XINHUA CHINA LTD
Form 10-Q
December 12, 2012

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 December 31, 2011

o 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 (State or other jurisdiction of incorporation or organization)	88-0437644 (I.R.S. Employer Identification No.)

B-26F, Oriental Kenzo Dongcheng District
Beijing 100027
People's Republic of China
(Address of principal executive offices)

86-10-64168816 or 86-10-64168916
(Issuer's telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None	Name of each exchange on which registered:

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.00001 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 o

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

Large accelerated filer	o	Accelerated filer	o	Non-accelerated filer	o	Smaller reporting company	x

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

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 o No o

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:

Class	Outstanding as of December 1, 2012
Common Stock $0.00001 par value	499,911,400

XINHUA CHINA LTD.

FORM 10-Q

PART I – FINANCIAL INFORMATION

PART II – OTHER INFORMATION

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 FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND JUNE 30, 2011

(Stated in US Dollars)

Xinhua China Ltd.

Contents

To the Board of Directors and
Stockholders of Xinhua China Ltd.

Report of Registered Independent Public Accounting Firm

We have reviewed the accompanying interim balance sheets of Xinhua China Ltd. ("the Company") as of December 31, 2011 and June 30, 2011, and the related statements of income and comprehensive income, stockholders' equity, and cash flows for the three-month and six-month periods ended December 31, 2011 and 2010. These interim 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 (United States), 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 financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred substantial losses and has a working capital deficit, all of which raise substantial doubt about its ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 2. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

San Mateo, California
September 21, 2012

WWC, P.C.
Certified Public Accountants

Xinhua China Ltd.

Unaudited Balance Sheets
As of December 31, 2011 and June 30, 2011
(Stated in US Dollars)

	Notes	December 31, 2011	(Audited) June 30, 2011
ASSETS			
Current Assets			
Accounts Receivable, net	3E	$10,229	$10,229
Total Current Assets		10,229	10,229
Total Assets		$10,229	$10,229
LIABILITIES & STOCKHOLDERS' EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Liabilities	4	$1,103,393	$1,063,176
Current portion of Loans Payable	5	1,498,075	1,498,075
Total Current Liabilities		2,601,468	2,561,251
Long-term Liabilities			
Loans Payable	5	1,051,097	1,051,097
Loans from Shareholders		12,229,322	12,221,646
Total Long-term Liabilities		13,280,419	13,272,743
Total Liabilities		$15,881,887	$15,833,994
Stockholders' Equity			
Common Stock $0.00001 Par Value 500,000,000 Shares Authorized; 499,911,400 and 499,911,400 shares issued and outstanding at December 31, 2011 and June 30, 2011, accordingly.	8	$4,999	$4,999
Additional Paid-In Capital		12,493,577	12,269,318
Accumulated Other Comprehensive Income		(26,565)	(30,392)
Accumulated Deficits		(28,343,669)	(28,067,690)
Total Stockholders' (Deficit)/Equity		(15,871,658)	(15,823,765)
Total Liabilities & Stockholders' Equity		$10,229	$10,229

See Accompanying Notes to the Financial Statements and Accountant’s Report

Xinhua China Ltd.
Unaudited Statements of Income and Comprehensive Income
For the three-month and six-month periods ended December 31, 2011 and 2010
(Stated in US Dollars)

		Three-month period ended December 31,		Six-month period ended December 31,	
	Note	2011	2010	2011	2010
Revenue					
Revenue, net	3H	-	-	-	-
Cost of Sales, net	3I	-	-	-	-
Gross Profit		-	-	-	-
Operating Expenses					
Selling, General, and Administrative Expenses		8,332	164,385	26,019	194,385
Total Opearting Expense		8,332	164,385	26,019	194,385
Operating Income/(Loss)		(8,332)	(164,385)	(26,019)	(194,385)
Other Income (Expenses)					
Interest Expense		(125,207)	(123,180)	(249,960)	(245,594)
Loss on disposal of subsidiaries	11	-	-	-	(4,118,173)
Loss before Income Tax		(133,539)	(287,565)	(275,979)	(4,558,152)
Income Tax	3M	-	-	-	-
Discontinued Operations, net of tax	13	-	-	-	(71,086)
Net Loss		$(133,539)	$(287,565)	$(275,979)	$(4,629,238)
Other Comprehensive Income (Loss):					
Foreign Currency Translation Adjustmnet		-	-	3,827	(30,390)
Comprehensive income (loss)		(133,539)	(287,565)	(272,152)	(4,659,628)
Basic & Diluted (Loss) Per Share	3N,12	$(0.0003)	$(0.0006)	$(0.0006)	$(0.0093)
Weighted Average Shares Outstanding		499,911,400	499,911,400	499,911,400	499,911,400

See Accompanying Notes to the Financial Statements and Accountant's Report

Xinhua China Ltd.
Unaudited Statements of Stockholders' Equity
For the six-month periods ended December 31, 2011 and year ended June 30, 2011
(Stated in US Dollars)

	Number of Shares	Common Stock	Additional Paid In Capital	Accumulated Other Comprehensive Income(Loss)	Accumulated Deficits	Total
Balance, July 1, 2010	499,911,400	$4,999	$11,831,075	$ 40,149	$(24,299,563)	$(12,423,340)
Adjustment to retained earnings from disposal of subsidiaries	-	-	-	-	3,650,207	3,650,207
Imputed interest on interest free advances from related party	-	-	438,243	-	-	438,243
Foreign Currency translation Adjustment	-	-	-	(70,541)	-	(70,541)
Net Loss for the period	-	-	-	-	(7,418,334)	(7,418,334)
Balance, June 30, 2011	499,911,400	$4,999	$12,269,318	$ (30,392)	$(28,067,690)	$(15,823,765)
Balance, July 1, 2011	499,911,400	$4,999	$12,269,318	$ (30,392)	$(28,067,690)	$(15,823,765)
Imputed interest on interest free advances from related party	-	-	224,259	-	-	224,259
Foreign Currency translation Adjustment	-	-	-	3,827		3,827
Net Loss for the period	-	-	-	-	(275,979)	(275,979)
Balance, December 31, 2011	499,911,400	$4,999	$12,493,577	$ (26,565)	$(28,343,669)	$(15,871,658)

See Accompanying Notes to the Financial Statements and Accountant's Report

Xinhua China Ltd.
Unaudited Statements of Cash Flows
For the three-month and six-month periods ended December 31, 2011 and 2010
(Stated in US Dollars)

	Three-month period ended December 31,		Six-month period ended December 31,	
	2011	2010	2011	2010
Cash Flow from Operating Activities:				
Net (Loss)	$(133,539)	$(287,565)	$(275,979)	$(4,629,238)
Changes in assets and liabilities:				
Decrease/(Increase) in Accounts receivable	-	11,811	-	18,811
Increase /(Decrease) in Accounts Payable and accrued liabilities	21,183	17,850	40,217	(434,228)
Cash Sourced/(Used) in Operating Activities	(112,356)	(257,904)	(235,762)	(5,044,655)
Cash Flows from Investing Activities:				
Disposal of subsidiaries	-	-	-	1,998,464
Cash Used/(Sourced) in Investing Activities	-	-	-	1,998,464
Cash Flows from Financing Activities:				
Adjustment/(Repayment) of Loan to Highgate	-	-	-	18,600
Loans from shareholders	-	147,574	7,676	2,808,035
Additional Paid-in Capital	112,356	110,330	224,259	219,556
Cash Sourced/(Used) in Financing Activities	112,356	257,904	231,935	3,046,191
Net Increase/(Decrease) in Cash & Cash Equivalents for the Period	-	-	(3,827)	-
Effect of Currency Translation	-	-	3,827	-
Cash & Cash Equivalents at Beginning of Period	-	-	-	-
Cash & Cash Equivalents at End of Period	$-	$-	$-	$-

See Accompanying Notes to the Financial Statements and Accountant's Report

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 B26-F, Oriental Kenzo, No. 48 Dongzhimenwai Street, Dongcheng District, Beijing 100027 People’s Republic of China.

As of May 31, 2006, the Company reduced its equity interest in Xinhua C&D from 56.14% to 7.98%. Subsequent to the deconsolidation of Xinhua C&D, the Company commenced the internet book distribution business through Beijing Joannes Information Technology Co., Ltd. (“Joannes”).

As of September 30, 2010, the Company disposed both subsidiaries at a loss. See note 12 – Loss on Disposal of Subsidiaries.

As of December 31, 2011, the Company does not have any direct or indirect interest in any investments that would require consolidating financial statements.

2. GOING CONCERN UNCERTAINTIES

These 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 December 31, 2011, the Company had no working capital but current liabilities exceeding current assets by $14,820,559 and an accumulated deficit of $28,343,669 because 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 December 31, 2012. 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 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 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

After disposal of the two subsidiaries on September 16, 2010, the Company has no subsidiaries; therefore, no consolidation is necessary.

(D.) 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.

(E.) 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.

(F.) 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
Motor Vehicles	8 – 10 years
Equipment and Machinery	5 – 8 years
Intangible Assets	3 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 statement of income.

(G.) Impairment of Long-life Assets

In accordance with ASC 360, "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 whether the carrying values are not impaired.

(H.) 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. 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 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 period ended December 30, 2011, there were no shipping and handling costs included in selling, general and administrative expenses in the accompanying statements of income.

(I.) Cost of Sales

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

(J.) 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.

(K.) Advertising Expenses

The Company expenses advertising costs as incurred in accordance with the ASC No. 35, “Advertising Costs”. For the period ended December 31, 2011, advertising expenses amount to zero.

(L.) Comprehensive Income

ASC No. 220, “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.

(M.) Income Taxes

The Company uses the accrual method of accounting to determine and report its taxable reduction of income taxes for the year in which they are available. The Company has implemented Statement of Financial Accounting Standards ASC Topic 740, “Accounting for Income Taxes”. Income tax liabilities computed according to the United States and People’s Republic of China (PRC) tax laws are provided for the tax effects of transactions reported in the financial statements and consists of taxes currently due plus deferred taxes related primarily to differences between the basis of fixed assets and intangible assets for financial and tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future income taxes. A valuation allowance is created to evaluate deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize that tax benefit, or that future realization is uncertain.

The Company is subject to United States Tax according to Internal Revenue Code Sections 951 and 957. Corporate income tax is imposed on progressive rates in the range of:

Taxable Income

Rate	Over	But Not Over	Of Amount Over
15%	0	50,000	0
25%	50,000	75,000	50,000
34%	75,000	100,000	75,000
39%	100,000	335,000	100,000
34%	335,000	10,000,000	335,000
35%	10,000,000	15,000,000	10,000,000
38%	15,000,000	18,333,333	15,000,000
35%	18,333,333	-	-

Based on the net income/(loss) for the period ended December 31, 2011, the Company shall not be subject to income tax.

(N.) Loss Per Share

The Company calculates loss per share in accordance with ASC 260, “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 499,911,400 and 499,911,400 of common stock at December 31, 2011 and June 30, 2011, respectively, are anti-dilutive. As a result, diluted loss per share data does not include the assumed exercise of outstanding stock options, stock purchase warrants, or conversion of convertible debenture and has been presented jointly with basic loss per share.

(O.) Foreign Currencies Translation

The functional and reporting currency of the Company is the United States dollars (“U.S. dollars”). The accompanying 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	December 31, 2011	June 30, 2011	December 31, 2010
Period/year end RMB : US$ exchange rate	6.3523	6.4630	6.6627
Average period/year RMB : US$ exchange rate	6.3789	6.4593	6.6632

(P.) 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.

(Q.) 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.

(R.) 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 ASC 470, Accounting for Convertible Debt.

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 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.

§ 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 statements of income.

(S.) Recently Issued Accounting Standard

In January 2011, the FASB issued an Accounting Standard Update (“ASU”) No. 2011-01, “Receivables Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, to be concurrent with the effective date of the guidance for determining what constitutes a troubled debt restructuring, as presented in proposed Accounting Standards Update, Receivables (Topic 310): Clarifications to Accounting for Troubled Debt Restructurings by Creditors. The amendments in this Update apply to all public-entity creditors that modify financing receivables within the scope of the disclosure requirements about troubled debt restructurings in Update 2010-20. Under the existing effective date in Update 2010-20, public-entity creditors would have provided disclosures about troubled debt restructurings for periods beginning on or after December 15, 2010. The amendments in this Update temporarily defer that effective date, enabling public-entity creditors to provide those disclosures after the Board clarifies the guidance for determining what constitutes a troubled debt restructuring. The deferral in this Update will result in more consistent disclosures about troubled debt restructurings. This amendment does not defer the effective date of the other disclosure requirements in Update 2010-20. In the proposed Update for determining what constitutes a troubled debt restructuring, the Board proposed that the clarifications would be effective for interim and annual periods ending after June 15, 2011. For the new disclosures about troubled debt restructurings in Update 2010-20, those clarifications would be applied retrospectively to the beginning of the fiscal year in which the proposal is adopted. This new accounting is not expected to have a material impact on the Company’s financial position or results of the operations.

In June 2011, the FASB issued an Accounting Standard Update (“ASU” No. 2011-05, “Comprehensive Income (Topic 220). Under the amendments to Topic 220, Comprehensive Income, entities have the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This Update eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this Update should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. This new accounting is not expected to have a material impact on the Company’s financial position or results of the operations.

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4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of December 31, 2011 and June 30, 2011 consists of the following:

	December 31, 2011	June 30, 2011
Accrued Liabilities	$ 1,103,393	$ 1,063,176

5. 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

The Company paid $250,000 for the payment due March 10, 2007 and the debenture holders exercised 100,000 shares and 125,000 shares on March 1, 2007 and April 18, 2007, respectively. During the period ended March 31, 2010 and year ended June 30, 2009; the debenture holders converted 9,600,000 and 266,655,667 shares against outstanding loan at a total conversion price of $11,436 and $144,532, respectively.

Loans Payable outstanding as of December 31, 2011 amount $2,549,172 of which $1,498,075 and $1,051,097 were attributed to current portion and long-term, respectively.

Loans Payable outstanding as of June 30, 2011 amount to $2,549,172 of which $1,498,075 and $1,051,097 were attributed to current portion and long-term, respectively.

6. LOANS FROM SHAREHOLDERS

The total outstanding amount of $12,229,322 represents cash advanced from shareholders of the Company.

These shareholders' loans are unsecured and not repayable within the next twelve months. For the six-month periods ended December 31, 2011 and 2010, there was $224,259 and $219,556 imputed interest, at 6.00% per annum, recorded.

7. COMMON STOCK AND WARRANTS

A. Common Stock

During 2005, the authorized capital stock of the Company increased from $1,000 consisting of 100,000,000 shares of common stock of par value $0.00001 each to $5,000 consisting of 500,000,000 shares of common stock of par value $0.00001 each.

B. Warrants

(1) The Company completed a private placement in 2005 with certain individuals for 622,690 units at $3.25 per unit for total cash proceeds of $2,023,800. Each unit consists of one share of common stock and one-half of one non-transferable share purchase warrant. The warrant will expire on the earlier of:

(i) two years from the date of issuance; and
(ii) fifteen business days from date that the Company provides notice in writing to the subscriber that the Company's common shares have been trading or traded at a price of $7 or more for a period of ten days.

The warrant shares shall have an exercise price of $4.50 per warrant share for the first twelve months, and if still available after twelve months, the warrant shares shall have an exercise price of $4.60 per warrant share starting on the first day of the second twelve month period and increasing by $0.10 on the first day of each subsequent month thereafter until expiration of the warrants.

(2) Share purchase warrant issued from convertible debenture

On December 13, 2005, the Company issued to the holder of the convertible debenture 1,035,000 warrants. One share purchase warrant is exercisable for one common share at $0.00001 per share, until expiration on November 22, 2010. As of December 31, 2011, zero shares of common stock were converted by the convertible debenture holders.

(3) Share warrant issued for service

On May 1, 2006, the Company issued 100,000 warrants at $1.47 per share to Mr. Peter Shandro, the VP Business Strategy of the Company, in association with the planning and execution of the on-line ecommerce initiative of the Company. Compensation expense of $94,775 was recorded with the issuance of these warrants.

8. 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.

9. 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.

(C) Economic and Political Risk

The Company’s operations are conducted in the PRC. Accordingly, the Company’s business, financial condition, and results of operations may be influenced by changes in the political, economic, and legal environments in the PRC.

The Company’s operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company’s results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation, among other things.

(D) Environmental Risks

The Company has procured environmental licenses required by the PRC government. The Company has both a water treatment facility for water used in its production process and secure transportation to remove waste off site. In the event of an accident, the Company has purchased insurance to cover potential damage to employees, equipment, and local environment.

(E) Inflation Risk

Management monitors changes in prices levels. Historically inflation has not materially impacted the company’s financial statements; however, significant increases in the price of raw materials and labor that cannot be passed on the Company’s customers could adversely impact the Company’s results of operations.

10. LOSS ON DISPOSAL OF SUBSIDIARIES

The Company disposed its subsidiaries; namely, Beijing Joannes Information Technology Co., Ltd. and Pac-Poly Investment Ltd. during the third quarter of 2010 and resulted in a loss of $4,118,173, which is reflected in the Income Statement.

11. NET LOSS PER SHARE

Basic net loss per share is computed using the weighted average number of the ordinary shares outstanding during the year. Diluted net loss per share is computed using the weighted average number of ordinary shares and ordinary share equivalents outstanding during the year.

The following table sets forth the computation of basic and diluted net loss per share for the period indicated:

	For the three-month periods ended		For the six-month periods ended	
Basic and diluted net loss per share calculation:	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
(a). Numerator:				
Net loss used in computing basic net (loss) per share	$(133,359)	$(287,565)	$(275,979)	$(4,629,238)
(b). Denominator:				
Weighted-average ordinary shares outstanding	499,911,400	499,911,400	499,911,400	499,911,400
Basic and diluted net loss per share	$(0.0003)	$(0.0006)	$(0.0006)	$(0.0093)

For the period ended December 31, 2011 and 2010 in which the Company had a net loss, inclusion of warrants outstanding would have been anti-dilutive and therefore not included in the computation of diluted losses per share.

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12. DISCONTINUED OPERATION

During the quarter ended September 30, 2010, the Company ceased operation of its subsidiaries; namely, Beijing Joannes Information Technology Co., Ltd. and Pac-Poly Investment Ltd, which were eventually disposed of before the quarter ended. Their operation results, net of tax effect are reported in detail as follow:

Results of Operations
for the three months ended
September 30, 2010

	Beijing Joannes	Pac Poly Investment Ltd.	Total
Revenue	$ -	$ -	$ -
Cost of revenue	-	-	-
Gross profit	-	-	-
Selling expenses	-	-	-
General and administrative expenses	64,086	7,000	71,086
Total operating expenses	64,086	7,000	71,086
Other income	-	-	-
Interest income	-	-	-
Other expense	-	-	-
Interest expense	-	-	-
Earnings/(Losses) before tax	(64,086)	(7,000)	(71,086)
Income tax	-	-	-
Minority interest income	-	-	-
	$ (64,086)	$ (7,000)	$ (71,086)

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"). Since its formation and up to September 4, 2004, Camden was considered an inactive development stage enterprise. 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"). Please note that throughout this Annual Report, and unless otherwise noted, the words "we," "our," "us," or the "Company" refer to Xinhua China Ltd.

Prior Subsidiaries

Pac-Poly Investments Limited

On September 14, 2004, we signed two separate share purchase agreements (collectively, the "Share Purchase Agreements"), whereby we issued 35,000,000 shares of our restricted common stock in exchange for a 100% interest in Pac-Poly Investments Limited, a company incorporated under the laws of the International Companies Business Act Cap 291 of British Virgin Islands ("Pac-Poly"), and a 95% interest in Beijing Boheng Investments Limited, a company incorporated under the laws of China ("Beijing Boheng"), respectively. The shareholders of Pac-Poly and Beijing Boheng received 16,387,000 and 18,613,000 shares of our restricted common stock, respectively. In accordance with the terms and provisions of the Share Purchase Agreement, one of our shareholders returned to us 35,000,000 shares of common stock held of record by such shareholder and the shares were cancelled and returned to treasury. Immediately prior to consummation of the respective Share Purchase Agreements, Pac-Poly and Beijing Boheng were under common control. Subsequently, Beijing Boheng spun off all of its business and net assets to its president and became a non-operating shell company. Pac-Poly had no significant operations since its inception.

On September 30, 2010, we sold our investment in Pac-Poly and Beijing Joannes Information Technology Co. Ltd. referenced below, which resulted in the recording of a loss of $6,363,912. Therefore, as of the date of this Annual Report, Pac-Poly is no longer our wholly-owned subsidiary.

Beijing Joannes Information Technology Co. Ltd

On May 9, 2006, we formed Beijing Joannes Information Technology Co. Ltd. ("Beijing Joannes"), as our Chinese wholly owned subsidiary, to launch a digital media content initiative. We hold 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.

On September 30, 2010, we sold our investment in Beijing Joannes and Pac-Poly referenced above, which resulted in the record of a loss of $6,393,912. Therefore, as of the date of this Annual Report, Beijing Joannes is not longer our wholly-owned subsidiary.

CURRENT BUSINESS OPERATIONS

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. As of June 30, 2011, we had no working capital but current liabilities exceeding current assets by $2,551,022 and an accumulated deficit of $28,067,690 due to the fact that we continued to incur losses over the past several years. management has taken certain action and continues to implement changes designed to improve our financial results and operating cash flows. The actions involve certain cost-saving initiatives and growing strategies, including: (a) reduction in headcount and corporate overhead expenses; and (b) development of e-commerce business. Management believes that these actions will enable us to improve future profitability and cash flow in its continuing operations through June 30, 2012.

Divesture of Interest in Xinhua Circulation & Distribution

During September 2004, 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. In accordance with the terms and provisions of the Investment Agreement, 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.

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. This change reduced our equity interest in Xinhua C&D to 7.98%. Xinhua C&D will remain focused on traditional distribution services for Chinese book publishers throughout China, and is expected to provide procurement services for our online e-commerce initiative.

Contractual Relationships

Management of the Company believes that it will be able to establish itself as a leader in the digital media industry. In accordance with our refocused strategic plan, we intend to enter into certain contractual relationships. We are currently identifying prospective individuals and/or companies with which to acquire or enter into a joint venture relationships regarding their respective business operations to complement and enhance our intended future business operations.

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 six month period ended December 31, 2011 and 2010, which financial statements are included elsewhere in this Quarterly Report.

	For Six Month Period Ended December 31, 2011 (unaudited)	For Six Month Period Ended December 31, 2010 (unaudited)
Revenue		
Net revenue	-0-	-0-
Cost of Sales	-0-	-0-
Gross Profit	-0-	-0-
Operating Expenses		
Selling, general and administrative expenses	$ 26,019	$ 194,385
Operating Income (loss)	(26,019)	(104,385)
Other Income (Expenses)		
Interest expense	(249,960)	(245,594)
Loss on disposal of subsidiaries	-0-	(4,118,173)
Loss Before Income Tax	(275,979)	(4,558,152)
Discontinued Operations net of tax	-0-	(71,086)
Net Loss	(275,979)	(4,629,238)
Foreign Currency Translation Adjustment	3,827	(30,390)
Comprehensive Income (Loss)	(272,152)	(4,659,628)

included elsewhere in this Quarterly Report.

RESULTS OF OPERATION

For Six Month Period Ended December 31, 2011 Compared to Six Month Period Ended December 31, 2010.

Revenues and Gross Margin and Cost of Sales

We had net sales of $-0- for both six month periods ended December 31, 2011 and December 31, 2010.

Operating Expenses

Our total operating expenses were $26,019 for the six month period ended December 31, 2011 as compared to total operating expenses of $194,385 for the six month period ended December 31, 2010. The decrease in operating expenses during the six month period ended December 31, 2011 as compared to the six month period ended December 31, 2010 was due to a decrease in a variety of expenditures relating to our ongoing restructuring efforts. During the six month period ended December 31, 2011, our selling, general and administrative expenses consisted of: (i) legal and professional fees of $26,019 (2010: $14,000); (ii) office expenses of $-0- (2010: $6,340); (iii) salaries and benefits of $-0- (2010: $51,631; (iv) management fees of $-0- (2010: $60,000); (v) vehicle expense of $-0- (2010: $12,609; and (vi) $other expenses of $-0- (2010: $49,804).

Selling, general and administrative expenses primarily decreased during the six month period ended December 31, 2011 compared to the six month period ended December 31, 2010 based on the incurrence of salaries and benefits of $51,631 and management expenses of $60,000 and other expenses of $49,804 during the six month period ended December 31, 2010 relating to the reorganization of our subsidiaries and personnel following the move to relocate our office.

Interest Expense

We incurred $249,960 in interest expense during the six month period ended December 31, 2011 as compared to $245,594 incurred as interest expense during the six month period ended December 31, 2010. Interest expense of $249,960 incurred during the six month period ended December 31, 2011 consisted of $249,960 (2010: $245,594) imputed interest charged on loans from related parties.

Loss on Disposal of Subsidiaries

During the six month period ended December 31, 2010, we disposed of our subsidiaries, Beijing Joannes Information Technology Co., Ltd. and Pac-Poly Investment Ltd., which resulted in a loss of $4,118,173.

Our net loss during the six month period ended December 31, 2011 was ($275,979) compared to net loss during the six month period ended December 31, 2010 of ($4,431,673). During the six month period ended December 31, 2011, we recorded $3,827 as a gain in foreign currency translation adjustment compared to a loss in foreign currency translation adjustment of ($30,390) recorded during the six month period ended December 31, 2010.

Thus, our comprehensive loss during the six month period ended December 31, 2011 was ($272,152) or ($0.0006) per share compared to a comprehensive loss of ($4,659,628) or ($0.0093) per share incurred during the six month period ended December 31, 2010. The substantial decrease in comprehensive loss during the six month period ended December 31, 2011 was due primarily to the loss on the disposal of our subsidiaries of $4,118,173 recorded during the six month period ended December 31, 2010.

For Three Month Period Ended December 31, 2011 Compared to Three Month Period Ended December 31, 2010.

Revenues and Gross Margin and Cost of Sales

We had net sales of $-0- for both three month periods ended December 31, 2011 and December 31, 2010.

Operating Expenses

Our total operating expenses were $8,332 for the three month period ended December 31, 2011 as compared to total operating expenses of $164,385 for the three month period ended December 31, 2010. The decrease in operating expenses during the three month period ended December 31, 2011 as compared to the three month period ended December 31, 2010 was due to a decrease in a variety of expenditures relating to our ongoing restructuring efforts. During the three month period ended December 31, 2011, our selling, general and administrative expenses consisted of: (i) legal and professional fees of $8,332 (2010: $14,000); (ii) office expenses of $-0- (2010: $6,340); (iii) salaries and benefits of $-0- (2010: $51,631); (iv) management fees of $-0- (2010: $30,000); (v) vehicle expense of $-0- (2010: $12,609); and (vi) other expenses of $-0- (2010: $49,805).

Selling, general and administrative expenses primarily decreased during the three month period ended December 31, 2011 compared to the three month period ended December 31, 2010 based on the incurrence of salaries and benefits of $51,631 and management expenses of $30,000 and other expenses of $49,805 during the three month period ended December 31, 2010 relating to the reorganization of our subsidiaries and personnel following the move to relocate our office.

Interest Expense

We incurred $125,207 in interest expense during the three month period ended December 31, 2011 as compared to $123,180 incurred as interest expense during the three month period ended December 31, 2010. Interest expense of $125,207 incurred during the three month period ended December 31, 2011 consisted of $125,207 (2010: $123,180) imputed interest charged on loans from related parties.

Our net loss during the three month period ended December 31, 2011 was ($133,539) compared to net loss during the three month period ended December 31, 2010 of ($287,565). During the three month period ended December 31, 2011 and 2010, we did not record any foreign currency translation adjustment.

Thus, our comprehensive loss during the three month period ended December 31, 2011 was ($133,539) or ($0.0003) per share compared to a comprehensive loss of ($287,565) or ($0.0006) per share incurred during the three month period ended December 31, 2010. The decrease in comprehensive loss during the three month period ended December 31, 2011 was due primarily to the decrease in operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

Six Month Period Ended December 31, 2011

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 six month period ended December 31, 2011, our current assets were $10,229 and our current liabilities were $2,601,468, resulting in a working capital deficit of $2,591,239. As at the six month period ended December 31, 2011, current assets were comprised of $10,229 in net accounts receivables. As at the six month period ended December 31, 2011, our current liabilities were comprised of: (i) $1,103,393 in accounts payable and accrued liabilities; and (ii) $1,498,075 in current portion of loans payable. See " – Material Commitments."

As at the six month period ended December 31, 2011, our total assets were $10,229 comprised entirely of current assets.

As at the six month period ended December 31, 2011, our total liabilities were $15,881,887 comprised of: (i) $2,601,468 in current liabilities; (ii) $1,051,097 in loans payable; and (iii) $12,229,322 in loans from shareholders. The slight increase in total liabilities during the six month period ended December 31, 2011 from fiscal year ended June 30, 2011 was primarily due to the increase in current liabilities, including accounts payable and accrued liabilities, and loans from shareholders.

Stockholders' deficit increased from ($15,823,765) for June 30, 2011 to ($15,871,658) for December 31, 2011.

Operating Activities

We have not generated positive cash flows from operating activities. For the six month period ended December 31, 2011, net cash flow used in operating activities was ($235,762) compared to net cash used operating activities of ($5,044,655) during the six month period ended December 31, 2010. Net cash flow from operating activities during the six month period ended December 31, 2011 consisted primarily of a net loss of ($275,979) changed by a decrease of $40,217 in accounts payable and accrued liabilities.

Net cash flow from operating activities during the six month period ended December 31, 2010 consisted primarily of a net loss of ($4,629,238) changed by a decrease of $18,811 in accounts receivable and an increase of $434,228 in accounts payable and accrued liabilities.

Investing Activities

During the six month period ended December 31, 2011, net cash flow used in investing activities was $-0- compared to net cash flow used in investing activities of $1,998,464 for the six month period ended December 31, 2010. The net cash flow used in investing activities of $1,998,464 during the six month period ended December 31, 2010 consisted of $1,998,464 in disposal of subsidiaries.

Financing Activities

During the six month period ended December 31, 2011, net cash flow sourced from financing activities was $231,935 compared to net cash flow sourced from financing activities of $3,046,191 for the six month period ended December 31, 2010. Net cash flow sourced from financing activities during the six month period ended December 31, 2010 pertained primarily to: (i) $2,808,035 received as loan from shareholders; (ii) $18,600 in adjustment of loan to Highgate; and (iii) $219,556 in additional paid-in capital.

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.

Although we have divested our subsidiary, Beijing Joannes. which we intended to be our digital media company and distribute all digital content, we continue with our goal 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.

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 divesture of our subsidiaries and reductions in headcounts. Furthermore, 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, 2011 and June 30, 2010 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 2010/11, 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 June 30, 2007, we paid $250,000 for the payment due March 10, 2007 and issued 100,000 shares and 125,000 shares of our common stock on March 1, 2007 and April 18, 2007, respectively, pursuant to exercise rights. During the period ended March 31, 2010 and fiscal year ended June 30, 2009, Cornell and Highgate converted an aggregate of 9,600,000 and 266,655,667 shares, respectively, against the outstanding amount at a total conversion price of $11,436 and $144,532, respectively. As at December 31, 2011, loans payable outstanding was $2,549,172 of which $1,498,075 and $1,051,097 were attributed to current portion and long-term portion, respectively.

LOANS FROM SHAREHOLDERS

During fiscal year 2010/11, a material commitment for us relates to the loans from shareholders. The outstanding amount of $12,229,322 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 six month periods ended December 31, 2011 and 2010, there was $224,259 and $219,556 imputed interest, respectively, in relation to interest-free shareholders loans at its effective interest rate and accounted for it in the consolidated financial statements.

PURCHASE OF SIGNIFICANT EQUIPMENT

We do not intend to purchase any significant equipment during the next twelve months.

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 Joannes 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.

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

ITEM 4. CONTROLS AND PROCEDURES

FINANCIAL DISCLOSURE 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 December 31, 2011. 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 six month period ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer/Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. We conducted an evaluation (the "Evaluation"), under the supervision and with the participation of our Chief Executive Officer/Chief Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures ("Disclosure Controls") as of the end of the period covered by this report pursuant to Rule 13a-15 of the Exchange Act. The evaluation of our disclosure controls and procedures included a review of the disclosure controls' and procedures' objectives, design, implementation and the effect of the controls and procedures on the information generated for use in this report. In the course of our evaluation, we sought to identify data errors, control problems or acts of fraud and to confirm the appropriate corrective actions, if any, including process improvements, were being undertaken. Our Chief Executive Officer/Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective and were operating at the reasonable assurance level.

Our management is responsible for establishing and maintaining adequate control over financial reporting (as defined in Rules 13a-15(f) promulgated under the Exchange Act. The term internal control over financial reporting is defined as a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Our management, including our chief executive officer and chief financial officer, does expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Our management, with the participation of the chief executive officer and chief financial officer, assessed the effectiveness of our internal control over financial reporting as of June 30, 2009. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in INTERNAL CONTROL-INTEGRATED FRAMEWORK. Our management has concluded that, as of December 31, 2011, our internal control over financial reporting is effective.

This Quarterly Rport does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this Annual Report.

Audit Committee

Our Board of Directors has not established an audit committee. The respective role of an audit committee has been conducted by our Board of Directors. We are contemplating establishment of an audit committee during fiscal year 2011. When established, the audit committee's primary function will be to provide advice with respect our financial matters and to assist our Board of Directors in fulfilling its oversight responsibilities regarding finance, accounting, and legal compliance. The audit committee's primary duties and responsibilities will be to: (i) serve as an independent and objective party to monitor our financial reporting process and internal control system; (ii) review and appraise the audit efforts of our independent accountants; (iii) evaluate our quarterly financial performance as well as its compliance with laws and regulations; (iv) oversee management's establishment and enforcement of financial policies and business practices; and (v) provide an open avenue of communication among the independent accountants, management and our Board of Directors.

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

Not applicable.

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

No report necessary.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY REGULATIONS

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.

101.INS **	XBRL Instance Document
101.SCH **	XBRL Taxonomy Extension Schema Document
101.CAL **	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF **	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB **	XBRL Taxonomy Extension Label Linkbase Document
101.PRE **	XBRL Taxonomy Extension Presentation Linkbase Document

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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: December 4, 2012	By:	/s/ XIANPING WANG Xianping Wang, President/Chief Executive Officer
Dated: December 4, 2012	By:	/s/ XIANPING WANG Xianping Wang, Acting as Interim Chief Financial Officer