

FINAL TRANSCRIPT

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XIN - Q4 2009 Xinyuan Real Estate Co., Ltd. Earnings Conference Call

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CORPORATE PARTICIPANTS

Helen Zhang

Xinyuan Real Estate Co., Ltd. - Director IR

Yong Zhang

Xinyuan Real Estate Co., Ltd. - Chairman and CEO

Tom Gurnee

Xinyuan Real Estate Co., Ltd. - CFO

CONFERENCE CALL PARTICIPANTS

Kun Tao

Roth Capital Partners - Analyst

Hao Hong

Brean Murray - Analyst

PRESENTATION

Operator

Good day, everyone. Welcome to the Xinyuan Real Estate Company, fourth quarter 2009 earnings conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Helen Zhang, for opening remarks and introductions. Ms. Zhang, please go ahead.

Helen Zhang - Xinyuan Real Estate Co., Ltd. - Director IR

Hello, everyone, welcome to Xinyuan's fourth quarter and full year 2009 earnings conference call. The Company's fourth quarter earnings results were released earlier today and available on the Company's IR Website, as well as newswire services.

Before we continue, please note that the discussion today will contain forward-looking statements made under the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, our results may be materially different from the views expressed today. Further information regarding this and other risks and uncertainties is included in our registration statement and our Form 20-F and other documents filed with the US Securities and Exchange Commission. Xinyuan doesn't assume any obligation to update any forward-looking statements, except as required under applicable law.

Today, you will hear from Mr. Yong Zhang, our Chairman and Chief Executive Officer, who will comment on current operations and provide some perspectives on the market environment. He will be followed by Mr. Tom Gurnee, our Chief Financial Officer, who will provide some additional color on our performance, review the Company's financial results, and discuss our outlook for 2010.

Following management's prepared remarks, we'll open the call to questions. During the Q&A session, Mr. Zhang will speak in Mandarin. Since we are in different cities, I have to translate the questions and translate the answers back.

Please note that unless otherwise stated, all figures mentioned during this conference call are in US dollars.

I will now turn the call over to Xinyuan's Chairman and CEO, Mr. Yong Zhang. Please go ahead, Mr. Zhang.



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Yong Zhang - Xinyuan Real Estate Co., Ltd. - Chairman and CEO

Hello, everyone, and thank you for joining us. Today is our last working day, and we'll have the traditional Chinese New Year holiday. So let me say, Happy Chinese New Year to you.

I'm very happy to report our best quarter in history. Quarter four revenues, key average sales and the net income were all well above our expectations.

Before further discussing our performance in the past quarter, let me talk about our (inaudible) newly issued government policies, which drove a lot of attention from both Chinese real estate developers and the investor community.

In the past two months, the Chinese government has issued a series of policies to promote the stable and the healthy development of the real estate sector. The theme of the policies is to adjust the (inaudible) of the market supplies, but (inaudible) more development of low- and the middle-end properties for ordinary people. The policies are also meant to control our thinking of the real estate sector driven by speculation. The real estate policies will not have highly negative impact on the Chinese real estate (inaudible), particularly our sector of Tier II and Tier III cities. Instead, these actions will help the market to develop in a more healthy environment by slowing down the price increase in some further Tier cities to improve the supply of affordable housing to the Chinese people. At the same time, it will also speed up the movement of the people from the second Tier and the third Tier cities.

We are happy to see that our business model, our fast asset turnover, and our strategy of focusing on affordable development, targeting homeowners in Tier II and Tier III cities, aligning well with recent policies.

Now to our performance in the fourth quarter. All of our major active projects showed growth in pricing and the GFAs built. Contract for sales for our Chengdu project grew by about 80% our third quarter. Kunshan project grew by 130%, and Suzhou International City Garden grew by about 210%.

We believe healthy, quarterly sales growth was driven by two factors. First, the overall market conditions were very much improved in the second half of the year. As we near the yearend, people become concerned about possible increase of mortgage interest rates and increased down payments for second-home buyers. (Inaudible).

We received the presales specifically for more building in Kunshan, and the Suzhou project is met with strong market demand. We also bought four new land parcels in the quarter.

As a result of our improving performance, we have generated strong cash flow while paying down debt, and buying new land parcels, continued to build our land bank with a turnkey project that will add to our growth in 2010 and beyond. We are now confident about our further development as we continue to focus our objectives.

Coming to our costs, we improved our profitability and delivered quality projects with an ever-stronger management team. As a result, we believe we will achieve continuous growth on near and long term.

With that said, let me turn the call over to Tom Gurnee, our Chief Financial Officer, who'll go over some of the details for the quarter and our outlook for 2010. Please continue.

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Okay. Thank you, Chairman. This is Tom Gurnee. Thank you.

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We were pleasantly surprised by the strength in demand in Q4. We usually experience a seasonal downturn, and I guided accordingly. But not this year. GFA sales surged from 184,000 square meters to 240,000 square meters, or up 30% on the previous quarter. The stronger sales were once again Kunshan International City Garden and Chengdu Splendid.

Our aggregate ASPs increased by 16% in just the fourth quarter from RMB5,886 per square meter to RMB6,826 per square meter. Compared to fourth quarter of 2008, our composite ASPs have increased 20%, but our largest active projects, Kunshan, Chengdu and Suzhou, experienced ASP increases for the year of 34%, 48% and 34%, respectively.

So far in the first quarter of 2010, our composite-- in January and February, our composite ASPs continue to increase, with Kunshan's ASP being above RMB8,000 per square meter, Suzhou in excess of RMB10,000 per square meter, and Chengdu holding firm at RMB5,500 per square meter as we begin to market a new section of that development.

Contract sales in the fourth quarter totaled \$240 million. They're up 51% over the third quarter of 2009, due to both GFA and ASP growth. Our major active projects were up markedly. As the Chairman said, Kunshan was up 130%, Suzhou International-- City Garden was up 220%, albeit on a small base, and Chengdu was up by 80%.

Our mature projects approaching sold-out status actually softened a little in the quarter with the Henan Colorful Garden, Shandong International City Garden, and Suzhou Colorful Garden all down somewhat from Q3 to Q4, as we tried to squeeze a little higher ASPs out of a diminishing GFA base in those projects.

Revenue recognized under the percentage of completion method increased 48% over Q3, which, in turn, has increased 40% over Q2. Under the POC method, or percentage of completion, revenue for a given project is calculated as cumulative contract sales, less 5.5% business tax, times project spending to date, divided by estimated total project spending. And, from that, we subtract the cumulative revenue book in previous periods.

Once again, revenue grew a little bit slower than contract sales. This was primarily due to the fact that sales growth was stronger on our less mature projects. Kunshan, at 39% sold and 57% complete-- that is 57% of the expected total construction costs have been incurred-- and Chengdu, at 50% sold and 67% complete, and Suzhou, at 30% sold and 78% complete, are our least mature projects. And that had impact on the aggregate POC.

So let's take a look at the rest of the P&L for a second. Gross margin was recorded at 21.8% of revenue up from 20.4% in the second quarter. This was primarily due to the impact of higher-than-projected ASPs and, in some cases, lower-than-projected contractor cost. These improvements drove a change in estimates for certain of our projects; particularly, in Kunshan and Henan Colorful Garden.

Margins going forward in 2010 should range between 20% to 21%, if there are no changes in estimates.

Selling, general, and administrative expenses rose in dollar terms in the quarter by \$3.6 million to \$12.6 million. But, as a percent of revenue, it fell from 7% to 6.6%.

Advertising and promotional expenses rose \$1.4 million, from \$2.6 million in Q3 to \$4 million in the fourth quarter, as promotion spending and commission payments were largely purely variable. Remember, we did have 50% growth in contract sales.

In addition, we incurred sales agent commissions in Chengdu for the fourth quarter. Since we'd already reduced headcount well prior to the changeover, it appears as an increase in the costs of the quarter, but that should not be a trend going forward.

SG&A compensation cost edged up \$700,000 on bonuses to operating company personnel who exceeded stretched targets in an exceptional year and quarter.



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We also recognized over \$600,000 of one-time legal and accounting fees incurred in 2009 in preparation for a possible secondary offering, which we have since abandoned.

Total Company headcount increased by 38 in the quarter to 422 people, as we begin preparations to execute development of new land parcels. We also established one new geographical location; that being Xuzhou in Jiangsu province, also to develop a newly acquired land parcel. For reference, our headcount at the end of last year was 645 people; now it's 422.

We expect SG&A to drop significantly in the first quarter in dollar terms but to increase slightly as a percent of revenue due to a seasonal softening of sales. And I'll get to the outlook in a few minutes.

Our 45% owned joint venture, Jiantou Xinyuan Real Estate, contributed book profits to Xinyuan of \$2 million in Q4 versus a loss of \$1.1 million in the third quarter. In our previous earnings release, we had reported a profit of \$2.3 million in that quarter, so we had a swing of \$3.4 million.

And let me explain what happened here. Back in 2007, Xinyuan and, subsequently, Jiantou Xinyuan each acquired-- contracted to acquire one parcel of land each in Zhengzhou for separate developments. Xinyuan fully paid for its slightly larger parcel soon after auction but soon learned that the land bureau was to change the development guidelines such that the project became, in our eyes, not viable.

We requested a refund of the land premium and, while awaiting this refund, withheld payment on the Jiantou Xinyuan parcel until such time as we received the refund on the Xinyuan parcel. During 2008, we did receive a partial refund, and we then paid down the Jiantou land premium balance such that the amount owed to the government for the Jiantou parcel was equal to the refund owed to us by the government.

During 2008 we were notified of a potential fine for late payment of the Jiantou land premium-- I'm sorry. During 2009 we were informed-- as we continued to negotiate offsets with the government. After receiving increasingly [strengthened] penalty notifications, the Company and Jiantou decided to pay the Jiantou parcel in full as a demonstration of good faith and to stop the penalty clock. At that time and today, the total penalty stood at RMB52 million, or \$7.6 million, calculated at 0.1% per day. Our 45% portion of that is \$3.4 million.

We continue to negotiate with the government on offsets, particularly on the [alcohol] project and have made substantial progress. However, it has been made clear in Q4 that the penalty itself must be sold separately before any finalization of offsets. Therefore, we have made the decision to recognize the penalty in the financial statements of Jiantou and Xinyuan in the third quarter of 2009. We cannot be certain of successful negotiations for offset, so we will not recognize them in our financial statements until we receive official notification that the offsets are approved.

Meanwhile, the acquisition process of the 45% of Jiantou Xinyuan we don't own is underway. SASAC, the state administration of asset sales, is studying the audited accounts and appraisals and will rule soon on whether the deal may go ahead. That decision would be followed by a 21-day auction process before we're in position to finalize any deal. The impact of the penalty discussed above was contemplated in the purchase price negotiated with sellers.

I was talking about warrant liabilities. Warrant liabilities are almost nothing now. The balance is virtually nil. In fact, there's \$264. With the floating-rates notes due for redemption in April and with a strike price of \$5.60, it is highly unlikely we will see much movement in this side in the future.

Taxes. Income taxes in the fourth quarter were 20.7%. This is well below previous quarters this year and results from a few factors. Number one, we split Suzhou International City Garden, where we do expect a composite loss and we did take an impairment loss last year-- We split it into phases such that the first phase could be completed in December 2009, and a (inaudible) loss is used to offset completion profits from Lake Splendid and Colorful Garden projects in the tax year 2009. So that was one factor that was positive.



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The second factor was an improved profit outlook for Suzhou International City Garden, leading to a reduction in the deferred tax valuation allowance and the incurring of certain audit, legal, and promotional expenses direct by subsidiaries where they belong and not-- and where they're more tax efficient.

So, between those three factors, we did see a drop in the tax rate in fourth quarter.

Net income in the fourth quarter totaled \$25.4 million versus \$12 million in Q3.

Okay. Balance sheet.

Oh, yes. Let me talk about the full year versus-- Obviously, there is much more dramatic comparisons to 2008, and 2008 had, one must remember, incurred an impairment charge of \$75 million in the fourth quarter of 2008.

So, rather than spend time on that, let me talk about the balance sheet. Cash on hand dropped a \$106 million from \$304.5 million to \$198 million, but debt outstanding dropped by \$81 million as we made pay-downs on certain debts. And this-- So net/net, we had about \$25 million down, between cash and debt; this, despite the fact we made over \$190 million of land premium payments in the quarter on the new land acquisition.

Operating cash flow exceeded a \$170 million versus \$93 million in Q3 and \$39 million in Q2.

Real estate property under development rose \$64.8 million to \$560.6 million, as land premium payments and slightly increased construction spending were partially offset by heavy relief to cost of sales under the percentage of completion method of accounting.

The floating-rate notes totaling \$75 million are due in April 2010. The company plans to repay those notes at maturity from operating funds. We do have the state administration for foreign exchange, or SAFE, approval to remit the foreign exchange required. We may consider a rollover by one or more of our note holders to help finance future land purchases, but it is not a prerequisite to settling all notes in full when due.

Land acquisitions. We included in our press release a table of land acquisitions. We acquired four more parcels of land at a total contract price of \$320 million. In the last four months, it was actually five parcels totaling \$340 million. Of this \$340 million for those five parcels, \$180.7 million has been paid in 2009. We made a payment of \$17.2 million in January, and the remaining \$133.1 million is due for payment in late May 2010. All the newly acquired projects met or exceeded our benchmark 20% margin minimum. As of December 31, our land bank totaled 2,051,000 square meters. In addition, Zhengzhou has a land bank of 252,600 square meters.

So now I'd like to talk just for a minute about outlook. Let's look at the first quarter. In the first quarter, we expect a fairly sharp, seasonal drop in sales activity, as we do every year. The GFA is predicted to come in at 110,000 to 120,000 meters versus 240,000 meters in Q4. Contract sales are expected to hit \$120 million to \$130 million, while revenue under the percentage of completion method is pegged for about \$95 million to \$105 million.

Net income should hover around \$8 million to \$10 million.

ASPs are not under pressure at this moment and have continued to edge up, so far, in January and February to a composite ASP comfortably above RMB7,000 per square meter.

So, for the full year 2010-- I'm finding it very difficult to accurately call 2010 right now, although I'm sure it's going to go up. Until construction schedules are set for new land acquisitions, it will be hard to predict.



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However, we do expect contract sales to grow at least 40% in 2010 but without any substantial price increases. Between currently active projects, as well as the oncoming Chengdu Xinyuan Splendid II and alcohol project is coming online with presales in Q2, we are confident of substantial sales growth in 2010, regardless of the exact timing of sales on new projects. Our target right now is to have all five 2009 land acquisitions increase sales made by the end of the third quarter 2010. If these construction schedules hold, sales growth could exceed a 100%.

Thank you very much for listening to this presentation. I'll turn it back over to the moderator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Kun Tao, Roth Capital Partners.

Kun Tao - Roth Capital Partners - Analyst

Congratulations on a good quarter. My first question is for total sales estimate and cost adjustments you made for Henan Colorful Garden and Kunshan Project. How much of that actually contributed to the revenue in the last quarter?

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Well, okay. Just a second. I can tell you the net impact of change in estimates on the quarter's gross profit was \$8.8 million. The previous quarter, a similar change in estimates was \$6.6 million. So the difference between the two quarters was like \$2.2 million.

Kun Tao - Roth Capital Partners - Analyst

So I can use your average gross margin to estimate the revenue contribution? Is that--?

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Actually, during my speech just now, I guided between 20% and 21%, because a little bit of that 21.6% was catch-up due to change in estimates. So I would use-- Kun, I would use 20.5%, let's say, if you're going to project forward.

Kun Tao - Roth Capital Partners - Analyst

Okay. 20.5% also for last quarter is revenue contribution due to adjustment. Is that correct?

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

I'm not sure what you meant by that. 20.5% would have been the normalized margin last quarter, if that's what you mean. Yes.

Kun Tao - Roth Capital Partners - Analyst

All right. How much. Are all your four newly acquired lands paid off, or how much of that your--?



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Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

There's five of them. There were four in the quarter and one (inaudible) in September. So there's five. We paid a \$190.7 million of the \$340 million. We paid a \$190.7 million in 2009. We paid another \$17 million in January, and the remaining \$133 million is due May 27. Part of it is due May 27 and part a little bit

Kun Tao - Roth Capital Partners - Analyst

Okay. Thanks a lot. You expect approval of Jiantou Xinyuan in first Q of 2010. How much of revenue is included in your guidance from--?

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

None.

Kun Tao - Roth Capital Partners - Analyst

None.

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Yes.

Kun Tao - Roth Capital Partners - Analyst

Okay. So, for us to calculate, how much of revenue you think will contribute in 2010 total within your 40% expectation of revenue increase?

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Within the 40%? No. It's outside the 40%. The 40% is apples-to-apples. I cannot assume a merger's going to happen. We think we have 95% chance of this, but we do not have it in our numbers. But the 40% of apples-apples, without Jiantou to without Jiantou.

Kun Tao - Roth Capital Partners - Analyst

Okay, so the revenue-- You expect 40% increase in revenue in 2010. That is regarding without Jiantou.

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Listen carefully. I expect more than 40%. I expect-- I think I remarked here at the end of my speech that, if we execute-- If all of the new projects come on board at the appropriate time at the scheduled targeted time, which usually we're pretty aggressive, our growth could be over a 100%. But I'm guiding greater than 40% as a, virtually, very low risk number.



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Kun Tao - Roth Capital Partners - Analyst

Okay. So, in terms of using your percentage of completion method-- For instance, you guided Q4, which was much lower than you reported, so what's the visibility on your revenue recognition based on the construction schedule? I would think this should be very high visibility because you have lot of backlog of contract sales you need to recognize based on the construction progress.

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

The permits-- You have to get a design done, and you have to get that approved by the government. And sometimes it doesn't work. In a couple of cases, I think there might be some relocation of some installation around there. They might have to do some small demolition. One of the projects there's a military installation on, and we had to use a different entity. There's various factors that could come into play that have something to do with the construction schedule. So we set it very aggressive. But we don't fully control until we have a permit. And so that's the timing risk is getting the permit and--

Kun Tao - Roth Capital Partners - Analyst

But that's for new project-- right?-- and not for existing projects?

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Okay. For existing projects, we have no constraints whatsoever. We're doing great. We do split them into sub-parts, and we do have to get permits for each sub-part. So we did get some permitting in the fourth quarter that allowed us to push Kunshan harder and Suzhou. But the two projects that are coming online that have zero revenue now that do not need-- We already have permit approvals, and we're moving on them-- is Chengdu Xinyuan Splendid II and the alcohol project which we-- I think we're calling it-- The Modern City will be the official naming in Zhengzhou. Those two projects are coming online. Chengdu, we expect March or April presales, and, in Zhengzhou, at The Modern City we expect about April and May first presales. So those will start kicking in early Q2.

Kun Tao - Roth Capital Partners - Analyst

Okay. My last question is probably for Mr. Zhang. China issued a number of policies starting 2010 to try to cool down the real estate market but mainly for second-hand buying--second-hand housing buying. And what do you expect--? Just the policy is actually similar to what they issued in September of 2007, and the market was largely impacted late 2008. So what do you think of these policies will impact Xinyuan down the road, let's say, the second half of 2010 in terms of transactions and sales price.

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Let's give this one to the Chairman, shall we?

Kun Tao - Roth Capital Partners - Analyst

Yeah. You want me to say that in Chinese? I can do that.

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Yeah. Why don't you do that?

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Kun Tao - Roth Capital Partners - Analyst

(spoken in Chinese).

Yong Zhang - Xinyuan Real Estate Co., Ltd. - Chairman and CEO

(interpreted) Thanks. We believe that the policies between 2007 and 2010 have a kind of similarity. However, we believe the market in the second half of year 2008 got mainly hit by the financial crisis. And for the outlook for year 2010, we don't believe that the market will have a kind of a radical change.

For us, in the second-tier cities we believe that ASPs will grow between 5% to 10%. (Inaudible) the volume in the second-tier cities that were active. (Inaudible) the volumes would only (inaudible) from a year and year and a half. So we believe that, in year 2010, the sales volume in second- and third-tier cities will decrease drastically.

Kun Tao - Roth Capital Partners - Analyst

All right. Thank you so much. That's all of my questions.

Operator

(Operator Instructions). Hao Hong, Brean Murray.

Hao Hong - Brean Murray - Analyst

I have a couple of questions. The first one is regarding your guidance for the first quarter 2010. You mentioned about ASP maintained. Is that as a flat Q-over-Q it's on, like, firm level (inaudible)?

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Actually, I think what I should do is send you a copy of the script from tonight, which I will do. But the ASPs right now in January and February are actually firmer or higher than they were in December and in the quarter. So you would expect to see our ASPs well over RMB7,000; probably, about RMB7,300 to RMB7,400 or something like that.

Hao Hong - Brean Murray - Analyst

So this is the average for every project on the firm-level ASP. Right?

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Correct. And I said, also, in my remarks-- Hold on a second. Just let me find it. But I was remarking on each project, where, like, Kunshan is over RMB8,000 now, running so far in this quarter. Just a second, please. Kunshan-- Our three major active projects are Kunshan, which is running RMB8,000 per square meter or a little over RMB8,000 per square meter-- Suzhou is running in excess of RMB10,000 per square meter up to RMB11,000. And Chengdu is holding at about RMB5,500 because we're marketing a new phase of the project. So all of those are higher than what you'll see in the table in our press release for Q4. But we haven't raised above beyond that. Some of these price increases have taken a little while to get through the system and into our contract sales. So you just take those three-- I'll give you the comparison. For example, Kunshan in the table in the press release for Q4

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shows RMB7,024. Well, we're RMB1,000 higher than that now in the first quarter, although we didn't raise prices in the last month or so. But they're higher because the prevailing prices in December were so high. Suzhou International City Garden shows RMB9,397 in the table. They're at about RMB10,500 right now. And then Chengdu shows RMB5,482. Okay; it's a little over RMB5,500. So they're all up over what I have in that table, which is looking backwards.

Hao Hong - *Brean Murray - Analyst*

Okay.

Tom Gurnee - *Xinyuan Real Estate Co., Ltd. - CFO*

So you will see ASPs move up.

Hao Hong - *Brean Murray - Analyst*

All right. It's just kind of brings attention that-- Maybe I heard you wrong. You mentioned about that you confident, in 2010, it's going to be a sustainable growth but without much of ASP increase. Is that--?

Tom Gurnee - *Xinyuan Real Estate Co., Ltd. - CFO*

Yes. I think the Chairman just said 5% to 10% in his mind. And that's from where we are now. And where we are now is higher than we were in Q4 as an average. So it's a very healthy environment, but I'm not projecting ASP growth like we had last year. We had 20%-- 34% on Kunshan, and I'm (inaudible). So I think the Chairman said it - 5% to 10%, maybe, over the year.

Hao Hong - *Brean Murray - Analyst*

But you also mentioned about-- You kind of anticipate that GSA growth is going to be much flatter than the-- you know, is pretty much flat. But, still, I mean-- So, if the GSA sales is going to be flat and ASP is only up 5% to 10%, can we assume that 2010's growth is only between 5% and 10%?

Tom Gurnee - *Xinyuan Real Estate Co., Ltd. - CFO*

No. We got this all wrong then. I gave you the wrong impression. No; not at all.

Okay, the first quarter is always a seasonal down. Even then, it's three times what it was last first quarter last year. And so, in fact, the Chairman has said many times that, if you had to calendarize a normal seasonal comparison-- If Q3 is 100, Q1 would be 60, Q2 is 80, and Q4 is 80. That's the usual ratio. And that's what surprised us so much in the fourth quarter this year. Demand defeated the model-- the seasonal trend model. No. We expect at least 40% growth year on year. We don't expect another month or couple of months like we did in the fourth quarter, but we expect substantial growth. And if we hit our development targets, our construction targets, we will be-- we could exceed a 100% contract sales growth in the year.

Hao Hong - *Brean Murray - Analyst*

Okay. Got it.

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Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

And reticent-- Until we firm up, and we will soon-- We will in the first quarter. Until we firm up those construction schedules, you know, to guide a 110% might be difficult for me. But I can guarantee you, no matter what happens - even if we don't go anywhere with the five new land parcels we purchased, we'll do 40%, plus.

Hao Hong - Brean Murray - Analyst

Okay. Without the new four land parcels-- new projects coming online, you will still make more than just with the existing and active projects? (Inaudible).

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

No. We'll take the active plus the two that are not reasonably purchased. You got Chengdu Xinyuan Splendid II and you got the alcohol project. Those are both currently owned before this acquisition exercise we went on. And both of those are under construction right now. They don't have presales permits yet. They will have presale permits in March and April. So those will be added to the mix. So it's not just active projects. It's active, plus two under construction but not presale active yet, until March or April. And then you've got five more projects that we've purchased. I would say, of those, I'm very confident-- Well, I'm very confident all of them will be underway by the fourth quarter this year. They're all scheduled or targeted for the third quarter.

The one that's earliest in is Xuzhou, which is, I think, a July timeframe is when it's scheduled to be constructed. I think we're pretty confident on that one. So it's well above 40%. It's very difficult to be precise on a total year guidance right now. But it's-- And then we have, of course, the discussion of the market. So we don't know what signals that is. But it's a very, very healthy year, stacking up to be a very good year because we've got all the tools we need and all the right pieces of land to generate substantial sales growth.

Hao Hong - Brean Murray - Analyst

Okay. So that brings my next question that-- In anticipating the tightening credit environment, do you expect that you would need to make any further change to your project assumptions? Or do you expect any construction starts to delay? What kind of action that you think that you need to do to kind of fend off that-- The credit environment is getting tougher for the individuals who get mortgage. Or you don't think that is going to have much of an impact on your-- most of your clients are first-hand, like a first-time homebuyer in the tier-two cities.

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

So, I guess, to rephrase your question, you're wondering about what happens if the market gets soft on us, basically.

Hao Hong - Brean Murray - Analyst

Right. And do you see an impact on your target clients' purchasing power? And do you expect that-- There are some projects expected to come online in second quarter and third quarter this year. Do you expect any delay in the construction start or kind of slowdown any project's construction pace?

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Why don't we let the Chairman answer this? Let me put this one to the Chairman. Okay.

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Yong Zhang - Xinyuan Real Estate Co., Ltd. - Chairman and CEO

(interpreted) We don't believe that from the second half of the year market will get worse. For China, we believe that GDP growth in year 2010 will maintain at 8%. And real estate market will continue to maintain its development. This situation is not as bad and impacted by some newswire media. Just in case that overall market condition changed and it worsened because of our fast asset turnover business model, we believe that. And we have enough capital to support our construction development. Overall, we believe that we have enough inventory to support the market. And, in terms of the contract sales, we believe that we will at least have about 50% growth rate for year 2010.

Hao Hong - Brean Murray - Analyst

Okay. Thank you. I guess my last question is - Have you experienced any increasing difficulty in getting construction loans at this point? And I'm aware there might be some delay in your Jinan project and that, for that particular project, the loan hasn't been secured. Maybe it's too early to do that. But I'm just wondering - Is there any particular reason that might cause a delay? And when do you expect to secure the loan for that particular project?

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

Okay. Well, we can't secure the loan until we get permits. So, we have to get to that stage first. And we have to end up with a final contract of sale, which is expected to-- I guess, we've signed something last week, but the final payment's in May. They have to do some work on that site in between now and then. So we can't get construction loans.

We are working on other avenues to free up cash to make more land acquisitions if we can. But my point is that we feel that we'll have ample construction lending available when the time comes. We've had lots-- We've been approached by many banks, trust companies, et cetera, who want to participate in that Shandong project as lenders or partners of some type. So we do not have any fear whatsoever.

Now you asked about-- Have we seen any impact on borrowing so far? In January, I think the banks all stop for couple of weeks to take a breath. But we haven't seen anything. We've gotten \$500 million of financing for Chengdu that we got recently for the next phase of the project. We have not failed to secure any loans that we've projected, particularly collateralized loans, construction loans. Those are still flowing freely right now.

Hao Hong - Brean Murray - Analyst

So all your projects-- Other than the Jinan one, they're all secured. Is that the case?

Tom Gurnee - Xinyuan Real Estate Co., Ltd. - CFO

I don't know why you say other than the Jinan one. All the-- None of the projects is secured, and they're all secured; it depends on how you define it. We do not have like the alcohol project-- we secured all the financing for that recently. And that project is under construction now. The Chengdu project-- I told you we just got all the money from (inaudible) Bank of China for the second phase. All that's in place now. So the two projects that are targeting presales in the second quarter-- early in the second quarter both have financing in place. No problem.

Then you get to the next projects. Let's just say that-- Say Jinan will get permits and be construction-ready in, let's say, October, for example or September, it's at that time that we will be securing the lending - not now. And the interest is such that we do not have fear of getting that project approved. But you have to have permits before anybody is going to give you-- loan you any money.

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Hao Hong - *Brean Murray - Analyst*

Of course. Also, when do you expect that project will start, since it looks like your largest project that's going to-- coming online in terms of GFA?

Tom Gurnee - *Xinyuan Real Estate Co., Ltd. - CFO*

Sure, let me give you some dates that we have. As far as Xinyuan Splendid, that's April. The alcohol project, where we called it Modern City now, is May. We have two parcels in Zhengzhou that are adjacent to each other we brought within a week of each other - July to September. One is July; one is September. Jinan is August we're targeting. Suzhou is July. And the last land acquisition made in Zhengzhou called Royal Palace is October. Those are-- The dates I just read to you are the dates for first presales; in other words, when they start when they start producing some revenue.

Hao Hong - *Brean Murray - Analyst*

Okay. Thank you.

Operator

(Operator Instructions). And seeing no further questions in our queue, I will turn the call back over to management for any closing or additional remarks.

Helen Zhang - *Xinyuan Real Estate Co., Ltd. - Director IR*

Thank you very much for joining us today. This is our last working day. So we're going to have a Chinese holiday, the Chinese traditional New Year holiday. So let me say Happy New Year. And thank you very much for your support for Xinyuan, and we hope that we are going to deliver good results this year. Thank you. Bye.

Operator

That does conclude today's conference. Thank you all, once again, for your participation.

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