

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

EVENT DATE/TIME: AUGUST 15, 2018 / 12:00PM GMT



AUGUST 15, 2018 / 12:00PM, XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

CORPORATE PARTICIPANTS

William Zima *ICR, LLC - Head of Asia Practice*

Lizhou Zhang *Xinyuan Real Estate Co., Ltd. - CEO & Executive Director*

Xuefeng Li *Xinyuan Real Estate Co., Ltd. - Interim CFO*

Yong Zhang *Xinyuan Real Estate Co., Ltd. - Founder & Chairman*

CONFERENCE CALL PARTICIPANTS

Iain Woolward

John Sheehy

Matthew Larson

George Guo

Franklin Morton

Richard DiGeronimo

PRESENTATION

Operator

Good day, everyone, and welcome to the Xinyuan Real Estate Company Limited Second Quarter 2018 Earnings Conference Call. Please note that today's call is being recorded. I would now like to turn the conference over to Mr. Bill Zima of ICR. Please go ahead, sir.

William Zima - *ICR, LLC - Head of Asia Practice*

Hello, everyone, and welcome to Xinyuan's Second Quarter 2018 Earnings Conference Call. The company's second quarter earnings results were released earlier today and are available on the company's IR website as well as on Newswire services.

Before we continue, please note that the discussion today will contain forward-looking statements made under the safe harbor provisions of the U.S. 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 these and other risks and uncertainties is included in our registration statement and on our Form 20-F and other documents filed with the U.S. Securities and Exchange Commission. Xinyuan does not assume any obligation to update any forward-looking statements, except as required under applicable law.

Today, you will hear from Mr. Lizhou Zhang, the company's Chief Executive Officer, who will comment on our operating results; he will be followed by Mr. Xuefeng Li, the company's Interim Chief Financial Officer, who will provide some additional color on Xinyuan's performance, review the company's financial results and discuss the financial outlook. Mr. Yong Zhang, Chairman of Xinyuan is also present for the call. Following management's prepared remarks, we will open up the call for questions.

With that said, I would now like to turn the call over to Xinyuan's CEO, Mr. Zhang. Please go ahead.



AUGUST 15, 2018 / 12:00PM, XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

Lizhou Zhang - *Xinyuan Real Estate Co., Ltd. - CEO & Executive Director*

Thank you, Bill. Good morning, and thank you all for joining our Second Quarter 2018 Earnings Conference Call. We are pleased to achieve above guidance contract sales of USD 633.9 million during the second quarter of 2018 even in a persistently challenging housing market in China, in line with our expectations, the restrictive regulatory environment of China's property market cooled down overall housing purchase, which slowed down the fiscal contract sales growth at our active projects. ASC 606 adoption also negatively impacted our top line, since part of our revenues now must be recognized at a later time. However, demand for our active projects in China remain positive and our average selling price per square meter sold in China improved by [18.6%] (corrected by company after the call) during the second quarter of 2018 compared to the prior year period.

During the quarter, we also made investments to support long-term growth. On March 31, we have purchased 6 parcels of land and enlarged our total land bank GFA by 2.44 million square meters. In addition, we'll continue to move forward with our overseas project as planned.

In New York City, our Hudson project -- our Hudson Garden project in Hell's Kitchen neighborhood of Manhattan finished excavation during the second quarter of 2018, which followed the completion of foundation work in first quarter of 2018. During the same quarter, we started the protection, master molds and removal of crucial parts of the landmark theater at our Flushing project.

As part of the plan for later off-site restoration of the Landmark, we will start the transfer phase in the third quarter of 2018. Our Oosten project in Brooklyn had sold 176 units by the end of the second quarter, recognizing total revenue of USD 259.3 million since it started presales.

In London, the Madison Project, which is under construction in the Canary Wharf neighborhood, is expected to be completed in 2020. All of the 104 affordable housing apartments out of the total 423 residential units at the project have been presold to a regulated affordable housing provider.

Finally, we are also pleased to continue our dividends payment in this quarter, and we are proud of our ability to deliver sustainable value to our shareholders.

Now please allow me to turn the call over to our interim CFO, Mr. Xuefeng Li. Xuefeng, please go ahead.

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

Thank you, Mr. Zhang. Hello, everyone, and welcome to Xinyuan's Second Quarter 2018 Earnings Conference Call. Allow me to take you through the financial results for this quarter to further discuss our latest operations and the initiatives and conclude by updating you on our financial outlook for the rest of the year.

To comply with SEC's and Financial Accounting Standards Board's requirements, we have adopted ASC 606 revenue from contracts with customers on January 1, 2018. We adopted ASC 606 on an over-time basis, via the cost input method and applied the standard only to contracts not completed as of the date of adoption. That means part of our profits will be recognized later than previously estimated under the percentage of the completion method.

Our second quarter results reflect the adoption of ASC 606, especially with regards to revenues and net income and may not be directly comparable to the same period last year. Second quarter contract sales decreased 13.4% to about USD 633.9 million from about USD 732.4 million in the second quarter of 2017 and increased 66.5% from USD 380.7 million last quarter. This was higher than our guidance of \$530 million.

Total GFA sales in China were about 283,000 square meters in the second quarter, decreased from about 410,000 square meters in the same quarter last year, and increased from about 150,000 in the last quarter.

Total revenue decreased 26.1% to USD 360.6 million from USD 488.2 million in the second quarter of 2017, and increased 107.1% from USD 174.1 million in the first quarter of 2018. The decrease was mainly due to the adoption of ASC 606. The average selling price per square meter sold in China was around RMB 14,000 in the second quarter of 2018 compared to about RMB 16,000 in the last quarter and about RMB 12,000 in the second quarter 2017.



AUGUST 15, 2018 / 12:00PM, XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

Selling, general and administrative expenses as a percentage of total revenue increased to 12.6% from 9.8% in the second quarter of 2017 and decreased from 22.9% the last quarter. The increase was due to costs associated with company expansion and the decrease of revenue. Interest expense this quarter was about USD 26.6 million compared to about USD 30 million last quarter and USD 20.2 million in the same quarter last year. The increase is mainly due to increase of debt.

Exchange loss in this quarter was about USD 21.4 million compared to about \$11.6 million exchange gain last quarters and \$46,000 exchange loss in the same quarter last year. The loss is mainly due to the U.S. dollar to RMB exchange rate has increased to 6.6166 this quarter from 6.2881 last quarter.

Income tax in the second quarter of 2018 was USD 29 million from USD 0.1 million as a result of decreasing revenues and increasing interest expenses, exchange loss and the income tax -- net loss for second quarter of 2018 was USD 9.1 million compared to USD 20.8 million net earnings for the second quarter of 2017. Diluted net loss per American Depositary Share attributable to shareholder were USD 0.11 compared to USD 0.14 net earnings per ADS in the second quarter of 2017.

The company repurchased 611,958 ADR in June and 342,247 ADR in July of 2018.

The balance sheet. As of June 30 2018, the company's cash and cash equivalents increased to USD 1.5 billion from USD 1.2 billion as of March 31, 2018, mainly due to the increase of cash and cash equivalents generated from contract sales.

Total debt outstanding was USD 3.6 billion, which reflected a decrease of USD 228.7 million compared to USD 3.8 billion at the end of first quarter of 2018. The balance of the company's real estate properties under development at the end of the second quarter of 2018 increased to about USD 3.7 billion compared to USD 3.5 billion at the end of the first quarter of 2018. The increase was mainly because we acquired 6 pieces of land in the second quarter. They are: Zhengzhou International New City V, Zhengzhou Hangmei International Wisdom City II, Wuhan New Project, Jinan Zhangqiu Project, Suzhou New Project and Qingdao West Coast Project.

Equity at the end of the second quarter 2018 was about USD 680 million compared to about USD 705 million at the end of the first quarter of 2018. The decrease was mainly due to the USD 21.4 million of exchange loss in the second quarter.

Project updates. As of June 30, 2018, we have in total 26 active projects and 18 projects under planning, including 6 projects acquired in the second quarter. The new projects are mainly located in our existing markets with solid track record. And we believe that they will drive our long-term growth. As of August 10, 2018, our total unsold land bank is 6 million square meters, which lays a strong foundation for our development in the future years.

U.S. projects updates. As of June 30, 2018, our Oosten project in Brooklyn, New York has recognized a total revenue of about USD 259.3 million from the sale of 176 units out of 216 total units, representing approximately 81.5% of total units sold. Revenue from this project in the first half of 2018 was USD 8.8 million.

Our Hudson Garden project in Manhattan, New York, completed excavation and foundation work in the first half of 2018. A total is 29,000 square foot out of the 38,000 square foot of retail commercial space has been leased to the U.S. department store retailer Target with a 20-year lease.

We continue to execute on planning, governmental approvals and predevelopment of our grounds-up development project in Flushing, New York. After the Landmark Protection Committee's approval on our landmark protection plan and awarded us Certificate of Appropriateness. We began protecting, mastering molds and removing artifacts during the second quarter of 2018. Transfer work will start in the third quarter of 2018.

U.K. projects update. In the second quarter of 2018, construction has continued to progress well, including the formation of the extensive basement and all piling work have been completed for the Madison project in London. The structural core of the building has been constructed up to the 23rd floor out of total 53rd -- 53 floors. Construction remains on track for completion in 2020.



AUGUST 15, 2018 / 12:00PM, XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

By the end of the second quarter 2018, all of the 104 Affordable Housing Apartments of the 423 units Madison Project have now been presold. Of the remaining 319 apartments, 130 apartments have been sold, representing 41% of the unit.

Dividends. We announced a cash dividend for the second quarter of 2018 of \$0.10 per ADS, which will be paid before September 12, 2018, to shareholders of record as of August 27, 2018.

I would now like to share with you our expectations on the current market environment. Government's stricter stance on housing market began around October 2016 and was elevated in the first half of 2018, which we believe will persist into 2018. High down payments for second home purchases, qualification of homebuyers in the local markets and ceiling price guidance remain in place. Despite the restrictions, overall underlying home-buying demands remain favorable in our local markets as demonstrated by our second quarter's sales increase. We believe those policies will help grow and flourish a healthy and stable market by cooling down irrationally escalating prices in certain cities, which we support for the long-term sustainable growth of our business. In China, a large population is migrating to Tier 1 and Tier 2 cities. This urbanization process fuels long-term housing demands trend. As most of our available units are for first home buyers and not the luxury market. We are fully confident about our future sales and business growth.

And finally, on to our full year 2018 financial forecast. Our guidance reflects the adoption of ASC 606 and may not be comparable to prior years' periods before we began to adopt the new accounting standard. Our contract sales, which are better indicator for business development with the adoption of ASC 606, is expected to continue to grow in the remaining 2 quarters of the year. Third quarter contract sales is expected to be approximately [USD 540 million] (corrected by company after the call). For 2018, the company expects an increase in the contract sales of about 10% and an increase in consolidated net income of 15% to 20% over 2017. The majority of the company's revenue and its return net income are expected to occur in the fourth quarter of 2018. This is because, under the adoption of ASC 606, our newly purchased land before 2018 need a cycle to turn into revenue.

This concludes my prepared remarks for today's call. Operator, we are now ready to take some questions.

Operator

(Operator Instructions) We will take our first question from Iain Woolward.

Iain Woolward

I have a question about buybacks. In fact, I think all your shareholders have a question about buybacks. How much did you buy back over the last quarter?

Xuefeng Li - Xinyuan Real Estate Co., Ltd. - Interim CFO

Okay. The company repurchased 30 million in the second quarter of 2018 of buyback.

Iain Woolward

Okay. That's good. And second question related, why don't you just privatize the company? At the current share price, you would -- the stock is priced at 1/3 of book, you're giving out over 8% in dividend. Doesn't that then justify to privatize the company?

Xuefeng Li - Xinyuan Real Estate Co., Ltd. - Interim CFO

We need to consider this question. Currently, the company has no plans for privatization.

AUGUST 15, 2018 / 12:00PM, XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

Operator

And we'll take our next question from John Sheehy.

John Sheehy

Are you seeing any relaxation of home price restrictions in your key markets in recent months?

Xuefeng Li - Xinyuan Real Estate Co., Ltd. - Interim CFO

(foreign language) So from our perspective within the first half of the year the overall market experienced a tough situation. Starting on July this year, the environment experienced a relaxation to some extent.

John Sheehy

Okay. And can you share some comments on the current lending environment for real estate developers, and how you're managing your financing needs?

Xuefeng Li - Xinyuan Real Estate Co., Ltd. - Interim CFO

(foreign language) So the overall lending environment, from what the company saw since last year, has been tightened. But the lending for specific projects are still open. That's pretty much the answer to your question.

John Sheehy

Okay. And can you share some comments on your current status of your business park developments in Zhengzhou, Da lian, Changsha, Xi'an and, I think, Huzhou?

Xuefeng Li - Xinyuan Real Estate Co., Ltd. - Interim CFO

(foreign language) Okay, so regarding the [five] (corrected by company after the call) cities you just addressed, the Zhengzhou accounts for our highest percentage of the latest acquired projects for this year for our company. We acquired three projects. And for Da lian and Huzhou, in each of the cities we acquired 1 project and the currently there is no substantial about our project updates in terms of Xi'an.

Operator

And our next question comes from Matthew Larson of Wells Fargo.

Matthew Larson

I didn't hear the response when the first caller asked how many shares were purchased in the first quarter. I read something on your news release and it didn't seem to be the same thing as the verbal response. Could you just confirm to me that level?

AUGUST 15, 2018 / 12:00PM, XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

Okay. The company repurchased in June, 611,958 ADS; and in July, the number is 342,247 ADS.

Matthew Larson

Right. So you bought a couple of million dollars worth. Okay, I mean, frankly, I don't think you should go private. I'd rather own your stock at this level and wait for it to appreciate. I think you guys are doing well under a difficult environment and thank you very much for maintaining the dividend. I think that is very critical. But I would recommend that after your window reopens, and if the stock remains at this level, you should buy more aggressively because, at this point, the dividend is a lot higher than the interest rate on your outstanding dollar-denominated debt, which I want to ask. You got a couple of hundred million dollars in denominated debt, and fortunately, you have a lot of non-PRC currency of projects, which can support that. So it would seem to me that, with the success of the London projects, it seems to me that you're selling plenty of apartments upfront, and then, of course, the Brooklyn project in the Flushing and the Hudson Yards, then you've got plenty of dollar-denominated or other currency denominated projects to support rolling over that debt, which I think is what has been pressuring your stock. Do you think that, that's the reason why? Your stock is at a low, and it seems as if there is real concerns about any company that's got a lot of dollar-denominated debt. Could you address that, please?

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

(foreign language) Okay, let's get to our overseas project updates. In America, in New York, there's the Oosten project. Because the remaining units are larger in size so the selling is slower. Our Manhattan and Flushing project sell small and medium size units. We are expecting to have a much higher demand.

We will also have some local large sales agents to assist in the sales of the remaining units. And yes, the U.S. dollars to RMB exchange rate have increased 5% to 6.62 this quarter from 6.29 last quarter. Accumulatively, we have exchanged [USD 400 million] (corrected by company after the call) into RMB from the end of 2017 to early 2018, USD 400 million multiplied by 5% equals to USD 21 million. This is how we accrued the exchange loss in the second quarter

Matthew Larson

I can barely understand you, but I can hear the -- it's not going through very well, clear to me. I will just ask this, I'll go to the second question. The Brooklyn project, which I'm -- I live nearby, and it's a wonderful project. The sales have been kind of slower. And even though it's a world-class project, is there a reason for that? Are you holding apartments off the markets? Or, I mean, I know that the market for apartments in general particularly in Brooklyn and elsewhere, is pretty strong here in New York City. Are you just being conservative in your selling posture? Is that why you only sold a few apartments each quarter instead of just closing that project out, which is a few years old now.

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

(foreign language) As most of the remaining units are larger in size, and they will take a longer time to sell. New York real estate market activity was cold in the second quarter and buyers have a lot to consider, including the fluctuation of the economy. Affected by the regulation of China foreign exchange outflows, Chinese buyers are temporarily large. The trend of Q3, I'm also not very optimistic up to this moment. About the selling plan. We have just to proceed as we expected because we have projected the number at the beginning of this year. And it is just happening as we have expected. We didn't think that (inaudible).

Operator

Our next question comes from George Guo, a private investor.

AUGUST 15, 2018 / 12:00PM, XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

George Guo

I noticed last quarter you have \$300 million drop in balance sheet, the equity, due to the accounting change. How are you going to recapture that? Are you going to pay tax on that again?

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

(foreign language) So Mr. Xuefeng's answer to this question is, the total equity remains unchanged. The account change you see on the balance sheet is a result of the adoption of the new accounting policy. As we gradually deliver our old projects, those equities will be recognized. We don't pay any tax on it.

George Guo

The next question is, you understand, as you are a New York state -- New York-listed company, it's very good when you make deals and make sales. But with stock going down, it doesn't give confidence to the half buyer of your collaborator. I really believe we should spend a lot of money to repurchase stock so that it looks like the company is going up instead of going down. So what's the plan for this quarter and the next quarter on repurchasing of stocks?

Lizhou Zhang - *Xinyuan Real Estate Co., Ltd. - CEO & Executive Director*

(foreign language)

Operator

And we do have additional questions in the queue, would you like to take those now?

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

Okay. So in terms of the last participant's question, Mr. Xuefeng's answer is that we do have repurchase planned on daily basis. We have a capital amount in terms of how many shares we plan to repurchase.

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

(foreign language) Okay, so our total purchase for each day is USD [32 million] (corrected by company after the call). That's the plan. The aggregate amount that we use for repurchase. So the aggregate amount for repurchase is [\$32 million] (corrected by company after the call), and is divided on a daily basis of \$250,000. And that accounts for [0.78%] (corrected by company after the call) of the total amount.

Operator

And our next question comes from Franklin Morton, private investor.

Franklin Morton

Could you talk about your tax rate? I see pre-tax in the quarter and also for the year as a whole, your tax rate is more than 100%. If that keeps up, you never make any money. So could you talk about what your long-term tax rate might be and why it is so high right now?



AUGUST 15, 2018 / 12:00PM, XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

The main reason is that the exchange loss of [USD 21 million] (corrected by company after the call) cannot be deducted before tax because the share loss was added back. Income from operations before income taxes should have been around USD 41 million. This is why we accrued higher tax in second quarter.

Franklin Morton

What is a good estimate of your long-term tax rate over the next few years? Is it 20% or 40% or 50%? Can you just give us some guidance there?

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

The tax rate is around 55% in the following 2 years.

Franklin Morton

Okay. Second question, your guidance for 2018 is for net income to grow by 15% to 20%. Is that number based on what you reported for last year or based on the new accounting number for last year? You reported \$80 million in net income, but it was restated to about \$5 million. Which number is right?

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

It's based on the before tax revenue of 2018, the number for 2018 was based on USD 80 million. After we adopted the ASC 606, the net income will be USD 80 million.

Franklin Morton

So are you saying that you're going to earn this year USD 80 million plus 15% to 20%? Or are you going to earn the USD 5 million restated plus 15% to 20%?

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

Yes. Based on this number, 15% to 20%. The number is around USD 92 million to USD 96 million.

Franklin Morton

Okay, so that would be -- you're saying you're going to earn \$1.50 a share and the stock is creating 2x earnings?

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

(foreign language) Sorry, can you repeat your question?



AUGUST 15, 2018 / 12:00PM, XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

Franklin Morton

Yes. My question was if you're going to earn \$92 million to \$96 million this year, that's about \$1.30 to \$1.40 a share, and your stock is trading at 2 to 3x earning, is that right?

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

(foreign language) Yes, that's right.

Franklin Morton

Okay. The last question that I have, could you update us on the CFO? What happened to the prior CFO? And how are you doing in your search for a new CFO right now?

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

(foreign language) Okay, our current CFO resigned because of personal reason. I'm honored to be appointed as the interim CFO, and I'll try my best to fulfill my duty and lead my team to accomplish our target in this year. About your question, I think it depends on the decision of the Board of Directors and the management.

Franklin Morton

Yes, are you still looking for a permanent CFO? Or have you become the permanent CFO?

Yong Zhang - *Xinyuan Real Estate Co., Ltd. - Founder & Chairman*

(foreign language) So Xuefeng Li, the interim CFO, he's quite solid in his financial management skills and also operational skills. (foreign language) So there might be a little bit a deficiency in having culturally frequent conversations with U.S. investors. (foreign language) So the whole team will be able to offer the help in terms of having a sufficient communication with our overseas investors. (foreign language) And so the board members have been very active in offering their support to our financial team members in this transition as well.

Yong Zhang - *Xinyuan Real Estate Co., Ltd. - Founder & Chairman*

(foreign language) So the board hopes that, over the coming months, there might be substantial progress in Xuefeng and his team's work, so that in a few months time, he may be qualified for a CFO full role in this position. And this is the Chairman, Mr. Zhang Yong speaking.

Franklin Morton

I just have one final comment. At the current stock price, I think both you and all your shareholders are better off with you buying back stock than building your land bank. You have the opportunity to buy back stock with a \$10 book value for \$3.50. That's a much higher return than any piece of real estate you would buy for your land bank right now. And I would encourage you to take advantage of this opportunity aggressively.

Yong Zhang - *Xinyuan Real Estate Co., Ltd. - Founder & Chairman*

(foreign language) So over the coming months, we will be -- we have a firm policy where we would go very actively in repurchasing both our stock portfolio, and those bound as well.



AUGUST 15, 2018 / 12:00PM, XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

Operator

Our next question comes from Richard Geronimo.

Richard DiGeronimo

I think all the investors are saying it's remarkable how well you're doing but the stock price is so low. Now I assume one of the problems right now is, maybe TPG is still liquidating, which would pressure the stock price more. Is that correct?

Yong Zhang - *Xinyuan Real Estate Co., Ltd. - Founder & Chairman*

(foreign language) TPG sale might be contributing to the current pressure on our stock price. It's highly possible, but they are doing it in small quantities, so I don't believe there is anything that is overly substantive.

Richard DiGeronimo

Okay. Are they planning on liquidating their entire portfolio?

Yong Zhang - *Xinyuan Real Estate Co., Ltd. - Founder & Chairman*

(foreign language) It's TPG's decision to make. We are not aware of it.

Yong Zhang - *Xinyuan Real Estate Co., Ltd. - Founder & Chairman*

(foreign language) So what we know and what we share with you is that they have invested with us for quite a long time. And so it's probably coming to time that the portfolio or their private equity fund is actually coming to termination.

Richard DiGeronimo

I understand. I have been with you guys since Tom Gurney was the CFO. So I've been with you quite a while as well. And I'm still impressed by your ability to make money and do well in your environment. The next question I have is, when will we see any movement on the -- I know you have a stock on, I guess, it's the Shanghai market, or the side parts of Xinyuan, when we will see that accretive to the shareholders of Xinyuan?

Unidentified Company Representative

I'm sorry, did you talk about specific properties in Shanghai?

Richard DiGeronimo

I'm sorry, say again?

Unidentified Company Representative

Did you talk about specific properties in Shanghai?



AUGUST 15, 2018 / 12:00PM, XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

Richard DiGeronimo

No, no, no, not the property, but the actual -- you have a listing on the Shanghai stock market, but it's not publicly traded yet...

Unidentified Company Representative

(inaudible) it is (inaudible). Yes, go ahead, please.

Richard DiGeronimo

I was just curious when do you plan on going public with that so that it will start to show up on the balance sheet? Or are you producing any revenue from your secondary projects of Xinyuan or departments.

Unidentified Company Representative

Did you talk about specifically the blockchain, the technology investment group? Because we actually have a subsidiary of Xinyuan Group that is listed in China's Third Board.

Richard DiGeronimo

Yes, that's part of it. That's right. But I'm also -- you know, you guys are doing a lot of development, you're doing a lot of financial perspective, you're doing design. Now when will that start to show up in the balance sheet as a revenue or a profit?

Yong Zhang - Xinyuan Real Estate Co., Ltd. - Founder & Chairman

(foreign language) So I would like to mention that we have a few affiliated businesses, including the secondary business that you just now mentioned. So out of the 5 affiliated businesses that Xinyuan developed, they have been contributing at a small level to Xinyuan's balance sheet as well as our net income as well, starting from this year and maybe more next year. (foreign language) And so the real growth potential that you will see from these 5 affiliated businesses is probably going to appear within the next 1 to 3 years.

Richard DiGeronimo

Okay, that's great. And the last question I have is, you guys didn't discuss at all the Malacca Malaysia project. Is that on hold now? Or is that -- are you doing the landfilling now?

Yong Zhang - Xinyuan Real Estate Co., Ltd. - Founder & Chairman

(foreign language) And so the Malaysian project is currently on schedule, and so we are doing some basic groundwork to build the island. So that is ongoing at the moment.

Operator

That is all the time that we have for questions today. At this point, I would like to turn the call back over to management for any closing remarks.



AUGUST 15, 2018 / 12:00PM, XIN - Q2 2018 Xinyuan Real Estate Co Ltd Earnings Call

Xuefeng Li - *Xinyuan Real Estate Co., Ltd. - Interim CFO*

Thank you for joining us on today's call, and we appreciate your ongoing support. We look forward to updating you on our progress in the weeks and months ahead. Thank you, again.

Operator

And this concludes today's conference. Thank you for your participation. You may now disconnect.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2018, Thomson Reuters. All Rights Reserved.