



## Xinyuan Real Estate Co., Ltd. Announces Third Quarter 2010 Financial Results

November 10, 2010

BEIJING, Nov. 10, 2010 /PRNewswire-Asia/ -- Xinyuan Real Estate Co., Ltd. ("Xinyuan" or "the Company") (NYSE: [XIN](#)), a residential real estate developer with a focus on high growth, strategic Tier II cities in China, today announced its unaudited financial results for the third quarter of 2010.

### Highlights for the Third Quarter 2010

- Total third quarter revenues were US\$107.6 million, a sequential increase of 13.9% from US\$94.5 million recorded in the second quarter of 2010, and a 16.1% decrease from US\$128.2 million reported in the third quarter of 2009.
- Contract sales totaled US\$151.0 million, a 55.7% increase from US\$97.0 million recorded the second quarter of 2010 and a 5.0% decrease from US\$159.0 million recorded in the third quarter of 2009.
- Total gross floor area ("GFA") sales were 137,500 square meters, a 59.5% increase from 86,200 square meters sold in the second quarter of 2010 and a 25.5% decrease from 184,500 square meters sold in the third quarter of 2009.
- Selling, General, and Administrative ("SG&A") expenses declined to 6.9% of total revenue compared to 8.9% in the second quarter of 2010 and 7.0% in the third quarter of 2009.
- Income before taxes totaled US\$23.0 million, a 74.2% increase from US\$13.2 million in the second quarter of 2010 and a 28.5% increase from US\$17.9 million in the third quarter of 2009.
- Net income was US\$8.0 million compared to US\$9.6 million in the second quarter of 2010 and US\$12.0 million in the third quarter of 2009.
- Diluted net income per share attributable to ordinary shareholders was US\$0.05, equivalent to US\$0.10 per American Depositary Share ("ADS"), compared to diluted net income per share of US\$0.06, equivalent to US\$0.12 per ADS in the second quarter of 2010 and US\$0.07, equivalent to US\$0.14 per ADS in the third quarter of 2009.
- Cash and cash equivalents, including restricted cash, increased by US\$40.8 million to US\$263.5 million as of September 30, 2010 from US\$222.7 million as of June 30, 2010.

"Our third quarter marked improved performance for our Company with results above the high end of our expectations. We were encouraged to see sequential growth in our revenues, contract sales, GFA sales, and gross margins compared to the second quarter, while keeping a tight focus on our expenses. Selling activity at three of our major active projects in Suzhou, Chengdu, and Zhengzhou all improved sequentially and Xuzhou Colorful Garden started contributing to our GFA sales on schedule in August. "

"While market trends could continue to be challenging as a result of recent government mandates, we believe Xinyuan is well positioned in this context. We continue to focus on affordable developments targeting homeowners in Tier II and Tier III cities, where speculation and price growth has been lower than larger cities, and urbanization and migration patterns are strong. We have a strong financial position with a diversified and full project pipeline, which should provide us with growth opportunities in the future," said Mr. Yong Zhang, Xinyuan's Chairman and Chief Executive Officer.

### Third Quarter 2010 Financial Results

#### **Contract sales**

Contract sales totaled US\$151.0 million in the third quarter of 2010 compared to US\$97.0 million in the second quarter of 2010 and US\$159.0 million in the third quarter of 2009. The average selling price per square meter was RMB7,480 (US\$1,099) in the third quarter of 2010, compared to RMB7,683 (US\$1,126) in the second quarter of 2010 and RMB5,886 (US\$862) in the third quarter of 2009. GFA sales were 137,500 square meters in the third quarter of 2010 compared to 86,200 in the second quarter of 2010 and 184,500 square meters in the third quarter of 2009.

The sequential contract sales growth was driven primarily by the successful marketing of new projects namely Zhengzhou Modern City and Xuzhou Colorful Garden. Overall composite ASP drifted slightly lower than the second quarter of 2010 due to the mix of projects and mix of apartments within projects. The Company has not lowered the price of any category of apartment in any project since the April 2010 government housing policy announcement.

#### **Breakdown of GFA Sales and ASP's by Active Project**

| Project                   | Q3 2009                     |              | Q1 2010                     |              | Q2 2010                     |                             | Q3 2010                     |              | Unsold<br>GFA |
|---------------------------|-----------------------------|--------------|-----------------------------|--------------|-----------------------------|-----------------------------|-----------------------------|--------------|---------------|
|                           | GFA<br>(m <sup>2</sup> 000) | ASP<br>(Rmb) | GFA<br>(m <sup>2</sup> 000) | ASP<br>(Rmb) | GFA<br>(m <sup>2</sup> 000) | ASP<br>(m <sup>2</sup> 000) | GFA<br>(m <sup>2</sup> 000) | ASP<br>(Rmb) |               |
| Chengdu Splendid I        | 34.9                        | 4,723        | 30.4                        | 5,743        | 4.6                         | 5,699                       | 8.6                         | 4,788        | 53.3          |
| Chengdu Splendid II       |                             |              |                             |              | 18.2                        | 6,053                       | 15.9                        | 6,184        | 185.3         |
| Zhengzhou Colorful Garden | 33.4                        | 6,411        | 10.0                        | 7,996        | 11.4                        | 8,130                       | 11.1                        | 7,929        | 14.7          |
| Zhengzhou Modern City     |                             |              |                             |              | 22.0                        | 7,167                       | 58.0                        | 7,216        | 175.2         |

|                          |       |       |       |        |      |        |       |        |       |
|--------------------------|-------|-------|-------|--------|------|--------|-------|--------|-------|
| Kunshan Intl City Garden | 59.1  | 5,758 | 76.9  | 8,011  | 24.0 | 8,446  | 8.4   | 9,297  | 161.1 |
| Suzhou Intl City Garden  | 8.8   | 8,071 | 8.2   | 11,153 | 5.6  | 11,340 | 9.9   | 12,298 | 112.1 |
| Xuzhou Colorful Garden   |       |       |       |        |      |        | 24.5  | 6,811  | 77.5  |
| Others                   | 48.3  | 6,120 | 1.4   | 11,992 | 0.4  | 19,584 | 1.1   | 14,182 | 3.5   |
| Total                    | 184.5 | 5,886 | 126.9 | 7,713  | 86.2 | 7,683  | 137.5 | 7,480  | 782.7 |

### Revenue under the Percentage of Completion Method

For the quarter ended September 30, 2010, the Company's total revenue using the percentage of completion method was US\$107.6 million compared to US\$94.5 million for the quarter ended June 30, 2010 and US\$128.2 million in the quarter ended September 30, 2009.

In the third quarter of 2010, the Company recognized a contract sales reversal of US\$15.9 million related to certain sales contracts for Kunshan International City Garden signed prior to April 17, 2010 when the government issued new mandates on housing policy affecting the availability of mortgage financing. The Company believes that a number of non-local buyers (as opposed to local Kunshan resident buyers) who signed contracts prior to April 17, 2010, will not be able to obtain mortgage financing for their units, and as a result, certain of these buyers will request to cancel the sale and seek a refund of their deposits. Although management believes that the Company is not legally obligated to do so, it expects that it will honor these requests on a case-by-case basis. The reversal, which represents 4.7% of all project-to-date contract sales for Kunshan, reduced revenue by US\$10.8 million in the third quarter of 2010 under the Percentage of Completion method. In all of the Company's other projects throughout China, where over 90% of buyers are owner occupiers, there is no significant mortgage availability problem and, thus, no reversal has been recorded.

### Gross Profit

Gross profit for the third quarter of 2010 increased to US\$29.3 million, or 27.2% of revenue, compared to US\$20.2 million, or 21.3% of revenue, in the second quarter of 2010 and US\$26.1 million, or 20.4% of revenue, in the third quarter of 2009.

The Company revised total project cost and sales estimates for certain projects resulting in US\$2.9 million of cumulative gross profit being recognized in the third quarter of 2010 under the percentage of completion method. In the second quarter of 2010 a similar revision had a US\$1.5 million favorable impact on gross profit. The third quarter benefit was primarily driven by two projects: Henan Colorful Garden and Chengdu Splendid I. Henan Colorful Garden, a project which is 88% sold and 99% complete, recognized higher than projected ASP's in the third quarter of 2010. Similarly, Chengdu Splendid I, a project which is 75% sold and 87% complete, also recognized higher than projected ASP's.

### Selling, General, and Administrative Expenses

SG&A expenses were US\$7.5 million for the third quarter of 2010 compared to US\$8.4 million for the second quarter of 2010 and US\$9.0 million for the third quarter of 2009. As a percentage of total revenue, SG&A expenses for the third quarter of 2010 were 6.9% compared to 8.9% in the second quarter of 2010 and 7.0% in the third quarter of 2009.

### Income Tax

Income tax expenses in the 2010 third quarter totaled US\$15.0 million, or 65.2% of income before taxes, compared to US\$3.6 million or 27.3% in the 2010 second quarter. In the third quarter, the tax authorities of Jiangsu Province issued their interpretation of the definition of a "standard ordinary apartment", for the purposes of Land Value Added Tax ("LVAT"). The Company previously believed that all of the units in its projects met the definition of "standard ordinary apartment", however, based on the interpretation, none of the units in its Jiangsu projects meet this definition. This interpretation differs from that adopted by other provinces in China. Thus, an exemption for LVAT on profits up to 20% on "standard ordinary apartments" would not apply and the Company's LVAT rate for its projects in Jiangsu Province was increased from zero to 30% on those apartments. LVAT taxes are deductible from corporate income taxes in arriving at the total income tax expense.

In light of Jiangsu Province's interpretation, in the third quarter of 2010 the Company recognized US\$6.4 million of additional income tax liabilities. Going forward, the interpretation will result in an increase in the Company's effective tax rate by 1.8%.

### Net Income

Net income for the third quarter of 2010 was US\$8.0 million compared to US\$9.6 million in the second quarter of 2010 and US\$12.0 million for the same period in 2009. Diluted earnings per share for the third quarter of 2010 was US\$0.05, equivalent to US\$0.10 per ADS, compared to US\$0.06, equivalent to US\$0.12 per ADS, in the second quarter of 2010 and a US\$0.07, equivalent to US\$0.14 per ADS, in the third quarter of 2009.

### Balance Sheet

As of September 30, 2010, the Company reported US\$263.5 million in cash and cash equivalents (including restricted cash) compared to US\$222.7 million as of June 30, 2010. Total debt outstanding was US\$342.3 million, compared to US\$327.2 million at the end of the second quarter of 2010. Real estate property under development was US\$646.9 million as of September 30, 2010 compared to US\$635.9 million as of June 30, 2010.

### Completion of Jiantou Xinyuan Joint Venture Share Transfer

On November 2 2010, the Company's wholly owned subsidiary, Henan Xinyuan Real Estate Co., Ltd. ("Xinyuan China"), finalized the purchase of the remaining 55% equity interest in Jiantou Xinyuan, the Company's formerly-45%-owned equity investee, making Xinyuan China the sole owner. The purchase price was US\$4.4 million. As of September 30, 2010 Jiantou Xinyuan had one active project with approximately 12,800 square meters unsold GFA and one project under planning with a GFA of approximately 198,600 square meters.

### Project Status

Below is a summary table of projects that are active in 2010.

| Project                      | GFA                    |              | Contract Sales  |               |              | Project Cost |
|------------------------------|------------------------|--------------|-----------------|---------------|--------------|--------------|
|                              | (m <sup>2</sup> 000's) |              | (US\$ millions) |               |              | % Complete   |
|                              | Total Project          | Sold to date | Total Project   | Sales to date | % Sold       |              |
| Chengdu Splendid I           | 231.0                  | 177.7        | 174.6           | 130.9         | 75.0%        | 86.7%        |
| Chengdu Splendid II          | 219.4                  | 34.1         | 206.7           | 30.6          | 14.8%        | 58.8%        |
| Zhengzhou Colorful Garden    | 192.0                  | 177.3        | 189.9           | 166.9         | 87.9%        | 98.8%        |
| Zhengzhou Modern City        | 255.1                  | 79.9         | 290.7           | 84.6          | 29.1%        | 45.4%        |
| Kunshan Intl City Garden     | 496.9                  | 335.8        | 528.3           | 337.7         | 63.9%        | 72.2%        |
| Suzhou Intl City Garden      | 205.6                  | 93.5         | 295.9           | 124.8         | 42.2%        | 83.2%        |
| Xuzhou Colorful Garden       | 102.0                  | 24.5         | 104.6           | 24.5          | 23.4%        | 54.4%        |
| Others remaining GFA         | 3.5                    |              |                 |               |              |              |
| <b>Total active projects</b> | <b>1,705.5</b>         | <b>922.8</b> | <b>1,790.7</b>  | <b>900.0</b>  | <b>50.3%</b> | <b>72.7%</b> |

As of September 30, 2010, the Company's total sellable GFA was approximately 1,695,800 square meters including active projects and pre-revenue stage projects but excluding Jiantou Xinyuan's land projects GFA of 211,400 square meters. Below is a summary of all projects at Xinyuan that are in the planning stage:

|   | Unsold GFA<br>(m <sup>2</sup> 000) | First<br>Pre sales<br>Scheduled |
|---|------------------------------------|---------------------------------|
| Zhengzhou Royal Palace                    | 134.2                              | Q1 2011                         |
| Zhengzhou Century East A                  | 77.8                               | Q1 2011                         |
| Zhengzhou Century East B                  | 174.1                              | Q1 2011                         |
| Jinan Splendid                            | 527.0                              | Q1 2011                         |
| <b>Total Xinyuan projects in planning</b> | <b>913.1</b>                       |                                 |
| <b>Total active projects</b>              | <b>782.7</b>                       |                                 |
| <b>Total Xinyuan projects</b>             | <b>1,695.8</b>                     |                                 |

## 2010 Outlook

"While our third quarter performance was above our expectations, the government issued new policies in September which added a degree of uncertainty to our outlook. Specifically, the government released a new circular intended to further prevent rapid ASP growth and curb speculation by increasing down payments and suspending mortgage lending for third-time homebuyers and buyers that do not have local residency. It is difficult to determine what the eventual impact of these policies will be, particularly in Kunshan, and potential buyers are awaiting further clarity on what actions the government will take next. However, we expect the three projects (Chengdu Splendid II, Zhengzhou Modern City, and Xuzhou Colorful Garden), which began pre-sales in the second and third quarter of 2010 to post solid sales performances. Barring additional government actions, we are well-positioned as we move into 2011, with our land bank fully funded and a pipeline of 12 projects to allow us to drive growth in our sales and profitability," commented Mr. Zhang.

Fourth quarter 2010 GFA sales are expected to be in the range of approximately 130,000 to 140,000 square meters on continued strength in Zhengzhou Modern City, Xuzhou and Chengdu projects partially offset by continued weakness in Kunshan. Fourth quarter contract sales are expected to range between US\$140 million to US\$150 million while revenue under the percentage of completion method is expected to be between US\$125 million and US\$130 million. Net income is expected to be in the range of US\$13 million to US\$16 million.

Combined with the Company's year-to-date results, full year GFA sales are expected to be approximately 480,000 to 490,000 square meters while full year contract sales are expected to range from US\$530 million to US\$540 million. Revenue under the percentage of completion method is expected to range between US\$435 million and US\$445 million while net income is expected to range from US\$43 million to US\$46 million.

## Percentage of Completion Accounting

Most of Xinyuan's projects recognize revenue under the percentage of completion method. This requires the Company to re-evaluate its estimates of future revenues and costs on a quarterly basis project by project.

Cumulative revenue =  $\frac{\text{Cumulative contract sales proceeds} \times \text{Cumulative incurred cost}}{\text{Total estimated project cost}}$

Cumulative cost of sales =  $\frac{\text{Cumulative contract sales} \times \text{Cumulative incurred cost}}{\text{Total estimated project contract sales}}$

Whenever Xinyuan makes changes to expected total project life profit margins, a "catch-up" adjustment must be made in the quarter of change to account for the difference between profits previously recognized using the previous profit margin estimate and the comparable profit using the new profit margin estimates. Further, if the updated profit margin indicates that the Company will have to sell units at a price less than its costs to develop them, it must recognize the full expected gross loss over the life of the project at that time regardless of whether the units have been sold. Additionally for such unprofitable projects the Company must also determine whether an impairment exists, and, if so, write down the cost to the fair value of the project which, in turn, may be less than the basis after recognizing the effect of future losses. In the year ended 2009 and in each subsequent quarter, there were no unprofitable projects that were subject to recognition of total project gross loss and impairment reviews. Except as discussed above related to Henan Colorful Garden and Chengdu Splendid I projects, there were no material changes in estimates in the third quarter of 2010.

### Conference Call Information

Xinyuan's management will host an earnings conference call on November 10, 2010 at 8:30 a.m. U.S. Eastern Time. Listeners may access the call by dialing 1-719-325-2153. A webcast will also be available through the Company's investor relations website at <http://www.xyre.com>. Listeners may access the replay by dialing 1-858-384-5517, access code: 7409679.

### About Xinyuan Real Estate Co., Ltd.

Xinyuan Real Estate Co., Ltd. ("Xinyuan") (NYSE: [XIN](#)) is a developer of large scale, high quality residential real estate projects aimed at providing middle-income consumers with a comfortable and convenient community lifestyle. Xinyuan focuses on China's Tier II cities, characterized as larger, more developed urban areas with above average GDP and population growth rates. Xinyuan has expanded its network to cover a total population of over 44.7 million people in seven strategically selected Tier II cities, comprising Hefei, Jinan, Kunshan, Suzhou, Zhengzhou, Xuzhou and Chengdu. Xinyuan is the first real estate developer from China to be listed on the New York Stock Exchange. For more information, please visit <http://www.xyre.com>.

### Safe Harbor Statement

This press release contains 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, but not limited to, the risk that: we may be unable to acquire desired development sales at commercially reasonable costs; PRC economic, political and social conditions as well as government policies can affect our business; our financing costs are subject to changes in interest rates; our results of operations may fluctuate from period to period; the recognition of our real estate revenue and costs relies on our estimation of total project sales value and costs; increases in the price of raw materials may increase our cost of sales and reduce our earnings; we are heavily dependent on the performance of the residential property market in China, which is at a relatively early development stage; the market price of our ADSs may be volatile, and other risks outlined in our public filings with the Securities and Exchange Commission, including our annual report on Form 20-F for the year ended December 31, 2009. All information provided in this press release is as of November 10, 2010. 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.

### Notes to Unaudited Financial Information

This release contains unaudited financial information which is subject to year end audit adjustments. Adjustments to the financial statements may be identified when the audit work is completed, which could result in significant differences between our audited financial statements and this unaudited financial information.

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(Financial Tables Follow)

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

|   | <b>Three months ended</b> |                 |                      |
|---|---------------------------|-----------------|----------------------|
|   | <b>September 30,</b>      | <b>June 30,</b> | <b>September 30,</b> |
|   | <b>2010</b>               | <b>2010</b>     | <b>2009</b>          |
|   | (unaudited)               | (unaudited)     | (unaudited)          |
| <b>Revenue</b>                                    | \$107,583                 | 94,454          | 128,180              |
| <b>Cost of revenue</b>                            | (78,317)                  | (74,298)        | (102,095)            |
| <b>Gross profit</b>                               | <b>29,266</b>             | <b>20,156</b>   | <b>26,085</b>        |
| Selling expenses                                  | (2,471)                   | (2,535)         | (3,044)              |
| General and administrative expenses               | (4,986)                   | (5,885)         | (5,923)              |
| <b>Operating income</b>                           | <b>21,809</b>             | <b>11,736</b>   | <b>17,118</b>        |
| Interest income                                   | 377                       | 554             | 623                  |
| Share of income (loss) in an equity investee      | 667                       | 77              | (1,099)              |
| Exchange gains                                    | 152                       | 29              | 30                   |
| Other expenses                                    | -                         | -               | (383)                |
| Change in fair value of warrant liabilities       | -                         | 842             | 1,585                |
| <b>Income from operations before income taxes</b> | <b>23,005</b>             | <b>13,238</b>   | <b>17,874</b>        |
| Income taxes                                      | (15,007)                  | (3,620)         | (5,862)              |
| <b>Net income</b>                                 | <b>7,998</b>              | <b>9,618</b>    | <b>12,012</b>        |
| <b>Earnings per share:</b>                        |                           |                 |                      |
| Basic   | 0.05                      | 0.06            | 0.08                 |
| Diluted   | 0.05                      | 0.06            | 0.07                 |
| <b>Shares used in computation:</b>                |                           |                 |                      |
| Basic   | 153,173                   | 152,087         | 151,363              |
| Diluted   | 153,248                   | 152,129         | 160,982              |

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(All US\$ amounts and number of shares data in thousands, except per share data)

|                                       | <b>Nine months ended</b> |                      |
|---------------------------------------|--------------------------|----------------------|
|                                       | <b>September 30,</b>     | <b>September 30,</b> |
|                                       | <b>2010</b>              | <b>2009</b>          |
|                                       | (unaudited)              | (unaudited)          |
| <b>Revenue</b>                        | 312,781                  | 259,886              |
| Cost of revenue                       | (238,647)                | (211,873)            |
| <b>Gross profit</b>                   | <b>74,134</b>            | <b>48,013</b>        |
| Selling expenses                      | (7,396)                  | (6,152)              |
| General and administrative expenses   | (16,391)                 | (14,928)             |
| <b>Operating income</b>               | <b>50,347</b>            | <b>26,933</b>        |
| Interest income                       | 1,581                    | 1,421                |
| Share of income in an equity investee | 1,306                    | 2,423                |

|   |               |               |
|---|---------------|---------------|
| Exchange gains                                    | 201           | 58            |
| Other expenses                                    |               | (383)         |
| Change in fair value of warrant liabilities       | 842           | (273)         |
| <b>Income from operations before income taxes</b> | <b>54,277</b> | <b>30,179</b> |
| Income taxes                                      | (24,761)      | (13,165)      |
| <b>Net income</b>                                 | <b>29,516</b> | <b>17,014</b> |
| <b>Earnings per share:</b>                        |               |               |
| Basic   | 0.19          | 0.11          |
| Diluted   | 0.19          | 0.10          |
| <b>Shares used in computation:</b>                |               |               |
| Basic   | 152,372       | 151,188       |
| Diluted   | 156,114       | 160,801       |

**XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(All US\$ amounts and number of shares data in thousands)

|  | <b>September 30, December 31,</b> |                |
|--|-----------------------------------|----------------|
|  | <b>2010</b>                       | <b>2009</b>    |
|  | (unaudited)                       | (audited)      |
| <b>ASSETS</b>                              |                                   |                |
| <b>Current assets</b>                      |                                   |                |
| Cash and cash equivalents                  | 187,774                           | 157,800        |
| Restricted cash                            | 75,750                            | 40,240         |
| Accounts receivable                        | 4,700                             | 9,216          |
| Other receivables                          | 36,228                            | 32,036         |
| Other deposits and prepayments             | 34,876                            | 25,322         |
| Advances to suppliers                      | 17,589                            | 20,425         |
| Real estate property development completed | 6,722                             | 1,307          |
| Real estate property under development     | 646,909                           | 560,591        |
| Other current assets                       | 1,653                             | 2,420          |
| <b>Total current assets</b>                | <b>1,012,201</b>                  | <b>849,357</b> |
| Real estate properties held for lease, net | 16,094                            | 17,277         |
| Property and equipment, net                | 5,657                             | 4,703          |
| Other long-term investment                 | 242                               | 242            |
| Interests in an equity investee            | 2,279                             | 868            |
| Deferred tax asset                         | 4,260                             | 4,593          |
| Other assets                               | 4,607                             | 4,743          |
| <b>TOTAL ASSETS</b>                        | <b>1,045,340</b>                  | <b>881,783</b> |

**XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(All US\$ amounts and number of shares data in thousands)

|   | <b>September 30, December 31,</b> |             |
|---|-----------------------------------|-------------|
|   | <b>2010</b>                       | <b>2009</b> |
|   | (unaudited)                       | (audited)   |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                                   |             |
| <b>Current liabilities</b>                  |                                   |             |
| Accounts payable                            | 115,024                           | 97,115      |
| Short-term bank loans                       | 123,910                           | 94,662      |
| Customer deposits                           | 13,422                            | 10,852      |
| Income tax payable                          | 12,423                            | 11,224      |
| Deferred tax liabilities                    | 21,777                            | 13,185      |
| Other payables and accrued liabilities      | 34,737                            | 33,507      |

|   |                         |                       |
|---|-------------------------|-----------------------|
| Payroll and welfare payable                           | 3,106                   | 4,316                 |
| Current portion of long-term debt                     | -                       | 104,239               |
| <b>Total current liabilities</b>                      | <u>324,399</u>          | <u>369,100</u>        |
| <b>Non-Current Liabilities</b>                        |                         |                       |
| Long-term bank loans                                  | 178,007                 | 53,015                |
| Unrecognized tax benefits                             | 12,999                  | 12,757                |
| Other long-term debt                                  | 40,338                  | -                     |
| <b>TOTAL LIABILITIES</b>                              | <u>555,743</u>          | <u>434,872</u>        |
| <b>Shareholders' equity</b>                           |                         |                       |
| Common Shares   | 15                      | 15                    |
| Additional paid-in capital                            | 507,383                 | 503,021               |
| Accumulated deficit                                   | (42,236)                | (80,560)              |
| Statutory reserves                                    | 24,435                  | 24,435                |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                     | <u>489,597</u>          | <u>446,911</u>        |
| <b>TOTAL LIABILITIES AND<br/>SHAREHOLDERS' EQUITY</b> | <u><u>1,045,340</u></u> | <u><u>881,783</u></u> |

SOURCE Xinyuan Real Estate Co., Ltd.