



**鑫苑置業**

XINYUAN REAL ESTATE

**Xinyuan Real Estate Co., Ltd.**

**(NYSE: XIN)**



***Third Quarter 2008***

***Earnings Conference Call***

# Safe Harbor



This presentation may contain forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "confident" and similar statements. Statements that are not historical facts, including statements concerning our beliefs, forecasts, estimates and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including risks related to: the risk that we may be unable to complete our property developments on time or at all; the risk that our results of operations may fluctuate from period to period; the risk that the PRC government may adopt further measures to curtail the overheating property sector; the risk that we face intense competition from other real estate developers; the risk that PRC economic, political and social conditions as well as government policies can affect our business and other risks outlined in our public filings with the Securities and Exchange Commission, including our registration statement on Form 20-F, as amended.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- our future business development, results of operations and financial condition;
- our expectations with respect to our ability to acquire adequate suitable land use rights for future development;
- our ability to continue to implement our business model successfully;
- our ability to secure adequate financing for our project development;
- our ability to successfully sell or complete our property projects under construction and planning;
- our ability to maintain strict cost control;
- our ability to obtain permits and licenses to carry on our business;
- competition from other real estate developers;
- our belief with respect to market opportunities in, and growth prospects of, Tier II cities in China;
- the expected growth of the real estate industry in China, particularly Tier II cities;
- fluctuations in general economic and business conditions in China.

The forward-looking statements made in this presentation relate only to events or information as of the date on which the statements are made in this presentation. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

## Agenda

**I. Third Quarter 2008 Business Highlights & Market Update**

*By Mr. Yong Zhang - Chairman & Chief Executive Officer*

**II. Third Quarter 2008 Financial Results & Business Update**

*By Mr. Frank Ng - Chief Financial Officer*

**III. Q & A Session**

*By Mr. Yong Zhang - Chairman & Chief Executive Officer & Mr. Frank Ng - Chief Financial Officer*

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## Business Highlights & Market Update

### *A solid third quarter despite difficult market conditions*

- Total revenues for 3Q'08 were US\$83.0mln and net income was US\$7.8mln
- Total revenues for first 9M'08 were US\$295.8mln and net income was US\$53.9mln

### *Recent policies implemented to stimulate real estate investment*

- Reduction in down payments on owner-occupied housing
- Reduction in official interest rates
- Reduction in deed tax
- Waiver of stamp duty fees
- Removal of credit limits for commercial bank lending

### *Additional favorable policy measures*

The State Council of the People's Republic of China recently announced a US\$586 billion economic stimulus program designed to promote economic development and bolster domestic demand. The sound development of China's real estate industry was identified as one of the 10 key objectives of the plan.



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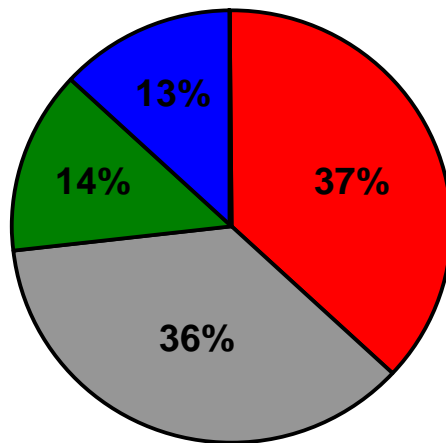
## Third Quarter 2008 Financial Snapshot

	Three months ended 9/30/07	Three months ended 9/30/08	Nine months ended 9/30/07	Nine months ended 9/30/2008
<b>Total revenue (US\$000)</b>	<b>120,595</b>	<b>82,951</b>	<b>218,300</b>	<b>295,811</b>
<b>Net income (US\$000)</b>	<b>16,049</b>	<b>7,785</b>	<b>37,484</b>	<b>53,909</b>
<b>Diluted EPS (US\$)</b>	<b>0.13</b>	<b>0.05</b>	<b>0.31</b>	<b>0.27</b>

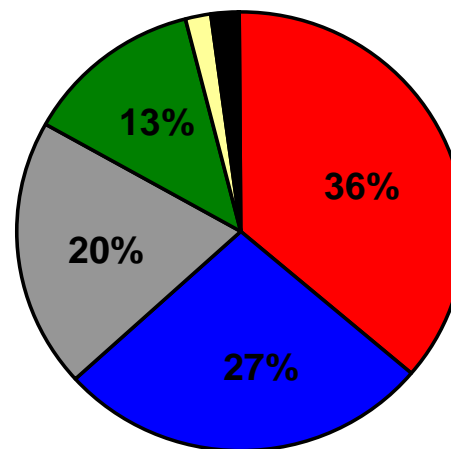


## Revenue Breakdown by City (%)

**2Q 2008**



**3Q 2008**

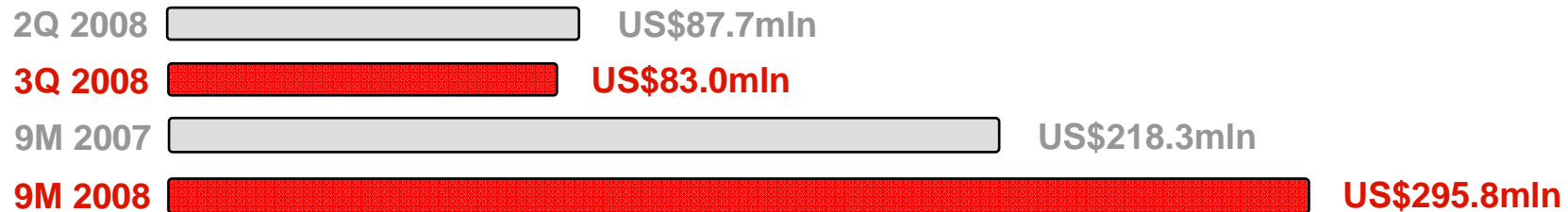


•Pre-sales results for phase one of Kunshan International City Garden and phase one of Chengdu Xinyuan Splendid One consisted of the sales period from September 20-30, 2008.



## Chengdu and Kunshan off to a slow start / solid sales in Zhengzhou and Jinan

### Total Revenues

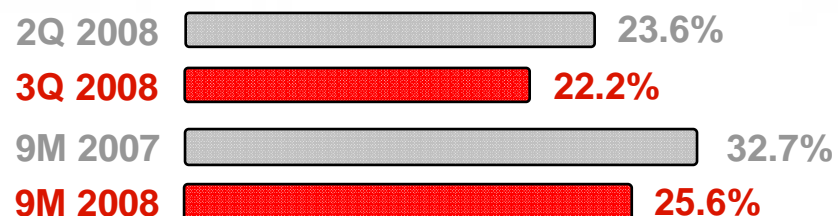


- Total revenues for 3Q'08 decreased 5.4% sequentially to US\$83.0m
- Total revenues for first 9M'08 increased 35.5% YoY to US\$295.8m
- Sales in Zhengzhou and Jinan made up 63% of total revenues for the quarter



## A solid third quarter despite difficult market conditions

### Gross Margin Percentage



### Gross Profit



- Gross profit margin in 3Q'08 was 22.2% compared with 23.6% for 2Q'08
- Gross profit margin in first 9M'08 was 25.6% compared with 32.7% for first 9M'07
- Decrease in gross margin mainly attributable to higher land acquisition and construction costs
- SG&A expenses increased sequentially to US\$13.5mln in 3Q'08 mainly due to increased sales and marketing activities
- Operating margin in 3Q'08 was 5.9% compared to 9.4% for 2Q'08
- Net income for 3Q'08 was US\$7.8mln compared to US\$13.2mln in 2Q'08

## **Persistently challenging market conditions**

- **Selling prices remained stable despite decreased sales volume**

### ***Xinyuan's Strategy***

- **Stimulate sales through promotional activities**
- **No land purchases during 3Q'08**
- **Reduce inventories to safeguard healthy US\$184mln cash position**
- **Actively seek additional cost control measures to help reduce SG&A and mitigate potential decreases in ASPs**
- **Divide projects into development phases and release parts of each development slowly into the marketplace to avoid oversupply**
- **Slow construction on existing and future projects and wait for conditions to improve**

***Our top priorities are to maintain a strong balance sheet and preserve liquidity.***

## Outlook for the Remainder of 2008

- Tough market conditions and difficult sales environment to persist for the remainder of 2008
- Optimistic that recently enacted governmental policies will eventually lead to higher consumer sentiment and rejuvenate the real estate sector
- Continue diligent efforts to deliver above industry average EPS and long-term value to shareholders
- Strong balance sheet, disciplined land acquisition strategy and intense focus on capital management
- Well positioned to capitalize on opportunities as they arise



### Third quarter 2008 project & development highlights



**Zhengzhou Xinyuan Colorful Garden**

**GFA: 189,198sqm**

**Number of Units: 2,228**

## Third Quarter 2008 Highlights



## Third quarter 2008 project & development highlights



**Suzhou International City Garden**

**GFA: 204,992sqm**

**Number of Units: 2,462**

*Photographs taken October 31, 2008*

# Third Quarter 2008 Highlights



## Third quarter 2008 project & development highlights



**Kunshan International City Garden**

**GFA: 509,851sqm**

**Number of Units: 5,103**

*Photographs taken October 31, 2008*

# Third Quarter 2008 Highlights



## Third quarter 2008 project & development highlights



**Chengdu Xinyuan Splendid I**

**GFA: 230,893sqm**

**Number of Units: 4,069**

*Photographs taken October 31, 2008*



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**XINYUAN REAL ESTATE CO., LTD. AND ITS SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
 (All US\$ amounts and number of shares data in thousands, except per share data)

	Three months ended				Three months ended		
	September 30, 2007	June 30, 2008	September 30, 2008		September 30, 2007	June 30, 2008	September 30, 2008
<b>Revenue</b>	\$120,595	\$87,723	\$82,951	<b>Income from operations before income taxes</b>	25,759	17,510	11,321
<b>Cost of revenue</b>	-88,931	-66,997	-64,569	Income taxes	-9,710	-4,338	-3,536
<b>Gross profit</b>	31,664	20,726	18,382	<b>Net Income</b>	16,049	13,172	7,785
Selling and distribution expenses	-2,766	-4,153	-5,251	Accretion of Series A convertible preference shares	-722	-	-
General and administrative expenses	-2,979	-8,285	-8,249	Net income attributable to ordinary shareholders	<u>\$15,327</u>	<u>\$13,172</u>	<u>7,785</u>
<b>Operating income</b>	25,919	8,288	4,882	<b>Earnings (loss) per share:</b>			
Interest income	419	1,205	559	Basic	\$0.14	\$0.09	\$0.05
Interest expense	-1,757	3	-	Diluted <sup>(1)</sup>	\$0.13	\$0.08	\$0.05
Share of income in an equity investee	2,220	3,716	3,186	<b>Shares used in computation:</b>			
Exchange gains	798	1,522	668	Basic	106,510	148,398	149,007
Change in fair value of warrant liabilities	-1,840	2,776	2,026	Diluted	117,256	160,467	160,200

Note (1) Diluted Earnings per Share for the three months ended September 30, 2007, June 30, 2008 and September 30, 2008

The diluted earnings per share for the three months ended September 30, 2007, June 30, 2008 and September 30, 2008 are calculated as follows:

(All US\$ amounts and number of shares data in thousands, except per share data)

	Three Months Ended		
	30-Sep-07	30-Jun-08	30-Sep-08
<b>Numerator:</b>			
Net income	\$16,049	\$13,172	\$7,785
Accretion of Series A convertible redeemable preference shares	-722	-	-
Net income attributable to ordinary shareholders – diluted	15,327	13,172	7,785
<b>Denominator:</b>			
Number of shares outstanding - basic	106,510	148,398	149,007
Convertible subordinated notes	9,597	9,597	9,597
Incremental shares of Burnham warrant	1,149	-	-
Stock options	-	2,472	1,596
Number of shares outstanding - diluted	117,256	160,467	160,200
Diluted earnings per share	\$0.13	\$0.08	\$0.05

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	Nine months ended	
	September 30, 2007	September 30, 2008
<b>Revenue</b>	\$218,300	\$295,811
<b>Cost of revenue</b>	-146,990	-220,148
<b>Gross profit</b>	71,310	75,663
Selling and distribution expenses	-5,957	-11,257
General and administrative expenses	-7,737	-25,550
<b>Operating income</b>	57,616	38,856
Interest income	736	2,805
Interest expense	-1,439	-
Share of income in an equity investee	5,819	10,487
Exchange gains	1,522	4,422
Change in fair value of warrant liabilities	-6,186	16,098

	Nine months ended	
	September 30, 2007	September 30, 2008
<b>Income from operations before income taxes</b>	58,068	72,668
Income taxes	-20,584	-18,759
<b>Net Income</b>	37,484	53,909
Accretion of Series A convertible preference shares	-2,167	-
Net income attributable to ordinary shareholders	<u>\$35,317</u>	<u>\$53,909</u>
<b>Earnings (loss) per share:</b>		
Basic	0.33	0.36
Diluted	0.31	0.27
<b>Shares used in computation:</b>		
Basic	106,510	148,601
Diluted	113,360	160,680

**XINYUAN REAL ESTATE CO., LTD. AND ITS SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS DATA**  
**(U.S. Dollars in thousands)**

	<b>Audited</b>	<b>Unaudited</b>
	<b>December 31, 2007</b>	<b>September 30, 2008</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$309,315	\$102,041
Restricted cash	48,267	82,016
Short term investment	-	-
Accounts receivable	257	9,405
Other receivables	4,750	2,478
Other deposits and prepayments	12,864	24,337
Advances to suppliers	3,052	10,327
Real estate property development completed	4,917	3,341
Real estate property under development	379,142	725,480
Other current assets	7,782	9,066
<b>Total current assets</b>	<b>770,346</b>	<b>968,491</b>
Real estate property under development	9,738	-
Real estate properties held for lease, net	6,811	13,147
Property and equipment, net	4,649	4,950
Other long-term investment	242	242
Interests in an equity investee	9,344	20,818
Other assets	6,065	6,368
<b>TOTAL ASSETS</b>	<b>\$807,195</b>	<b>\$1,014,016</b>

Note (2) On November 13, 2007, the holders of the Company's Series A convertible preference shares agreed to waive the contingent conversion option contained in the shares. The modification was deemed to be substantive and was treated for accounting purpose as an extinguishment of the Series A convertible preference shares. In connection with this, the Company recognized a dividend of approximately US\$182.2 million to the Series A convertible preference shareholders, representing the difference between the fair value of the convertible preference shares immediately after the modification and the carrying value of the preference shares immediately prior to the modification. This deemed dividend did not affect the Company's net income or cash flows. However, it reduced the net income attributable to ordinary shareholders and retained earnings for the year ended December 31, 2007 by the same amount.

	<b>Audited</b>	<b>Unaudited</b>
	<b>December 31, 2007</b>	<b>September 30, 2008</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$45,490	\$88,137
Short-term bank loans	49,284	75,497
Customer deposits	25,261	22,604
Income tax payable	5,406	6,164
Deferred tax liabilities	7,532	14,154
Other payables and accrued liabilities	18,296	21,552
Payroll and welfare payable	3,105	1,851
<b>Total current liabilities</b>	<b>154,374</b>	<b>229,959</b>
Long-term bank loans	137,858	190,088
Warrant liabilities	16,592	494
Deferred tax liabilities	4,776	6,932
Unrecognized tax benefits	11,925	12,775
Other long-term debt	91,771	96,231
<b>Total liabilities</b>	<b>417,296</b>	<b>536,479</b>
<b>Shareholders' equity</b>		
Common shares	15	15
Additional paid-in capital	490,361	497,854
Statutory reserves	12,145	12,145
Accumulated deficit(2)	(123,704)	(69,794)
Accumulated other comprehensive earnings	11,082	37,317
<b>Total shareholders' equity</b>	<b>389,899</b>	<b>477,537</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$807,195</b>	<b>\$1,014,016</b>

	Three months ended <u>30-Sep-07</u>		Non-GAAP <u>Results</u>
	<u>GAAP</u>	<u>Adjustments</u>	
Gross profit	31,664		31,664
Operating expenses	5,745 (b)	-85	5,660
Operating income	25,919 (b)	85	26,004
Net income	16,049 (b)	85	17,547
	(c)	1,840	
	(d)	371	
	(e)	-798	

	Three months ended <u>30-Jun-08</u>		Non-GAAP <u>Results</u>
	<u>GAAP</u>	<u>Adjustments</u>	
Gross profit	20,726		20,726
Operating expenses	12,438 (a)	-2,441	9,912
	(b)	-85	
Operating income	8,288 (a)	2,441	10,814
	(b)	85	
Net income	13,172 (a)	2,560	11,519
	(b)	85	
	(c)	-2,776	
	(e)	-1,522	

	Three months ended <u>30-Sep-08</u>		Non-GAAP <u>Results</u>
	<u>GAAP</u>	<u>Adjustments</u>	
Gross profit	18,382		18,382
Operating expenses	13,500 (a)	-1,537	11,878
	(b)	-85	
Operating income	4,882 (a)	1,537	6,504
	(b)	85	
Net income	7,785 (a)	1,621	6,797
	(b)	85	
	(c)	-2,026	
	(e)	-668	

- (a) To adjust stock-based compensation charges
- (b) To adjust amortization of property management rights
- (c) To adjust changes in fair value of derivative warrant liabilities
- (d) To adjust amortization of convertible debt issuance cost
- (e) To adjust unrealized exchange gain

	Nine months ended <u>30-Sep-08</u>		Non-GAAP <u>Results</u>
	<u>GAAP</u>	<u>Adjustments</u>	
Gross profit	75,663		75,663
Operating expenses	36,807 (a)	-7,153	29,399
	(b)	-255	
Operating income	38,856 (a)	7,153	46,264
	(b)	255	
Net income	53,909 (a)	7,525	41,169
	(b)	255	
	(c)	-16,098	
	(e)	-4,422	

	Nine months ended <u>30-Sep-07</u>		Non-GAAP <u>Results</u>
	<u>GAAP</u>	<u>Adjustments</u>	
Gross profit	71,310		71,310
Operating expenses	13,694 (b)	-255	13,439
Operating income	57,616 (b)	255	57,871
Net income	37,484	(b) 255	43,145
		(c) 6,186	
		(d) 742	
		(e) -1,522	

- (a) To adjust stock-based compensation charges
- (b) To adjust amortization of property management rights
- (c) To adjust changes in fair value of derivative warrant liabilities
- (d) To adjust amortization of convertible debt issuance cost
- (e) To adjust unrealized exchange gain

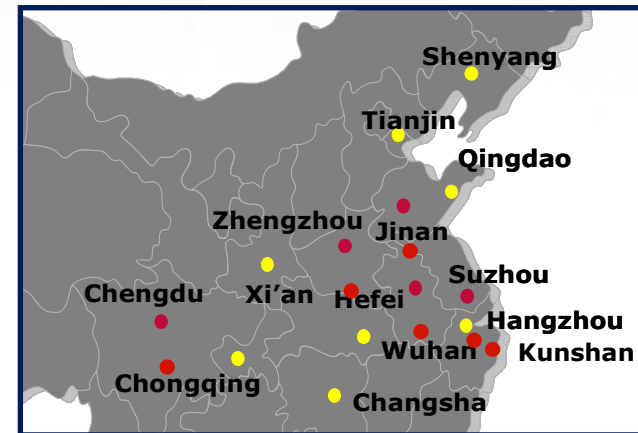
## Xinyuan's Markets - China's Tier II Cities

- 35 Tier II cities with a combined population over 215 million people\*
- Increasing urbanization, high economic growth and growing disposable income
- Sustainable land supply for future developments
- Tier II cities: 16.4% of China's population and 30.4% of total nominal GDP\*
- Tier II cities less affected by new tightening policies compared with Tier I cities

### *Xinyuan's Focus*

- More than 11 years of experience building large-scale, quality residential projects for middle-income consumers in China's Tier II cities.

## Geographic Coverage



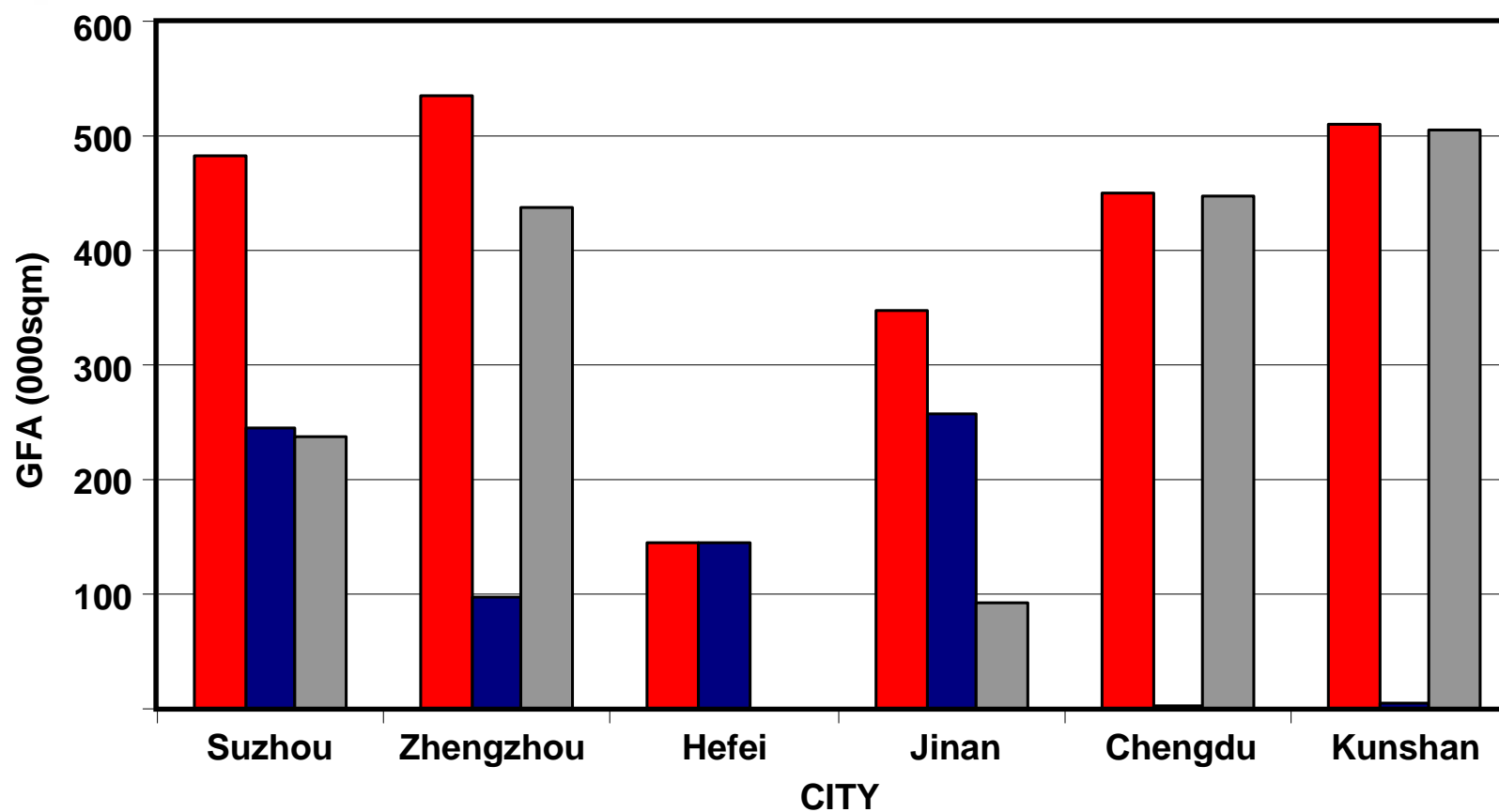
- **Xinyuan's present markets**  
6 strategically selected Tier II cities with a combined population of more than 34.5 million people\*
- **New markets targeted for expansion**  
8 Tier II cities with strong demand for high quality, affordable housing

\* Source: China Statistical Yearbook 2006 Edition



# Supplementary Information

## GFA Sold YTD / Future Saleable GFA



# Supplementary Information



## Land Bank as of September 30, 2008

City	Project	Land under planning ('000 sqm)	Land under construction ('000 sqm)
Zhengzhou	Commercial Plaza		
	Xinyuan Colorful Garden		189
	Longhai Road Project	278	
Suzhou	Lake Splendid		97
	Colorful Garden		82
	Int'l City Garden		205
Jinan	Elegant Scenery		30
	Int'l City Garden		249
Hefei	Wangjiang Garden		145
Chengdu	Xinyuan Splendid I		231
	Xinyuan Splendid II	219	
Kunshan	Int'l City Garden	263	223
<b>Total</b>		<b>760</b>	<b>1,452</b>

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## Thank you!

