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XIN - Q3 2014 Xinyuan Real Estate Co Ltd Earnings Call

EVENT DATE/TIME: NOVEMBER 11, 2014 / 12:30PM GMT



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PRESENTATION

Operator

Good day, everyone, and welcome to the Xinyuan Real Estate Company Limited Third Quarter 2014 Earnings Conference Call. Please note that today's call is being recorded.

Now I would like to turn the conference over to Mr. Bill Zima of ICR. Please go ahead, sir.

William Zima - *ICR Inc. - Partner*

Hello, everyone, and welcome to Xinyuan's third quarter 2014 earnings conference call. The company's third quarter earnings results were released earlier today and are available on the company's IR Web site, 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 would be materially different from the views expressed today. Further information regarding these and other risks and uncertainties is included in our registration statement and 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. Yong Zhang, the company's Chairman, who will comment on our operating results and provide some perspectives on the property market environment. He will be followed by Dr. Manbo He, company's Chief Financial Officer, who will provide some additional color on Xinyuan's performance, review the company's financial results, and discuss the financial outlook. Following management's prepared remarks, we'll open the call up to questions. During the Q&A session, Mr. Zhang will speak in Mandarin, and his comments will be translated in English by Ms. Helen Zhang, the company's Financial Controller.

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

Yong Zhang - *Xinyuan Real Estate - Founder and Chairman*

Thank you Bill. Good morning and thank you all for joining our third quarter 2014 earnings conference call.

China's real estate market remained challenging across the country in the third quarter as there remained less home purchase activity by consumers. This results in lower revenue and contract sales than we anticipated last quarter. However, we managed to meet our net income guidance and achieve sequential profit growth as operating expenses were lower.



During the third quarter, we had 14 projects that were active and available for sale, and we acquired one land parcel in Xi'an City, located in Shaanxi Province. In the U.S., [for sales], our New York Oosten project are on track. Around 20% of our all units are under contract as of end of October. At the end of the third quarter, the government passed some important policies to improve China's housing market. This includes allowing a broader range of home buyers' access to lower down payments and easing mortgage credit. We believe such initiatives are good signs and they can help stabilize the real estate market and increase home purchasing activity over time.

In the fourth quarter, we will maintain strict cost controls and be highly selective with our land bank expansion activities. We have five new projects scheduled to launch in the fourth quarter and are positioned for growth as market conditions improve.

Now please allow me turn call over to our CFO, Dr. Manbo He.

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Thank you, Mr. Chairman. Hello, everyone. Welcome to join our call today. I will give us a brief review about our key financials for the third quarter. The third quarter net income was within the guidance range. The result was US\$7.8 million, a 14.7% increase from \$6.8 million in the second quarter and a significant decrease from the same quarter of last year. Contract sales in the quarter totaled US\$167.7 million, a 15.6% decrease from our second quarter and a 31% decrease from the same quarter last year.

Our third quarter total revenues were US\$163 million. That is a 1.9% decrease from the second quarter and a 32% decrease from the same quarter last year. The revenue decrease was much less than contract sales decrease mainly due to the percentage of completion improvement with our projects. The company's GFA sales were 100,000 square meters in the third quarter. The second quarter of the same year is 149,000 square meters. And the number for last year, the same quarter, is 151,000 square meters.

The average selling price per square meter sold was at RMB10,000 or US\$1,600 equivalent, compared with RMB8,155 for the second quarter and RMB9,976 for the same quarter last year. So, the average selling price increase was mainly due to product mix, and we didn't increase any price of our projects per se.

Our project in Zhengzhou area contributed 42% of the total GFA sales followed by our project in Jinan which contributed 38%. The property market performed relatively better in Zhengzhou and Jinan compared to the broad property market which is in-line with the situation for the whole country.

Next, let's get to gross profit. The gross profit for the third quarter was US\$43.5 million or 26.6% of revenue, which is similar to last quarter that was US\$43.3 million or 25.9% of revenue. Compared with the same quarter last year the gross profit was much higher of US\$78.5 million or 32% of revenue. The increase in gross margin compared to the last quarter was mainly due to certain car park sales in three Zhengzhou projects, which we have been able to recognize it in the same quarter since we have the government approved for granted property right certificate which positively affected our revenue in the range of around US\$17 million and with impact on our gross margin as well.

For the SG&A expenses for the third quarter, it was US\$32.1 million, compared to US\$35.6 million for the second quarter, and it's higher than the US\$23 million figure for the same quarter of last year. As a percentage of total revenue, SG&A expenses were 19.6%, slightly lower than the 21.4% in the second quarter and significantly higher than the 9.6% in the same quarter last year.

For this year the SG&A decrease was mainly due to the reversal of our \$4 million of incentive program which we recognized in second quarter. And prior to filing the incentive claim with the SEC, the company set advance condition of three-year service for the company for the total incentive program of \$7.2 million will be amortized in three years rather than two quarters. That's the reason for the reversal.

And the next item is the taxation. In the third quarter of 2014, the company reduced its unrecognized tax benefit liability related to the Zhengzhou Modern City project by \$8.7 million due to the expiration of the three-year statute of limitations period.



Let me explain a little bit further on that. Based on the levy method applied by the Zhengzhou local tax bureau before 2011, the company's Zhengzhou Modern City project located in Zhengzhou was paying corporate income tax on a deemed profit method. Under the deemed profit method, taxable income is deemed to be 15% of cash receipts regardless of actual income generated in 2010. The company believed that it was more likely than not that the PRC national tax authorities would require Zhengzhou Modern City project to pay corporate income taxes based on the statutory taxable income method instead of the deemed profit method. Based on that, the company recorded the difference between the corporate income taxes due based on the statutory taxable income method and the corporate income taxes based on the deemed profit method amounting to US\$8.7 million as tax liability since 2010.

Now, the three-year statute of limitation according to the PRC Tax Administration and Tax Collection Law has already expired in 2014. So the company reduced its unrecognized tax benefit liability related to the Zhengzhou Modern City project by this US\$8.7 million accordingly.

Our net income was US\$7.8 million, which is a 14.7% increase from US\$6.8 million in the second quarter and a 72.8% decrease from US\$28.7 million reported in the third quarter last year. The net income figure, however, is the number that's within the range of our guidance we gave out in the second quarter.

As of September 30, 2014, the company reported US\$553 million in cash and cash equivalents, including restricted cash, compared to US\$680 million as of June 30. Total debt outstanding was US\$1.39 billion, an increase of US\$80 million compared to \$1.31 billion at the end of the second quarter. The balance of the company's real estate property under development at the end of the third quarter was US\$1.5 billion compared to \$1.54 billion at the end of the second quarter of 2014.

Our asset to liability ratio increased slightly from 67% to 69%. The net gearing ratio is around 89% which comparatively is less than our peers. The average net gearing ratio for Asia tier 2 developers is around 150% and for tier 1 developers is around 70%. For similar size developers listed on the Hong Kong Stock Exchange, we have an average net gearing ratio of 112%. So those are all higher than our gearing ratio.

Earlier today, we reported that we entered into a note redemption agreement with TPG Asia to which Xinyuan has agreed to redeem in full on December the 1, 2014 its 5% senior secured convertible notes due 2018 of an aggregate principal amount of US\$75.8 million issued on September the 19, 2013. The notes contained a financial covenant requiring us to maintain a fixed charge coverage ratio as defined in the note of not less than three to one as determined on the last day of each fiscal quarter of each fiscal year.

In addition, the note also contained a limitation on indebtedness covenant limiting our -- and our subsidiaries abilities to incur indebtedness which covenant is tighter than the similar covenant contained in our other indebtedness including our US\$200 million senior notes due 2018 and another one with same amount due 2019.

Xinyuan will pay in cash an amount equal to the principle of the note plus all accrued and unpaid interest up to and including the redemption date, plus an amount equal to the principal multiplied by 13%. And all of this should total around US\$86 million.

Xinyuan has available cash to fund the redemption. However, it also will consider options to finance the redemption. After this redemption Xinyuan will have no other outstanding convertible notes. It's important to point out that TPG remains a strategic investor of Xinyuan, with 7.6% ownership of our outstanding shares and will continue to maintain its seat on our board.

Next, let's move on with our operational update. As reported on our last conference call, we acquired a parcel of land with GFA of 361,700 square meters in late July in the Daxing New District of Xi'an city. This parcel also has a total size area of approximately 85,118 square meters. The price paid was RMB579.6 million or approximately US\$93.8 million, which was the initial public auction price. Xi'an is the large city in northwest China with a population over 8 million. The Daxing New District is the new important international trade base which is part of China's 11th five-year plan in West region.

As I mentioned last quarter, we will continue to focus on existing cities in which we operate targeting higher margin projects for our future development, particularly in Zhengzhou and Jinan. Overall, we will continue to expand our land bank in 2014 for future development and plan to pay RMB7 billion to RMB8 billion or equivalent to US\$1.1 to US\$1.3 billion for land acquisitions this year. As of September 30, we have paid RMB4.3



billion for land cost and deposit. Our land acquisition plan for the rest of the year is more related to negotiated land parcels. By that, we're trying to pay the lowest price possible.

Looking at our developing activity in the U.S., our New York Oosten development project remains on track. We expect to top out entire civil structure in early 2015, the first quarter is scheduled. Pre-sales activity for this project is active. As of October 31, approximately 20% of all units are under contract, with revenue expected to be recognized in 2016 which is the requirement of accounting. You can only recognize revenue after delivery in that state.

Next, let's move on to share buyback. The company remains confident about our future prospects, and we repurchased approximately 630,000 ADS in the market at a total cost of around US\$2.3 million in the third quarter when the price was still at the low level.

The challenges and chances we are facing -- for the company, we need to acquire more profitable projects with a focus on existing cities. And we are aiming to raise the criteria of land acquisition. And the yardstick for the requirement of ROI will be above 15%. And also we are trying our best to expand the financing channels to lower the overall financing cost. Our current cost of financing, the spread we pay anywhere between 5.8% to 9.1% on construction loans, and the rate for trust loans ranging from 10% to 12.5%. So the overall average cost of financing for the company at the moment is around 10.6%.

Last, let's move to the forecast. The chairman has already pointed out that the property market in China right now is still very challenging across the country. It's hard for us to make the projection in the fourth quarter under these circumstances. However, I am trying to give some guidance so that the investors can have a better understanding of our operations moving forward.

Given the uncertainties in the market as well as the timing of pre-sales project activity for our five projects scheduled for the fourth quarter, the direction of the business is still on track. And for the fourth quarter, we expect our contract sales to reach approximately US\$500 million to US\$510 million. And on the revenue side, we expect in the range of US\$300 million to US\$310 million. And for the net income, our projection is to reach the range of US\$7 to US\$9 million and that is the forecast for the fourth quarter. And for the full year, we expect our contract sales to reach US\$1.138 billion to US\$1.148 billion. And the full year revenue is expected to total US\$856 million to US\$866 million. While the full year net income is projected at US\$31 million to US\$33 million.

I have to address again that these projections are subject to change given the market environment as well as the timing of pre-sales for our new projects scheduled for the fourth quarter. As we are very closely monitoring the market, we will make sure our investors be updated as we are going forward.

So for now, this concludes our prepared remarks for today. Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we will take our first question from Mike Ronzio with Morgan Stanley.

Michael Ronzio - Morgan Stanley - Analyst

Hi, thanks for the call. Just two questions for me. One revolves around forward-looking pre-sales color. Could you give us some color on how your contracted sales were in October versus the third quarter in this year? And then also, can you give us an idea of looking at the four projects that you intend to launch presales on in the fourth quarter of this year, can you give us some color on if those presales have actually been launched and what the demand is shaping up to be? And then secondly, it looks like on your balance sheet, from a long-term debt perspective, you have over US\$400 million over and above your two U.S. dollar offshore bonds. Could you just comment on the type of debt that \$400 million consists of and its relative cost? Thanks.

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Okay, for the sales question, actually, as our Chairman has pointed out that due to the market condition, Chinese government has initiated some stipulation activities at the end of September and in early October as will, including activities on easing up the mortgage and also the purchasing restrictions. And the result on the market actually showed up pretty good result for the national holidays for most of the company, and that's a same thing for Xinyuan as well.

So the October results, we had a good national holiday sales. And then the rest of the month, we are still facing some challenges because the macro environment, especially for the policies decided by the Central Government, has been not been detailized by the local banks. So, the positive news on easing up of the mortgage is not showing up on the actual purchase side and many of the customers in the market are still having the mode of wait and see what's going to happen. So that affected the latter part of the sales on October.

However, looking into the rest of this year, we still have reasons to believe that we will be able to maintain strong sales for the coming two months. And the company, as I explained, is trying our best in promoting the sales in many different ways, including installment payment on both down payment and the whole payment of our project. And that has been had some good response from the market. And also we are reaching out to some financial institutions to help our customers in increasing their ability in the down payment and the whole payment on the purchase of our products. And those activities, so far, we have had some very positive response and which did help our sales. That's also the reason we still have a strong forecast for the rest of the year.

In terms of the debt that's on our balance sheet, at the moment all those debts are spread into all our different projects. And as we explained, we have construction loan which bears a lower interest rate and we have also the trust loan which bears a higher interest rate and the overall interest rates on our loans are around 10.6%. That's the answers to the two questions.

Michael Ronzio - *Morgan Stanley - Analyst*

Okay. Sorry, just one quick one with regards to presales for the fourth quarter given that we're almost halfway through the fourth quarter now. Can you comment on which projects have been launched for presales so far this quarter?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

For the fourth quarter actually we will have four projects launched in December. So we haven't started yet and we have our Sanya project will be launched in November. Yes, so in total, we have four projects launched in the fourth quarter. And the total amount of projected sales for that will be around, let me do a quick calculation, around RMB600 million.

Michael Ronzio - *Morgan Stanley - Analyst*

Okay, thanks very much.

Operator

(Operator Instructions) We'll go next to [John Sheehy], a private individual.

Unidentified Participant

Hello, everybody. Thank you for taking my call. I'd like to ask, your balance sheet currently shows about US\$1.6 billion of property under development. About how long do you estimate it will take to sell all this property and receive the full proceeds in cash?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Thank you, John, for the question. Actually, for real estate developments in China, we are continuously investing in the land bank, and our project is also an ongoing process. So, at the moment, Xinyuan is still stick to its strategy of fast turnaround strategy, which means we're developing in a much faster pace, and we are trying to tackle the opportunities that are arising from the market as fast as we can. For the land banks we have and also for the units we are holding, at the moment, the period for our project to be completed, meaning from the starting to finish the average time on it is anywhere between 18 to 24 months.

Unidentified Participant

So within about two or three years all of the current projects will be completed and you will have the cash available to invest in new projects for general corporate purposes. Is that the right way to look at it?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Yes. In a way, you can say that. However, as I explained before, we are always in the ongoing process. So, along the way, when we are selling our products, at the same time, we are spending on acquiring land for the future development and future selling. So it's always a revolving process.

Unidentified Participant

Okay, thank you. Then I would also appreciate it if you could look at your current projects in China. Can you pick one project that has been doing the best and explain why that has been doing well? And then pick one project that has been weaker than forecast and explain why that has been a little bit disappointing? And what steps you are taking to make best of that situation?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Okay. That is actually a very good question, John. Actually, we currently have 14 projects on sale for 2014, and out of that 14 projects, I would say over 80% are relatively doing quite well comparatively. And among that, as I mentioned before, our projects in Zhengzhou and Jinan did very well. And also from the industry Jinan, Zhengzhou, and Hefei are the three cities in China that have done the best in this industry. And for that actually, Xinyuan has been positioned itself quite well. We have some good projects in those cities.

In terms of the project that's doing not as well as we would expect, one example is the project in Chengdu. The reason for that is because at the time when we acquired the land, the timing was when the land price was relatively high. And because of the market pressure in those specific areas, the purchasing power in that area actually decreased faster than other areas. So that's why the whole industry in that area is under tremendous pressure. And as far as the company's strategy in dealing with the situation, right now, we are actually adjusting the pace in development. For instance, for the project in Chengdu, we are trying to slowing down the pace in hope that the market will pick up, and also by slowing down the pace of development, we are reducing the expenses on those projects that are not making a good contribution to the company at the moment.

And on the opposite side, for the future land acquisition the company is more focused on tier 1 cities, like Beijing, Shanghai, and Shenzhen which we believe have a stronger performance than the rest of the country. And also we are focused on the areas whereby the company used to have a very strong performance, and relatively our team and our suppliers and all other elements in the business are much stronger than the other places like Zhengzhou, like Jinan. And those are the things the company is doing in dealing with the current situation.



Unidentified Participant

Thank you very much for all of that detail. If I could ask one more question, could you a little bit about the diversification of your business plan about whether you intent to move into some commercial, industrial, and senior housing developments?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Well, the whole industry is under tremendous pressure and almost all of the developers are considering getting ahead into the segmental markets. Xinyuan is no exception. However, as most of the veterans in the industry have agreed that so far the residential business is still the better performed sector in the industry. And while we are trying our best in tackling the opportunity of this biggest industry consolidation, we are spending some time and resources in developing some other type of business. For instance the senior living housing business, we are in close talks with some of the partners including some very famous brand names in senior living house operation business in the States. And also, we are looking into the possibilities of getting our property management business into a bigger contribution to the whole business as a company and things like that.

But, again, the focus for the company at the moment is still trying our best to get into the tier 1 group, so that we can maintain a healthy growth once we reach that stage. The consensus in the industry is that after this consolidation, only those strong companies will survive. So that's the reason we are trying our best to get to that group to make sure that Xinyuan's business will go on for a long term.

Unidentified Participant

Thank you very much for all of those detailed answers.

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Okay. Thank you.

Operator

(Operator Instructions) We'll go next to Liang Hsu with Keane Capital.

Liang Hsu - *Keane Capital - Analyst*

Hi, Manbo. I am just wondering can you walk us through the rationale behind the early redemption on TPG's note. And what is that 13% of the principal pertaining to? And how should we look at this early redemption? How should we look at that benefiting on the existing shareholders? Thank you.

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Okay. Thank you, Liang, for the question. I have to admit that this is a rather difficult question. However, as we explained in our press release, the early redemption for TPG convertible notes was mainly due to the restrictions of those covenants on the ability of financing for the company. As I just explained, for a company at the size of Xinyuan, it is critical to grow to a certain level of scale of operations so that we will be able to survive over the long term. In doing that, we do need a strong financial support to grow our business substantially, while the restrictions, the covenants from TPGs convertible notes have put a tremendous pressure on the company in terms of financing for our growth. So after careful consideration and intense negotiation between the company and TPG, the company decided to do an early redemption of the CB so that it will give the company more room to breathe in terms of expand our financing capability.

So that's the rationale behind this early redemption. Keep in mind that although we have redeemed this CB with TPG, TPG remains our strategic investor, and at this moment they are still the second largest shareholder of Xinyuan. They hold over 7% of our share. So we are still getting a very strong support from them in terms of the directions where about the business is going.

Liang Hsu - *Keane Capital - Analyst*

And so, is that is already factored in your fourth quarter's net income guidance?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Yes.

Liang Hsu - *Keane Capital - Analyst*

Got it. And have you ever said that like on a pro forma basis without that 15% of penalty for early redemption what the net earnings are going to look like?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Well, I explained to you the difference between the inclusion of these and the exclusion of these. You can fairly quickly check out what we paid on top on the principal is somewhere about US\$10 million. So, that's the difference it will make on the fourth quarter earnings.

Liang Hsu - *Keane Capital - Analyst*

Got it.

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Okay.

Liang Hsu - *Keane Capital - Analyst*

Thank you.

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Thank you, Liang.

Liang Hsu - *Keane Capital - Analyst*

Thanks.

Operator

And ladies gentlemen, with no other question in queue, I would like to offer everyone final opportunity (Operator Instructions).



We will go next to [Peter Chen], a private individual.

Unidentified Participant

I want to know is after the spend and penalty for the early [redemption], the fourth quarter earnings will be negative or still positive?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Well, as I just mentioned our focus for the fourth quarter, we will still have positive net income.

Unidentified Participant

Okay. And I want to ask about the dividend because I didn't listen to the early part of conference, and so the dividend policy still continue for the next quarter?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Yes, the short answer to that is yes because the dividend policy is actually for Xinyuan is an annual policy. So, those have been decided in the beginning of this year and we will continue through the full year.

Unidentified Participant

Okay and how about the share purchase you will continue -- and because I found is only 0.63 million purchased. In fact, you will have a lot of cash on hand, and I assume you should buy more, much, much more shares because of the current extremely low price?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Yes, I think as I explained at the call from the last quarter, the share buyback strategy is an ongoing strategy for the company. And as you pointed out, since the price of our stock is relatively low, that is a very, very attractive option for the company and we will continually monitor the situation. We've been trying to use whatever means that in the benefit of the company's overall interest which is also the best interest for all our shareholders and we will continue to do that.

Unidentified Participant

Yes, I suggest that you do the much, much strong in purchase. So -- after you buy more so you can find another strategic investor give the old shares back to them when the share's price go up. I think that is much better than the current....

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Yes, that's a very good advice and thank you very much for that. We will consider that and take all the possibilities into consideration.

Unidentified Participant

Thank you very much.

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Okay. Thanks, Peter.

Operator

We will go next to [Brett Mayo], another private individual.

Unidentified Participant

Yes, sir. Thank you, Dr. Manbo.

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Hi.

Unidentified Participant

Hi, my question was -- somebody asked about the diversification of business plan and I thought you gave a good answer to it. But I wondered specifically if you guys ever considered working with the government, kind of like China HGS Real Estate, to engage in the large scale shanty area rebuilding projects or if that was on your radar or even a possibility?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Yes, actually the answer to that is yes. And also, it's a solid yes because right now we are in very close negotiation and discussion with some government in that respect. As you point out that is a very important sector of business, and we are paying very close attention to that. However, I do not have anything in very detail to tell you. But as I mentioned, once we get more information and once we get closer to the closure of those project we will report it to the investors.

And in addition, I would like to add that in addition to the initiatives in different elements of the industry, we are also trying to open up to different kinds of cooperation so that we can grow the business but at the same time reduce the pressure on our own financing liability. Basically, we are seeking more business cooperation in the equity side so that the company will have a better chance to grab some larger scale projects without having to putting to tremendous pressure on our financials. So that's also part of the initiative the company is trying to do to stay on track with its strategy but also try our best in reducing the adverse impact on our resources under such -- I shouldn't say bad, under such big pressure from the market.

Unidentified Participant

Right, correct. Yes, I have noticed that ...

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

[But] we are trying to do whatever we can so that we can make our investors happier.



Unidentified Participant

Correct, yes, and it is appreciated. I know that you -- another just a quick follow-up, you projected net income for this coming year of \$7 million to \$9 million or I mean this coming quarter. Is there any outlook for next year at this point or is it just to up in the air?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Well, yes. Well, as you can all appreciate that it's already very difficult for the company to give out the accurate forecast for the rest of the year due to the dynamic changes in the market. It will be -- I should say, at the moment, it really is close to impossible to give you a very meaningful forecast for 2015. However, as I said before, we will try our best and try out best to update the market, to update the investors whenever we have information that is enough for us to provide more accurate update to the markets.

Unidentified Participant

Absolutely, I appreciate that. And I guess the one last question, you guys, I assume, still have the corporate jet and that's coming in as expense. Would that ever be considered as net income keeps coming down, are you contractually obligated to keep that with the -- or how does that work basically? I'm very -- I don't know much about those contracts?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Well, I think I agree with you that I think the management and the company is as conscious as investors in terms of the corporate jet related to the contribution to our business. So far the company is trying our best in using that aircraft to the extent possible to benefit our business. For instance, we use that primarily in the development of our new projects. In looking for the site and checking out the different areas that we might be able to grab some opportunity. So this is somehow a pressure on our expenses side. And the company is monitoring the situation very, very carefully and closely, and we are also discussing the possibilities of any ways to ease up the pressure on the expenses for that aircraft. And, again, we are evaluating different options at the moment, and we will report to you guys once we are closer to any decision about what we're going to do with it.

Unidentified Participant

Well, I would just say that sounds great and I'm glad that we're inline, and to you personally, Dr. Manbo, great job on the conference call. You've been -- this has been my favorite conference call. I have been listening in for quite a few quarters, and I feel like it's been very informative ...

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Thank you very much.

Unidentified Participant

No, thank you very much. So, thank you.

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Thanks.

Operator

We'll take our next question from Trung Nguyen from Lucror.

Trung Nguyen - Lucror Analytics - Analyst

Hi, I apologize if my question has been asked. I joined the conference call pretty late. My question is regarding the TPG transaction. Who initiated the agreement, is it TPG that wanted out or the company wanted out? And secondly, what is TPG's holding of the company after the transaction? And what are your sources of funding after that? Thank you.

Manbo He - Xinyuan Real Estate - Chief Financial Officer

Okay, actually, it's a very good question, but I think the better person to answer your question is someone from TPG. However, I will try my best to answer that question. In terms of who or which side initiated this transaction, it's like any other business deal, it's very difficult to say who made the first move. It's always in the context of a business discussion when something had been brought up on both sides regarding to the discussions. And the notion is to reduce the pressure on the company, as I explained before that because of the restrictions, because of all those covenants, it makes it very difficult for the company to expand its financing activities. And at this morning as I emphasized over and over again, it is very important for Xinyuan to expand its financing resources, so that we can stick to our strategy in growing into the Tier 1 group company, so that we can survive for a longer term. So in that regard, both sides agreed that it is a good idea for us to redeem that convertible note so that we will have more room to help our company grow to the next level.

In terms of the funding for that redemption, while we do have cash on hand to pay for that, we are trying to manage the situation so that the overall cost of financing for the CB redemption and other requirements will be at its minimum. So that's what the company is doing right now. Hope that answers your question?

Trung Nguyen - Lucror Analytics - Analyst

Yes, thank you. One question (Audio Gap) are they holding anything and what is (Audio Gap) ...

Manbo He - Xinyuan Real Estate - Chief Financial Officer

Are they holding anything, what do you mean are they holding anything?

Trung Nguyen - Lucror Analytics - Analyst

I said, I remember (Audio Gap) about [75 million].

Manbo He - Xinyuan Real Estate - Chief Financial Officer

No, are you asking is TPG still the shareholders. I have explained that.

Trung Nguyen - Lucror Analytics - Analyst

Yes.

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

After the redemption, they are still the second largest shareholders of Xinyuan. So that doesn't change.

Trung Nguyen - *Lucror Analytics - Analyst*

Okay and what is the holding size?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

They remain our strategic partners. Yeah.

Trung Nguyen - *Lucror Analytics - Analyst*

What is their holding size and do they still have a board seat?

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Yes, they are still the second largest shareholder of Xinyuan, and they hold 7.6% of our outstanding shares and they still have one seat on our board.

Trung Nguyen - *Lucror Analytics - Analyst*

Okay. Thank you very much.

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Thank you.

Operator

That will conclude our question-and-answer session. I'll turn the call now back to management of the company.

Manbo He - *Xinyuan Real Estate - Chief Financial Officer*

Thanks to everyone for joining us for today's call. And the company remains confident that the management is doing the best we can to uphold the interests of all our shareholders and investors. And we will keep our investors posted on any further development on the business. And you are also very welcome to checking our website or get in touch with our outside IR firm, as well as our IR department, for any further questions. So if there are no more questions, we will conclude this conference call.

Operator

Ladies and gentlemen, thank you for your participation. This does conclude today's conference.



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