COMMON STOCK IN THE FUTURE, THIS MAY RESULT IN DILUTION TO OUR EXISTING STOCKHOLDERS.

Our articles of incorporation, as amended, authorize the issuance of 500,000,000 shares of common stock. Our board of directors has the authority to issue additional shares of common stock up to the authorized capital stated in the articles of incorporation. Our board of directors may choose to issue some or all of such shares to acquire one or more businesses or to provide additional financing in the future. The issuance of any such shares may result in a reduction of the book value or market price of the outstanding shares of our common stock. It will also cause a reduction in the proportionate ownership and voting power of all other stockholders.

BECAUSE OUR COMMON STOCK IS SUBJECT TO PENNY STOCK RULES, THE LIQUIDITY OF YOUR INVESTMENT MAY BE RESTRICTED.

Our common stock is now, and may continue to be in the future, subject to the penny stock rules under the Securities Exchange Act of 1934. These rules regulate broker/dealer practices for transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than $5.00. The penny stock rules require broker/dealers to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker/dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker/dealer and its salesperson and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations and the broker/dealer and salesperson compensation information must be given to the customer orally or in writing prior to completing the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction, the broker and/or dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These additional penny stock disclosure requirements are burdensome and may reduce the trading activity in the market for our common stock. As long as the common stock is subject to the penny stock rules, holders of our common stock may find it more difficult to sell their securities.

NASD SALES PRACTIVE REQUIREMENTS MAY ALSO LIMIT A STOCKHOLDER'S ABILITY TO BUY AND SELL OUR SHARES OF COMMON STOCK.

In addition to the "penny stock" rules described above, the National Association of Securities Dealers Inc. has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the National Association of Securities Dealers Inc. believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The National Association of Securities Dealers Inc. requirements make it more difficult for broker-dealers to recommend that their customers buy our shares of common stock, which may limit your ability to buy and sell our shares of common stock and have an adverse effect on the market for its shares.

TRADING ON THE OTC BULLETIN BOARD MAY BE SPORADIC BECAUSE IT IS NOT A STOCK EXCHANGE, AND STOCKHOLDERS MAY HAVE DIFFICULTY RESELLING THEIR SHARES.

Our common stock is quoted on the OTC Bulletin Board. Trading in stock quoted on the OTC Bulletin Board is often thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with the Company's operations or business prospects. The OTC Bulletin Board is not a stock exchange, and trading of securities on the OTC Bulletin Board is often more sporadic than the trading of securities listed on a quotation system like Nasdaq or a stock exchange like Amex. Accordingly, you may have difficulty reselling any of our shares you purchase.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The following exhibits are filed as part of this Quarterly Report:

Exhibit	
31.1	Certification under Rule 13a-14(a).
31.2	Certification under Rule 13a-14(a).
32.1	Certification under Section 1350.
32.2	Certification under Section 1350.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

XINHUA CHINA LTD.

Dated: November 13, 2007

By: /s/ XIANPING WANG

Xianping Wang
President
Chief Executive Officer

Dated: November 13, 2007

By: /s/ XIANPING WANG

Xianping Wang
Acting as Interim
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities.

SIGNATURES	TITLE	DATE
/s/ XIANPING WANG Xianping Wang	President, Chief Executive Officer and a Director	November 13, 2007