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## PRESS RELEASE

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### **Former CEO and Two Board Members of Chinese Publicly Traded Company Charged in Connection With \$50 Million Scheme to Defraud**

WASHINGTON - Shelly S. Singhal, Loretta Fredy Bush and Dennis L. Pelino, formerly of Xinhua Finance Limited (Xinhua Finance), have been charged with engaging in a conspiracy to defraud the United States Securities and Exchange Commission (SEC), investors and others and to enrich themselves through a series of undisclosed and disguised related party transactions and insider trading that generated proceeds in excess of \$50 million.

The indictments, returned today by a grand jury in the U.S. District Court for the District of Columbia, were announced by Robert D. Okun, the Acting U.S. Attorney in this case, and James W. McJunkin, Assistant Director in Charge of the FBI's Washington Field Office.

The grand jury returned a ten-count indictment against Singhal, 43, from Newport Beach, Calif., Bush, 52, from Shanghai, China and Pelino, 63, from Miami Beach, Fla.

The indictment charges the defendants with conspiracy, mail fraud and false statements in connection with their use of nominees and nominee entities (a) to obtain things of value from Xinhua Finance without having to disclose the transactions as related party transactions in reports furnished to the SEC and investors; (b) to sell Xinhua Finance shares without having to disclose the sale of shares in reports furnished to the SEC and investors, and (c) to manipulate Xinhua Finance's balance sheet to avoid potentially negative impairment charges.

Xinhua Finance provided financial information products focused on China's financial markets and integrated providers of market indices, ratings, financial news and analysis and investor relations for China. Xinhua Finance, headquartered in Shanghai, China, was the first Chinese Initial Public Offering in Japan, the first non-Japanese equity to list on the Mothers Board of the Tokyo Stock Exchange, and the first foreign stock traded in Japan through an international settlement agreement, which allowed investors globally to invest in Xinhua Finance. According to one of Xinhua Finance's public filings with the SEC, Xinhua Finance "was founded in anticipation of the growing need for transparent and reliable financial information and data flow into and out of China." In July 2005, Xinhua Finance established a

sponsored Level 1 American Depository Receipt (ADR) facility and its ADRs traded on the United States over-the-counter market using the stock trading symbol “XHFNY.”

According to the indictment, Singhal was the Chairman of Xinhua Finance’s Audit Committee and a member of its Compensation Committee and Investment Committee. Bush was Xinhua Finance’s Chief Executive Officer and Vice Chairman of Xinhua Finance’s Board of Directors. Pelino was the Chairman of Xinhua Finance’s Compensation Committee and a member of its Audit Committee and Investment Committee.

According to the indictment, Singhal and Pelino used a nominee entity to acquire preferred shares of Xinhua Finance from a warrant holder for their own benefit. The defendants used their positions as insiders of Xinhua Finance to accelerate the lock-up period to sell the preferred shares ahead of similarly situated investors. The indictment charges that the defendants concealed their conduct and the \$21.7 million in proceeds that the sale of those shares generated in reports and statements that Xinhua Finance furnished to the SEC and investors.

The indictment also alleges that, in separate transactions, Pelino and Bush sold their own Xinhua Finance shares for proceeds of more than \$25 million using a nominee entity controlled by Singhal. To conceal Bush’s share sales, Singhal directed the creation of backdated agreements to give the false appearance that Bush pledged the shares to the nominee for purposes of securing a loan. The indictment charges that the defendants caused Xinhua Finance to misrepresent and fail to disclose the insider sales in reports furnished to the SEC and investors.

Further, the indictment alleges that Singhal, using nominee entities, entered into agreements with Xinhua Finance to earn commissions for introducing transactions to Xinhua Finance. Singhal, through those nominees, obtained approximately \$7.9 million from Xinhua Finance. Singhal directed \$1.8 million of those proceeds to Bush through other nominee accounts. The indictment alleges that Singhal used the nominees for purposes of, among other things, avoiding the obligation of Xinhua Finance to disclose publicly a related party transaction.

Three others earlier pled guilty to charges in the investigation.

An indictment is merely an allegation that a defendant has committed a violation of criminal law and is not evidence of guilt. Every defendant is presumed innocent until, and unless, proven guilty in a court of law.

In announcing the charges, Acting U.S. Attorney Okun and Assistant Director McJunkin praised the investigative efforts of the Special Agents of the FBI’s Washington Field Office and also recognized the work of U.S. Attorney’s Office Paralegal Specialists Tasha Harris and Mary Treanor, Forensic Accountant Crystal Boodoo, and Legal Assistants Jared Forney and Krishawn Graham. Finally, they commended the efforts of Assistant U.S. Attorneys Michael K. Atkinson, Vasu B. Muthyala and Matthew Graves, who are prosecuting the case.